

Stock code: 1305

# China General Plastics Corporation

## 2020 Annual Report

Check the Annual Report at:

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

Market Observation Website: <https://mops.twse.com.tw>

Publication date: March 31, 2021

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**V. Name of the Stock Exchange for Trading Securities Overseas  
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**VI. Company Website: <https://www.cgpc.com.tw>**



# Table of Contents

	<u>Pages</u>
Chapter 1. Letter to Shareholders.....	1
Chapter 2. Company Profile.....	6
I.    Date of Founding: April 29, 1964 .....	6
II.   Company History .....	6
Chapter 3. Corporate Governance Report.....	10
I.    Organization System .....	10
II.   Information of Directors, General Managers, Deputy General Managers, Senior Managers and Heads of Departments and Branches .....	15
III.  Remuneration paid to Directors, Supervisors, General Manager and Deputy General Manager during the most recent fiscal year.....	24
IV.  The State of the Company's Implementation of Corporate Governance....	37
V.    Information on CPA Professional Fees .....	106
VI.   Information on Replacement of CPA .....	109
VII.  The Company's Chairman, General Manager, or Any Managerial Officer in Charge of Finance or Accounting Matters Has in the Most Recent Year Held A Position at the Accounting Firm of its Certified Public Accountant or at An Affiliated Enterprise of Such Accounting Firm.....	110
VIII. Any Transfer of Equity Interests and/or Pledge of or Change in Equity Interests (During the Most Recent Fiscal Year or During the Current Fiscal Year up to the Date of Publication of the Annual Report) by a Director, Supervisor, Managerial Officer, or Shareholder with a Stake of More than 10 Percent.....	110
IX.  Relationship Information, if among the Company's Top 10 Shareholders anyone is a Related Party, Spouse or a Relative within the Second Degree of Kinship .....	113
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 .....	114
Chapter 4. Funding Status .....	115
I.    Capital and Shares .....	115



II.	Issuance of Corporate Bonds.....	126
III.	Issuance of Preferred Stocks. ....	126
IV.	Issuance of Global Depository Receipts. ....	126
V.	Issuance of employee stock options 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.....	126
VI.	New shares with restricted employee rights 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.....	126
VII.	Status of New Share Issuance in Connection with Mergers and Acquisitions. ....	126
VIII.	The State of Implementation of the Company's Capital Allocation Plans	126
Chapter 5. Operations Overview .....		127
I.	Business Activities .....	127
II.	Analysis of the Market as well as Production and Marketing Situation ..	137
III.	Employee Information.....	155
IV.	Information Regarding Environmental Protection Expenditure .....	155
V.	Labor Management Relations .....	161
VI.	Important Contracts.....	175
Chapter 6. Financial Summary .....		177
I.	Condensed Financial Statements in The Most Recent Five Fiscal Years.	177
II.	Financial Analysis of the Most Recent Five Fiscal Years .....	181
III.	Supervisors' or Audit Committee's Review Report of the Most Recent Annual Financial Report .....	185
IV.	Consolidated Financial Report and Certified by CPAs for the Most Recent Fiscal Years.....	186
V.	Individual Financial Report and Certified by CPAs for the Most Recent Fiscal Years.....	186
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 309-1 of the Company Act .....	186



Chapter 7. Review and Analysis of Financial Position and Performance and Risk Items...	187
I. Financial Position.....	187
II. Financial Performance.....	188
III. Cash Flow.....	189
IV. Impact of Any Major Capital Expenditures on the Company's Financial Operation During the Most Recent Fiscal Year.....	190
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.....	192
VI. Risk Analysis and Assessment .....	192
VII. Other important matters: The Company's key performance indicators .....	215
Chapter 8. Special Notes .....	217
I. Affiliates Information.....	217
(I) 2020 Consolidated Business Report of Affiliated Enterprises.....	217
(II) Consolidated Financial Statements of Affiliated Enterprises .....	222
(III) Affiliation Reports .....	223
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. ....	227
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. ....	227
IV. Other Supplementary Information. ....	227
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. ....	227



## Chapter 1. Letter to Shareholders

Dear Shareholders,

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

### I. Results of Operations in 2020

The Company's consolidated net revenue in 2020 was NT\$13.733 billion, a decrease of NT\$1.385 billion from the same period of the previous year and the budget achievement rate was 91%. The consolidated net operating income was NT\$2.154 billion, an increase of \$1.385 billion and a growth of 178% from the same period of the previous year. The budget achievement rate was 202%. The consolidated net income after tax was NT\$1.792 billion, an increase of \$ 1.094 billion from the same period of the previous year. The budget achievement rate was 192%. The consolidated net income after tax attributable to the owners of the Company was NT\$1.634 billion, an increase of \$992 million from the same period of the previous year.

Review of operations in 2020:

Raw materials:

Ethylene: the ethylene price fell sharply in April, approaching the low point of the financial crisis, for the reason that the new production capacity was increased continuously, and the outbreak of COVID-19 pandemic resulted in a decline in sales. The ethylene market has improved synchronously as the pandemic has mitigated and the ethylene demand gradually recovered, coupled with a rise in oil price. By the end of the year, the price had ramped up to hit a record high for the year.

EDC: the EDC market also showed a V-shaped trend. In the second quarter, the price of EDC dropped sharply due to the impact of pandemic lockdown/ port lockdown on the sales, and the export price of the United States also hit a record low. However, due to the fact that



profit was not enough, the alkali-chlorine plants began to reduce production, and the manufactures in the United States encountered a series of force majeure events, the EDC supply decreased significantly, and the price rose rapidly, even hitting a 10-year high in December.

VCM: at the beginning of the year, due to the tight supply of VCM and the support of PVC market, the price of raw materials was also relatively stable and the VCM price remained stable. The lockdown announced by India and other countries due to the impact of the epidemic challenged the sales / led to the difficulties in estimating the market which caused the companies to sell VCM in a hurry and resulted in a sharp drop in the price of VCM. Subsequently, VCM factories reduced/stopped production, and rigid demand for PVC gradually recovered, resulting in the shortage of PVC/VCM supply. VCM prices rose rapidly after the price hit the bottom in Q2. By the end of the year, it had reached the highest point in 9 years.

With regard to products: at the beginning of the year, the PVC market showed a continuous stabilization and slightly rising trend as the end of the previous year. Owing to the outbreak of COVID-19 epidemic and the spread of it around the world, countries had successively started to lock down since mid-March which suspended economic activities. PVC prices began to weaken. During the period, most of the large plants stopped production. In May, the epidemic was slowing down, and countries all over in the world gradually lifted lockdown. PVC rigid demands blowout. In particular, buyers from India/Bangladesh/Southeast Asia and South America attempted to place orders from limited supply, which led to the market bottoming out. In addition, affected by the outbreak of COVID-19 epidemic, two large PVC factories successively announced F/M in Q3 as manufacturers in the United States delayed their overhaul and resumption of work and hit hard by the hurricane in August. Three manufacturers in Europe encountered equipment failure and shortage of raw materials, and announced F/M in September and



October, respectively. This made the short supply in PVC more serious and unsolved until the end of the year. Accompanied by a shortage of shipping space/container and other reasons, the export prices/demand showed a sharp rise. The Company was also affected by a drop in production and sales of raw materials due to shortages in April. The annual production of VCM was 391,000 metric tons. After supplying VCM for our own production of PVC powder, we exported 12,000 metric tons of VCM, which was a decrease of 68% and 69% from 2019 and the budget. The annual production of PVC was 389,000 metric tons. After supplying PVC for our own production of downstream processed products, we exported 355,000 metric tons of PVC, which was a decrease of 7% from 2019 and the budget. With regard to chemical products, due to the continued decline of sodium hydroxide prices and the electronics industry's booming, we produced 62,000 metric tons of chemical products (based on 100% concentration) and sold 58,000 metric tons, representing an increase of 1% and a decrease of 1% from 2019 and the budget. With regard to processing products, due to the release of public construction projects by the government and the recovery of the property market, the sales of building materials remained at the same level as the previous year. Rubber products were affected by the contraction of the end consumer market, the declined orders from downstream customers and the tariff barrier, with a decrease of 4% compared with the previous year. The sales of rubber products rose by 2% in the fourth quarter as the auto market recovered. The annual production of building materials was 21,000 metric tons and we sold 20,000 metric tons, which was a decrease of 1% and 2% from 2019 and the budget, respectively. The annual production of rubber cloth was 31,000 metric tons and we sold 30,000 metric tons, which was a decrease of 4% and 10% from 2019 and the budget, respectively. The annual production of rubber sheets was 6.63 million yards and we sold 6.67 million yards, which was an increase of 2% and 1% from 2019 and the budget.





## II. Outline of 2021 Business Plan

2021 Business prospects:

Raw materials:

Ethylene: the overhauls of cracking plants from South Korean and Asia will decrease from March to May. Due to production accidents suffered by several cracking plants in the United States and Europe since 2020, the plants have not been recovered or are being repaired, which will reduce the supply. However, the stable domestic demand will keep ethylene at a high price, and even Europe will snap up American ethylene with the advantage of freight. Close the entire channels to avoid ocean-going commodities from achieving interest arbitrage in Asia. It is estimated that we will witness an ease in the second half of the year, and the price will gradually return to normal.

EDC: the epidemic will continue to affect the poor sale and low price of sodium hydroxide and cut back production of Chloralkali processing plants, which will make the output of chlorine gas limited and EDC unable to expand the supply thus remain short of supply. At this stage, the supply and demand of PVC/VCM is still tight and the price continues to be high, and the EDC market has also been pushed up. Although the EDC profit is enough to support the overall cost, the production will not be expended. However, the price of EDC has reached a relative record high recently. It is bound to be adjusted in the future, and the extent of the decline should be closely observed/responded.

VCM: it is expected that part of VCM will be sold by the gradually increase of new PVC capacity in 2021. In addition, VCM manufacturers continue to conduct overhauls in the first half of the year. It is estimated that the supply of VCM will remain tight, helping to drive up the price of VCM. However, the key is "how much will the overall economy be affected by the epidemic? "

With regard to products: we look toward the future that the PVC operating performance in 2021 will be better than 2020. The low new capacity



of PVC than demand growth, the low inventory levels of PVC at the beginning of 2021, sustained high PVC demand from the emerging market, and China's reduction of production in PVC by the calcium carbide method will help promote the positive development of PVC/VCM prices. As the material supply side is estimated to be superior to levels in 2020, 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 actively sought to increase VCM/PVC output continued to improve, obsolete and replace equipment automation and energy conservation and establish intelligent manufacturing management system. CGPC's Toufen Plant constructed 3D automatic warehouse storage systems and integrated automatic PVC packaging system 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. Our management team will take overall planning of the Vinyl industry chain to get the largest profit space, and make good use of vertical integration mechanism and effective management, implement the improvement and fulfillment of corporate social responsibility associated with work safety environmental protection, build and expand niche in creating maximize operational performance to achieve/exceed the target of sale of 540,000 metric tons PVC series products during the whole year.

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 its 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 passed resolution for 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 2021.

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 its 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 1999, 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 Nanan City, Quanzhou, Fujian Province, China through a third region. As the Company faced difficulties in developing customers and poor business environment, it completed settlement and dissolution procedures by the end of 2009 and the registration was canceled.

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



registration on November 22, 2007.

In September 2006, the Investment Commission of the Ministry of Economic Affairs approved the Company's establishment of CGPC Consumer Products Corporation in Zhongshan, China through a third region. The Board of Directors passed resolution for 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 2021.

In May 2009, 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.

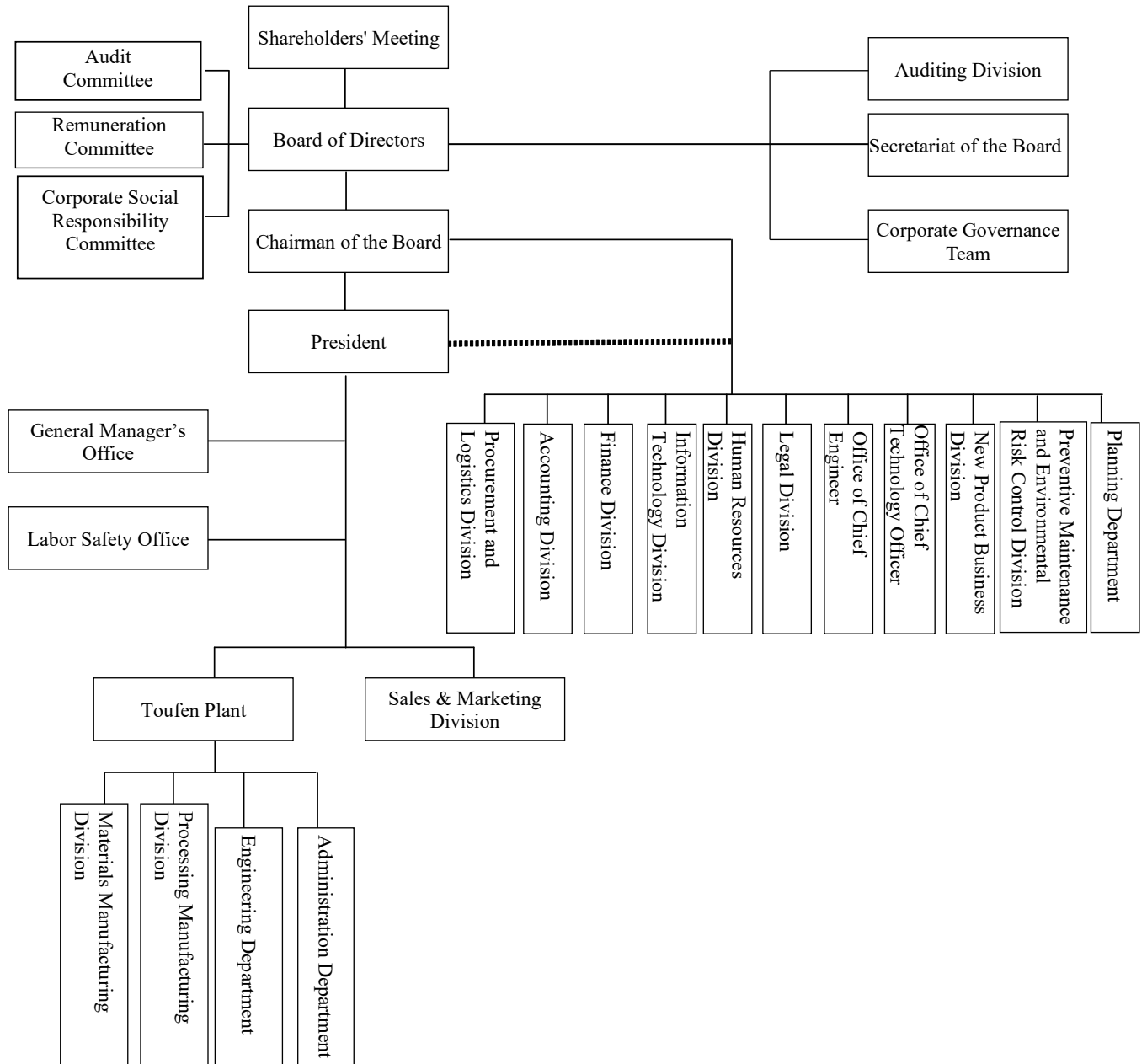
In September 2019, PVC resin annual production capacity was raised to 430,000 tons from 410,000 tons.

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 System Chart as of March 31, 2021





## (II) Responsibilities and Functions of Major Divisions

Departments	Main Responsibilities and Functions
President	Management of the Company's operations.
General Manager's Office	<ol style="list-style-type: none"> <li>1. Assist the General Manager in Implementing Its business strategies and management policies.</li> <li>2. The Office is responsible for the integration of the Company's regulations, systems, window systems, 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.</li> <li>3. The Office is responsible for the promotion of the quality management system, procedures planning, and continuous improvement activities of the entire Company and effective management of all related documents.</li> </ol>
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 powder, 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





Departments	Main Responsibilities and Functions
	employee relations so that tasks can be completed by the right employees and employees can perform their talents to increase work efficiency and accomplish the Company's goals. The Department is also responsible for the food, clothing, accommodations, transportation, and other general services for each unit. It performs security protection tasks to ensure the safety of the plants. It performs procurement and management of raw materials and it is responsible for the warehouse management, shipping, and transportation of finished products.
Remuneration Committee	<ol style="list-style-type: none"> <li>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.</li> <li>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.</li> </ol>
Audit Committee	<ol style="list-style-type: none"> <li>1. Establishment, amendment, and evaluation of the effectiveness of internal control systems.</li> <li>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.</li> <li>3. Major assets or derivative trading</li> <li>4. Major loaning of funds, making of endorsements or guarantees.</li> <li>5. Appointment, dismissal, and compensation of CPAs.</li> <li>6. Review the annual financial reports.</li> <li>7. Other important items required by other companies or the competent authority</li> </ol>
Corporate Social Responsibility Committee	<ol style="list-style-type: none"> <li>1. Review and establish the CSR Policy.</li> <li>2. Review the operations of the CSR Committee.</li> <li>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.</li> <li>4. Supervise the preparation of the CSR Report.</li> <li>5. Review and storage of other information related to CSR.</li> </ol>
Secretariat of the Board	<ol style="list-style-type: none"> <li>1. Plan and handle matters related to Board of Directors' meetings</li> <li>2. Handle matters related to Shareholders' meetings such as convening Shareholders' meetings, dealing with various announcements and</li> </ol>



Departments	Main Responsibilities and Functions
	<p>reporting associated with Shareholders' meetings, preparing agenda handbooks, and keeping information regarding shareholders present at Shareholders' meetings in accordance with the law.</p> <p>3. Assist in promoting and handling decrees issued by the competent authority</p>
Auditing Division	<p>1. Implement internal audit and improve workflows in the Company.</p> <p>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.</p>
Planning Department	<p>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.</p> <p>2. Analyze industrial and macroeconomic conditions.</p> <p>3. Investigate and analyze upstream industries and future competitors.</p>
Procurement and Logistics Division	<p>1. Purchase and audit major capital expenditures including bulk raw materials, machinery and equipment.</p> <p>2. Plan the supervision and execution of trading and transportation, warehousing, and customs-related operations</p>
Accounting Division	<p>1. Preparation and analysis of financial statements and budgets to be used by decision-making units for the management and formulation of strategies.</p> <p>2. Establishment, evaluation, and implementation of accounting systems</p> <p>3. Planning and reporting of various taxes.</p> <p>4. Regular announcement or reporting of financial performance.</p>
Finance Division	<p>1. Fund management, and planning and scheduling of fundraising activities.</p> <p>2. Short-term financing, long-term investments, and property insurance.</p> <p>3. Credit control and collection of delayed payments.</p> <p>4. Handling of various shares-related matters</p>
Information Technology Division	<p>Plan, build, develop, and manage various information systems and facilities at the Company.</p>
Human Resources Division	<p>1. Plan human resources strategies and systems.</p> <p>2. Plan training and organizational development strategies.</p> <p>3. Plan and handle salary and benefits.</p> <p>4. Provide employee services and handle general affairs.</p>



Departments	Main Responsibilities and Functions
Legal Division	Provide legal advice, review legal documents, and handle legal cases and other relevant legal matters.
Office of Chief Engineer	<ol style="list-style-type: none"> <li>1. Assist and participate in the construction of new plants, or deal with such constructions entirely.</li> <li>2. Assist and participate in the improvement of equipment and local manufacturing processes in operation, or deal with such cases entirely.</li> <li>3. Integration of engineering personnel and engineering specifications.</li> </ol>
Office of Chief Technology Officer	Responsible for integrating product R&D and innovation at each petrochemical-related affiliated company.
New Product Business Division	<ol style="list-style-type: none"> <li>1. Assist in formulating marketing strategies for new businesses, and establish appropriate business models.</li> <li>2. Responsible for developing new products or acquiring new customers to increase revenue.</li> <li>3. Integrate company resources and generate synergy so as to enhance the successful development of new businesses.</li> </ol>
Preventive Maintenance and Environmental Risk Control Division	<ol style="list-style-type: none"> <li>1. Assist the plants in establishing preventive maintenance systems.</li> <li>2. Improvement and enhancement of existing equipment and equipment fault management and prevention.</li> <li>3. Environment risk management planning and technical supervision.</li> <li>4. Plan and promote compliance with laws related to energy conservation and carbon reduction and establish related systems.</li> <li>5. Promote the management of the Group's sustainability key performance indicators and implement CSR information and data analyses.</li> </ol>
Corporate Governance Team	<ol style="list-style-type: none"> <li>1. Assist Directors in performing their duties, provide the necessary information, arrange continuing education for Directors, and process liability insurance policies.</li> <li>2. Organize matters related to the proceedings of Board of Directors' meetings and shareholders' meetings and confirm compliance matters of resolutions.</li> <li>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.</li> </ol>

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

### (I) Members of the Board (1)

March 30, 2021

Unit: Shares

Job Title (Note 1)	Nationality or Place of Registration	Name	Gender	Date of election (appointment)	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		Main working (education) experience (Note 3)	Titles also held in the Company and other companies.	Managerial Officers, Directors or Supervisors Who Are Spouses or Relatives within the Second Degree of Kinship			Remarks
							Shares	Shares holding %	Shares	Shares holding %	Shares	Shares holding %	Shares	Shares holding %			Title	Name	with the Issuer	
Director and Chief Executive Officer	Taiwan (R.O.C.)	Union Polymer International Investment Corporation Representative: Wu, Yi- Gui	Male	2019.6.21	3 years	2001.6.12	126,529,947	24.97%	138,170,701	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 International Investment Corporation Representative: Lin, Han-Fu	Male	2019.6.21	3 years	2001.6.12	126,529,947	24.97%	138,170,701	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%	130,788	0.02%	0	0%						
Directors	Taiwan (R.O.C.)	Union Polymer International Investment Corporation Representative: Wang Ke-Shun	Male	2019.6.21	3 years	2001.6.12	126,529,947	24.97%	138,170,701	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%						
Directors	Taiwan (R.O.C.)	Union Polymer International Investment Corporation Representative: Liu, Han-Tai	Male	2019.6.21	3 years	2001.6.12	126,529,947	24.97%	138,170,701	24.97%	-	-	0	0%	PhD in Chemical Engineering, Pennsylvania State University (U.S.A.)	(Note 8)	None			
						2010.6.18	-	-	0	0%	-	-	0	0%						
Directors	Taiwan (R.O.C.)	Union Polymer International Investment Corporation Representative: Liu, Zhen-Tu	Male	2019.6.21	3 years	2001.6.12	126,529,947	24.97%	138,170,701	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%						
Directors	Taiwan (R.O.C.)	Union Polymer International Investment Corporation Representative: Wu, Hung-To	Male	2019.6.21	3 years	2001.6.12	126,529,947	24.97%	138,170,701	24.97%	-	-	0	0%	Graduated from the International Technological University (U.S.A.) and Maine Central Institute (U.S.A.). President and Chief Executive Officer of Yiding Co., Ltd. and Er-Er Technology Co., Ltd.	(Note 10)	None			
						2019.6.21	-	-	0	0%	-	-	0	0%						
Independent Directors	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			

Job Title (Note 1)	Nationality or Place of Registration	Name	Gender	Date of election (appointment)	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		Main working (education) experience (Note 3)	Titles also held in the Company and other companies. (Note 13)	Managerial Officers, Directors or Supervisors Who Are Spouses or Relatives within the Second Degree of Kinship			Remarks
							Shares	Shares holding %	Shares	Shares holding %	Shares	Shares holding %	Shares	Shares holding %			Title	Name	with the Issuer	
Independent Directors	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 Directors	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: In the case of institutional shareholders, their names and representatives should be stated (for representatives, the names of institutional shareholders they represent should 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 Advancement, 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 (Cayman), USI Education Foundation and Fujian Gulei Petrochemical.

Chairman: Taiwan VCM Corporation, USI (Hong Kong), Swanlake, USI International, Acme Components (Malaysia), Forever Young, Swanson (Singapore), Swanson (Malaysia), Swanson International, Swanson (India), Swanson Plastics Corporation (Kunshan), Golden Amber Enterprises, Acme Electronics Corporation (Kunshan), Acme Electronics Corporation (Guangzhou), Taita (BVI), APC (BVI), CGPC (BVI), CGPC America, AS Holdings (UK), ASK-Swanson, Acme Ferrite, Swanson Plastics Corporation (Tianjin), Cypress Epoch, Ever Conquest Global, Ever Victory Global, Dynamic Ever Investments, CIS (Shanghai), PT. Swanson Plastics Indonesia, Yutao Investment, Dasheng Ventures, Dasheng Yiyi Ventures, and CTCI Group

General Manager: United Polymers Corporation, USI Management Consulting Corporation, Dynamic Ever Investments Ltd. and Ever Victory Global Ltd.

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, CGPC Polymer Corporation, and China General Terminal and Distribution Corporation

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, Swanlake Traders Ltd., Golden Amber Enterprises, USI (Hong Kong), USI Management Consulting Corporation, USI, Chong Loong Trading Co., Ltd., Taiwan United Venture Capital Corp., INOMA Corporation, USI Trading (Shanghai) Co., Ltd., United Polymers Corporation, Swanson Technologies Corporation, USI Education Foundation, Ever Conquest Global Ltd., USI Investment Co., Ltd., APC (BVI), Acme Electronics Corporation (Kunshan), and Fujian Gulei Petrochemical

- 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, APC, Continental General Plastics (Zhongshan) Co., Ltd., Taiwan VCM Corporation, Swanson Plastics Corporation, INOMA Corporation, and USI Education Foundation  
 Supervisor: China General Terminal and Distribution Corporation  
 Deputy General Manager: USI Corporation
- Note 9: Directors: TTC, China General Terminal and Distribution Corporation and Wafer Works Corporation (Note)  
 Note: Served as Director of Wafer Works Corporation whose main business operations include the research and development, design, manufacturing, import/export, agency, and distribution of semiconductors and materials thereof
- Note 10: Chairman: Yiding Co., Ltd. and Er-Er 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., and iHELPER Inc.  
 Independent Director: Machvision Inc.
- Note 13: Chairman: Long Chen Paper Co., Ltd., Qianjiang Investment, Long Chen Investment  
 Director: Long Chen Paper (China) Holding, Jiangsu Long Chen Environmental Protection, Wuxi Long Chen Environmental Protection, Pinghu Long Chen Environmental Protection, Suzhou Long Chen Paper, Zhejiang Xiasha Long Chen, Shanghai Minhang Long Chen, Long Chen Paper Hong Kong Co., Ltd., Hubei Long Chen Renewable, Xiantao Long Chen Environmental Protection, Jingzhou Long Chen Environmental Protection, Wuhan Long Chen Environmental Protection, Hunan Long Chen Environmental Packaging, Long Chen Paper Japan Co., Ltd., L&C Co., Ltd. (BVI), and Metis International, Inc.
- 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 Institutional Shareholders

As of April 13, 2021

Name of Juristic Person Shareholder (Note 1)	Major shareholders of institutional shareholders (Note 2)	Shareholding ratio
Union Polymer International Investment Corporation	USI Corporation	100%

Note 1: For legal person directors and supervisors, the names of the institutional shareholders shall be disclosed.

Note 2: Names of the major shareholders of these institutional shareholders (include top 10 major shareholders by shareholding percentage) and their shareholding percentages shall be filled in. If the major shareholder is an institution, the information 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: Major Shareholders of Institutional Shareholders with Corporations as Their Major Shareholders

As of April 13, 2021

Name of Corporate Shareholder (Note 1)	Major shareholders of institutional shareholders (Note 2)	Shareholding ratio
USI Corporation	Shing Li Enterprises (Hong Kong) Limited	14.62%
	Wholegainer Company Limited' investment account is under custody of Fubon Securities Co., Ltd.	9.25%
	Asia Polymer Corporation	8.53%
	Yueh Hsing Hua Investment Co., Ltd.	1.73%
	Shan-Shan Lin Su	1.67%
	Norges Bank Investment Account is under custody of Citibank (Taiwan) Limited	1.60%
	Taixing Investment Co., Ltd.	1.50%
	Yu, Wen-Hsuan	1.41%
	Yu, Wen-Tsung	1.41%
	Yu, Wen-Yu	1.41%

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: Please specify names of the major shareholders of the given shareholder (top ten shareholders) and the ratio of shareholding.

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, 2021

Name (Note 1)	Terms	Has more than five years of work experience and the following professional qualifications	Status of Independence (Note 2)												Number of companies in which the Directors also serves concurrently as an Independent Director	
			1	2	3	4	5	6	7	8	9	10	11	12		
Wu, Yi-Gui		Serve in lecturer roles or above in public or private college institutions in one of the following departments: business administration, law, finance, accounting, or another discipline relevant to the company's operations	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 necessary for business administration, legal affairs, finance, accounting, or business sector of the Company			✓							✓	✓	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: Please add more rows to accommodate additional entries.

Note 2: Insert "✓" 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 shareholding natural person who holds at least 1% of the Company's total outstanding shares in combination with his/her spouse, underage children, and in the name of third parties or is one of the ten top shareholders.
- (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 directors, supervisors or employees of other companies controlled by the same person holding a majority of the company's director seats or voting shares of the company. (However, this restriction shall not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the





- same parent).
- (7) Not directors (governors), supervisors or employees of other companies or institutions who are the same person or spouse as the chairperson, general manager or person holding an equivalent position of the company. (However, this restriction shall not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a company and its parent or subsidiary or a subsidiary of the same parent).
  - (8) Not any director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company (for a particular company or institution holds more than 20%, but not exceed 50%, of the company's issued shares, and the independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent, shall not be restricted by this provision).
  - (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, 2021 Unit: Shares

Title (Note 1)	Nationality	Name	Gender	Date Effective	When Elected		Spouse & Minor Shareholding		Shares Held in the Name of Other Persons		Major Work Experience and Academic Qualifications (Note 2)	Concurrent positions in other companies	Managerial Officers who are Spouses or Within Second Degrees of Kinship			Remarks
					Shares	Shares holding %	Shares	Shares holding %	Shares	Shares holding %			Title	Name	with the Issuer	
Chief Executive Officer	Taiwan (R.O.C.)	Wu, Yi-Gui	Male	2009.09.01	0	0%	-	-	0	0%	Chairman, USI	(Note 4)	None			Note 3
Vice Chairperson and General Manager	Taiwan (R.O.C.)	Lin, Han-Fu	Male	2013.02.27	0	0%	130,788	0.02%	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 5)	None			
Vice President	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 6)	None			
Senior Manager	Taiwan (R.O.C.)	Chen, Wan-Ta	Male	2017.03.16	0	0%	1,058	0%	0	0%	Department of Chemistry, Fu Jen Catholic University	Director: CGPC Consumer Products Corporation	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 7)	(Note 8)	None			
Director, Materials Manufacturing Division	Taiwan (R.O.C.)	Tsai, Pei-Hung	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-ping	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%	Graduated from Dept. of Chemical Engineering, Tamkang University	None	None			
Manager, Accounting Department	Taiwan (R.O.C.)	Kuo, Chien-Chou	Male	1999.11.01	779	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, managerial officers of departments and branches shall be included, whereas

information regarding positions equivalent to General Manager, Deputy General Manager or senior managers shall be disclosed regardless of job title.

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

Note 3: In case that the President or his/her equivalent (top manager) is assumed concurrently by the Chairman, or his/her spouse or a relative within one degree of kinship, the reason, rationality, necessity and corresponding measures (such as increasing the number of Independent Directors, and more than half of the Directors not concurrently serving as employees or managers) should be described :

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 4: Chairman: USI, APC, TTC, Acme Electronics Corporation, United Polymers Corporation, USI Optronics Corporation, Swanson Plastics Corporation, Swanson Advancement, 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 (Cayman), USI Education Foundation and Fujian Gulei Petrochemical.

Chairman: Taiwan VCM Corporation, USI (Hong Kong), Swanlake, USI International, Acme Components (Malaysia), Forever Young, Swanson (Singapore), Swanson (Malaysia), Swanson International, Swanson (India), Swanson Plastics Corporation (Kunshan), Golden Amber Enterprises, Acme Electronics Corporation (Kunshan), Acme Electronics Corporation (Guangzhou), Taita (BVI), APC (BVI), CGPC (BVI), CGPC America, AS Holdings (UK), ASK-Swanson, Acme Ferrite, Swanson Plastics Corporation (Tianjin), Cypress Epoch, Ever Conquest Global, Ever Victory Global, Dynamic Ever Investments, CIS (Shanghai), PT. Swanson Plastics Indonesia, Yutao Investment, Dasheng Ventures, Dasheng Yiyi Ventures, and CTCI Group

General Manager: United Polymers Corporation, USI Management Consulting Corporation, Dynamic Ever Investments Ltd. and Ever Victory Global Ltd.

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

Executive Director: Chinese National Federation of Industries

Note 5: Chairman: CGPC Consumer Products Corporation, Continental General Plastics (Zhongshan) Co., Ltd. and Taiwan VCM Corporation

Director: CGPC (BVI), CGPC America, CGPC Polymer Corporation, CGTD, and China General Terminal and Distribution Corporation

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

Note 6: Director: Taiwan VCM Corporation, CGPC Consumer Products Corporation, Continental General Plastics (Zhongshan) Co., Ltd., CGPC (BVI), CGPC America, and CGTD

General Manager: CGPC America

Note 7: Director, Legal Department, Lite-On Technology Corporation; Attorney, Winkler Partners; Independent Director, Chipsip Technology Co., Ltd.; and Arbitrator, Chinese Arbitration Association, Taipei

Note 8: Independent Director: Man Zai Industrial Co., Ltd.

Director: Continental General Plastics (Zhongshan) Co., Ltd. and RD&D Cold Logistics Co., Ltd.

Supervisor: CGPC Consumer Products Corporation, CIS (Shanghai) Trading Co., Ltd., USI Investment Corporation, Asia Polymer Investment Corporation,

Chong Loong Trading Co., Ltd., Acme Electronics Plastics Corporation, Taiwan United Venture Capital Corporation, Taiwan United Venture Management Corporation, INOMA Corporation, USI International Investment Corporation, Hongnao Technology Corporation, and Bianxinlian Technology Corporation

Supervisor of corporate governance: USI Corporation, APC Corporation, TTC Corporation, and Acme Electronics Corporation

### III. Remuneration paid to Directors, Supervisors, General Manager and Deputy General Manager during the most recent fiscal year

I. 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):

- (I) Where it was a loss after tax in the parent company only or individual financial statements in the last three years, the name and remuneration of individual "Directors and Supervisors" shall be disclosed; provided that it is net income after tax in the parent company only or individual financial statements in the most recent year, and the said net income is sufficient to make up for the accumulated losses [Note 1].
- (II) 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]
- (III) 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]
- (IV) 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 remuneration of Directors and Supervisors is calculated based on "Remuneration of Directors" plus "Remuneration of Supervisors" as in the Appendix without including the relevant remuneration received as concurrent employees.)

(V) Any result of evaluation made on corporate governance in the most recent year is in the last level, or any trading method changes, any trading or marketing stops, or any evaluation is rejected by the Corporate Governance Evaluation Committee in the most recent year as of the publication date of this Annual Report as a listed company.

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

II. 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).





## Range of remuneration

Remuneration Range Paid to Directors of the Company	Names of Director			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The Company (Note 8)	All the Companies Included in the Financial Statements (Note 9) H	The Company (Note 8)	The parent company and all investees (Note 9) I
Under NT\$1,000,000	Wu, Yi-Gui, Lin, Han-Fu, Wang, Ke-Shun, Liu, Han-Tai, Liu, Zhen-Tu, and Wu, Hung-To	Wu, Yi-Gui, Lin, Han-Fu, Wang, Ke-Shun, Liu, Han-Tai, Liu, Zhen-Tu, and Wu, Hung-To	Wang, Ke-Shun, Liu, Han-Tai, Liu, Zhen-Tu, and Wu, Hung-To	Liu, Zhen-Tu, and Wu, Hung-To
NT\$1,000,000 (inclusive)~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)~NT\$3,500,000 (exclusive)				
NT\$3,500,000 (inclusive) - NT\$5,000,000 (exclusive)			Wu, Yi-Gui	
NT\$5,000,000 (inclusive) - NT\$10,000,000 (exclusive)			Lin, Han-Fu	
NT\$10,000,000 (inclusive) - NT\$15,000,000 (not inclusive)				Lin, Han-Fu, Liu, Han-Tai, and Wang, Ke-Shun
NT\$15,000,000 (inclusive) - NT\$30,000,000 (not inclusive)				Wu, Yi-Gui
NT\$30,000,000 (inclusive) - NT\$50,000,000 (not inclusive)				
NT\$50,000,000 (inclusive) - NT\$100,000,000 (not inclusive)				
Over NT\$100,000,000				
Total	NT\$5,052 thousand	NT\$5,226 thousand	NT\$13,912 thousand	NT\$59,271 thousand

Note 1: The names of Directors shall be listed separately (for institutional 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 Directors in the most recent year (including salaries, job-related allowances, severance, bonuses, and rewards).

Note 3: The amount of compensation 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, special allowances, various allowances and accommodation). If housing, vehicle or other means of transportation, or personal expense is provided, the nature and cost of the asset provided, the rental calculated based on the actual cost or the fair market value, fuel, and other payments shall be disclosed. If a driver is provided, please indicate the amount of compensation paid to the driver by the Company, excluding remuneration, in a separate note.

Note 5: Salary, job-related allowances, severance pay, various bonuses, incentives, transportation allowances, special allowance, various allowances, accommodation allowance and vehicle received by Directors who concurrently serve as employees (including General Manager, Deputy General Manager, other managerial officers, and employees) in the most recent fiscal year. If housing, vehicle or other means of transportation, or personal expense is provided, the nature and cost of the asset provided, the rental calculated based on the actual cost or the fair market value, fuel, and other payments shall be disclosed. If a driver is provided, please indicate the amount of compensation paid to the driver by the Company, excluding remuneration, in a separate note. 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 the 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 should be disclosed in the range of remuneration corresponding to the amount of all the remuneration paid to the director by the company.

Note 9: Total remuneration in various items paid to every Director of this Company by all companies (including this Company) listed in the consolidated statement shall be disclosed. The name of the Director shall also be disclosed in the respective remuneration range.

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. This field should clearly indicate the amount of remuneration received by the Company's directors from a reinvestment business other than a subsidiary or the parent company (if not, please fill in "none").

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

Note 12: The remuneration received as Vice Chairman and Vice President (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\$0 as of December 31, 2020. He is also provided with a leased house with a rent of NT\$53 thousand in 2020. The fuel expenses in 2020 amounted to NT\$86 thousand. He is also provided with a driver and the remuneration paid to the driver totaled NT\$642 thousand. The rent of the Vice President's car totaled NT\$287 thousand.

Note 13: The cost of the pension appropriated in 2020 in accordance with laws.

\* The content of compensation disclosed in this table is derived based on a concept different from the concept of income stipulated in the Income Tax Act. The purpose of the table is for the disclosure of information, instead of taxation.

## 2. Remuneration Paid to Supervisors: Not applicable.

### 3. Remuneration paid to General Manager and Deputy General Managers (range of remuneration with name disclosed)

Unit: NT\$ thousand

Title	Name (Note 1)	Salary (A) (Note 2)		Severance Pay and Pension (B)		Bonuses and Allowances, etc. (C) (Note 3)		Employees' 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	in the Company's Financial Statements (Note 5)	The Company	in the Company's Financial Statements (Note 5)	The Company	in the Company's Financial Statements (Note 5)	The Company		All the Companies Included in the Consolidated Financial Statements (Note 5)		The Company	All the Companies Included in the Consolidated Financial Statements (Note 5)	
								Amount of Cash	Dollar Amount of Shares	Amount of Cash	Dollar Amount of Shares			
Chief Executive Officer	Wu, Yi- Gui													
Vice Chairperson and General Manager	Lin, Han- Fu	7,586	10,101	181 (Note 11)	289 (Note 11)	5,602 (Note 10)	12,089 (Note 10)	47	0	300	0	0.82	1.39	14,636
Vice President	Hu, Chi- Hong													

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

## Range of remuneration

Range of remuneration paid to the General Manager and Deputy General 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
Under NT\$1,000,000		
NT\$1,000,000 (inclusive)~NT\$2,000,000 (exclusive)		
NT\$2,000,000 (inclusive)~NT\$3,500,000 (exclusive)		
NT\$3,500,000 (inclusive) - NT\$5,000,000 (exclusive)	Wu, Yi-Gui, Lin, Han-Fu, and Hu, Chi-Hong	Hu, Chi-Hong
NT\$5,000,000 (inclusive)~NT\$10,000,000 (exclusive)		
NT\$10,000,000 (inclusive) - NT\$15,000,000 (not inclusive)		Lin, Han-Fu
NT\$15,000,000 (inclusive) - NT\$30,000,000 (not inclusive)		Wu, Yi-Gui
NT\$30,000,000 (inclusive) - NT\$50,000,000 (not inclusive)		
NT\$50,000,000 (inclusive) - NT\$100,000,000 (not inclusive)		
Over NT\$100,000,000		
Total	NT\$13,416 thousand	NT\$37,415 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 severance pay received by the General Manager and Deputy General Managers in the most recent fiscal year.

Note 3: Fill the amount of various bonuses, incentives, transportation allowances, special allowance, various allowances, accommodation, and vehicle received by the General Manager and Deputy General Managers in the most recent fiscal year. If housing, vehicle or other means of transportation, or personal expense is provided, the nature and cost of the asset provided, the rental calculated based on the actual cost or the fair market value, fuel, and other payments shall be disclosed. If a driver is provided, please indicate the amount of compensation paid to the driver by the Company, excluding remuneration, in a separate note. 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 the remuneration of all the companies (including the Company) in the consolidated report to the General Manager and Deputy General Managers of the Company 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 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 should be disclosed. The name of each general manager and deputy general manager should 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. This field should clearly indicate the amount of remuneration received by the Company's general manager or vice general manager from a reinvestment business other than a subsidiary or the parent company (if not, please fill in "none").
- 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 Vice President (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\$0 thousand as of December 31, 2020. He is also provided with a leased house with a rent of NT\$53 thousand in 2020. The fuel expenses in 2020 amounted to NT\$86 thousand. He is also provided with a driver and the remuneration paid to the driver totaled NT\$642 thousand. The rent of the Vice President's car totaled NT\$287 thousand.
- Note 11: The cost of the pension appropriated in 2020 in accordance with laws.
- \* The content of compensation disclosed in this table is derived based on a concept different from the concept of income stipulated in the Income Tax Act. The purpose of the table is for the disclosure of information, instead of 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\$ thousand

	Job Title (Note 1)	Name (Note 1)	Dollar Amount of Shares	Amount of Cash	Total	Percentage of total remuneration on NIAT (%)
Managers	Chief Executive Officer	Wu, Yi-Gui	0	233	233	0.01
	Vice Chairperson and General Manager	Lin, Han-Fu				
	Vice President	Hu, Chi-Hong				
	Senior Manager	Chen, Wan-Ta				
	Corporate Governance Officer.	Chen, Yung-Chih				
	Director, Materials Manufacturing Division	Tsai, Pei-Hung				
	Director, Processing Manufacturing Division	Cheng, Yung-ping				
	Director, Sales & Marketing Division	Chen, Wan-Yu				
	Manager, Accounting Department	Kuo, Chien-Chou				
	Manager, Finance Department	Chan, Chin-Ho				

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

Note 2: Refers to compensations paid to the Managers (including stock and cash) approved by the Board of Directors in the most recent year; If such compensations cannot be estimated, an estimation for this year shall be calculated in proportion of the compensations paid last year. Net profit refers to the after-tax net income for the most recent fiscal year; for those that have already adopted the IFRS principles, net profit refers to the after-tax net income in individual or consolidated financial reports for the most recent fiscal year.

Note 3: The scope of application for the term "managerial officer" shall follow the official document with reference number 0920001301 dated March 27, 2003. Its scope of application shall be as follows:

- (1) General Manager and its equivalent
- (2) Deputy General Manager and its equivalent
- (3) Senior Manager and its equivalent
- (4) Head of the Finance Department
- (5) Head of the Accounting Department
- (6) Other Personnel Authorized to Manage the Company's Affairs and Sign for Approval

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



(II) Remuneration paid by the Company and by all companies included in the consolidated financial statements to Directors, Supervisors, Presidents and Vice Presidents in the Most Recent Two Fiscal Years to after-tax net profit ratio; and Remuneration Policy, Standards, Portfolios for The Payment of The Remuneration, and Procedure for Determining Remuneration, and their Connection with Business Performance and Future Risks.

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

Category \ Year	2019		2020	
	The Company	in the Company's Financial Statements	The Company	in the Company's Financial Statements
General Directors' remuneration as a percentage of NIAT (excluding those who concurrently serve as employees and receive related remuneration)	0.23	0.27	0.06	0.07
Independent Directors' remuneration as a percentage of NIAT (excluding those who concurrently serve as employees and receive related remuneration)	0.64	0.64	0.25	0.25
General Directors' remuneration as a percentage of NIAT (including those who concurrently serve as employees and receive related remuneration)	1.69	2.71	0.60	1.19
Independent Directors' remuneration as a percentage of NIAT (including those who concurrently serve as employees and receive related remuneration)	0.64	0.64	0.25	0.25
General Manager and Deputy General Manager's remuneration as a percentage of NIAT (%)	2.09	3.07	0.82	1.39





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 remuneration of Directors shall be in accordance with the Article 30 of the Articles of Incorporation of the Company: Regardless of operating profit or loss, the directors shall be remunerated according to the degree of their participation in the operation of the Company and the value of their contributions to the Company, with reference to the domestic industry level. The remuneration shall not exceed 1% of the profit of the current year according to Article 33 of the Articles of Incorporation of the Company. The aforesaid remuneration was determined with reference to the Company's operations performance and the performance evaluation results of the Directors. In addition, the transportation allowances shall be paid according to the resolution of the shareholders' meeting, except that Managerial Officers who concurrently serves as a Director of the Company shall not receive the transportation allowance. The aspects of performance evaluation for the Directors: Including alignment of the goals and missions of the Company, awareness of the duties of a director, participation in the operation of the Company, management of internal relationship and communication, the director's professionalism and continuing education, and internal control.

2.2 The remuneration for Presidents shall be handled in accordance with the relevant human resources regulations of the Company, and shall be determined in consideration of the business performance. The business performance includes evaluation of the achievement rate in terms of finance aspect (operating income, operating profit and net profit before tax), customer aspect, product aspect, talent aspect, safety aspect and project aspect.

2.3 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 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. The Committee reviews the remuneration system for the Company's Directors and managerial officers any time in light of the actual operating conditions and relevant laws and regulations and should not guide the Company's Directors and managerial officers to pursue compensation and engage in behaviors beyond the Company's risk appetite.

## IV. The State of the Company's Implementation of Corporate Governance

### (I) Operation of the Board of Directors:

#### 1. Information on Directors' attendance:

A total of 6 (A) meetings were held in the most recent fiscal year 2020. The attendance of directors was as follows:

Title	Name	1st meeting March 5, 2020	2nd meeting May 13, 2020	3rd meeting June 30, 2020	Fourth meeting August 12, 2020	Fifth meeting November 3, 2020	Sixth meeting December 23, 2020	Attendance in Person	Number of Attendance by Proxy	Attendance Rate (%) [B/A]	Remarks
Chairman of the Board	Wu, Yi-Gui (representative of Union Polymer Int'l Investment Corp.)	◎	◎	◎	◎	◎	◎	6	0	100	Reelected
Vice Chairperson and General Manager	Lin, Han-Fu (representative of Union Polymer Int'l Investment Corp.)	◎	◎	◎	◎	◎	◎	6	0	100	Reelected
Directors	Wang, Ke-Shun (representative of Union Polymer Int'l Investment Corp.)	◎	◎	◎	◎	◎	◎	6	0	100	Reelected
Directors	Liu, Han-Tai (representative of Union Polymer Int'l Investment Corp.)	◎	◎	◎	◎	◎	◎	6	0	100	Reelected
Directors	Liu, Zhen-Tu (representative of Union Polymer Int'l Investment Corp.)	◎	◎	◎	◎	◎	◎	6	0	100	Reelected
Directors	Wu, Hung-To (Representative of Union Polymer Int'l Investment Corp.)	◎	◎	◎	◎	◎	◎	6	0	100	Reelected
Independent Directors	Li, Zu-De	◎	◎	◎	◎	◎	◎	6	0	100	Reelected
Independent Directors	Zheng, Ying-Bin	◎	◎	☆	◎	◎	◎	5	1	83.33	Reelected
Independent Directors	Li, Liang-Xian	◎	◎	◎	◎	◎	◎	6	0	100	Reelected

Note 1: Attendance in person: ◎; attendance by proxy: ☆; absent: \*.



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

2.1 Items listed in Article 14-3 of the Securities and Exchange Act:

Term of the Board meeting Start Date	Resolution and Subsequent Actions	Items specified in Article 14-3 of the Securities and Exchange Act	Objections or expressed reservations expressed by Independent Directors
1st Meeting in 2020 March 5, 2020	1. Ratify the endorsement guarantee for the subsidiary Company CGPC Polymer Corporation.	Yes	None
	2. Approved capital increase by retained earnings and issuance of new shares.	Yes	None
	3. Approved the amendment of certain articles in the "Procedures for the Making of Endorsements/Guarantees".	Yes	None
	4. Vote to approve amendments to the Procedures for Lending Funds to Other Parties.	Yes	None
	5. Approve CPAs' remuneration for 2019	Yes	None
	6. Approve the appointment of CPAs for 2020	Yes	None
	Opinions of independent directors: None.		
	The Company's actions in response to the opinions of independent directors: None.		
	Voting results: All the directors present voted in favor of the resolution without any dissenting opinion.		
	7. Approved the recommendation to lift competition restrictions against Directors.	Yes	None
2nd Meeting in 2020 May 13, 2020	Opinions of independent directors: None.		
	The Company's actions in response to the opinions of independent directors: None.		
	Voting results: The Chair consulted all Directors present, except for the Director Wang Ke-Shun and Independent Director Zheng, Ying-Bin who had to recuse himself/herself from voting due to conflict of interest.		
	Approved the amendment to the internal control system	Yes	None



Term of the Board meeting Start Date	Resolution and Subsequent Actions	Items specified in Article 14-3 of the Securities and Exchange Act	Objections or expressed reservations expressed by Independent Directors
3rd Meeting in 2020 June 30, 2020	1. Ratify the endorsement guarantee for the subsidiary Company CGPC Polymer Corporation.	Yes	None
	2. Approve the issuance of new shares	Yes	None
	Opinions of independent directors: None.		
	The Company's actions in response to the opinions of independent directors: None.		
	Voting results: All the directors present voted in favor of the resolution without any dissenting opinion.		
4th Meeting in 2020 August 12, 2020	1. Ratify the endorsement guarantee for the subsidiary Company CGPC Polymer Corporation.	Yes	None
	2. Approved the amendment of certain articles in the Board of Directors Rules of Procedure.	Yes	None
	3. Approved the amendment to certain articles in the Rules Governing the Scope of Powers of Independent Directors	Yes	None
	4. Approve the amendment to certain articles of the Remuneration Policy and Regulations for Directors and Managerial Officers	Yes	None
	Opinions of independent directors: None.		
	The Company's actions in response to the opinions of independent directors: None.		
	Voting results: All the directors present voted in favor of the resolution without any dissenting opinion.		
5th Meeting in 2020 November 3, 2020	Approved the remuneration of CPAs for year 2020	Yes	None
	Opinions of independent directors: None.		
	The Company's actions in response to the opinions of independent directors: None.		
	Voting results: All the directors present voted in favor of the resolution without any dissenting opinion.		
6th Meeting in 2020 December 23, 2020	Ratify the endorsement guarantee 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 the directors present voted in favor of the resolution without any dissenting opinion.		



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

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

Names of Director	Resolutions	Reason for Refusal	Voting results	Remarks
Wang, Ke-Shun Zheng, Ying-Bin	Approved the recommendation to lift competition restrictions against Directors.	They had a conflict of interest with this proposal as Directors.	They did not participate in voting.	1st Meeting in 2020
Wu, Yi-Gui Li, Zu-De Lin, Han-Fu Wang, Ke-Shun	Donations to the USI Education Foundation	They recused themselves due to conflict of interest as they serve as Directors of the foundation.		

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.

Evaluation of the performance for the Board of Directors:

Evaluation cycle (Note 1)	Period of Evaluation (Note 2)	Scope (Note 3)	Method (Note 4)	Evaluation Contents (Note 5)
Once every year	January 1, 2020 ~ December 31, 2020	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 individual director member	Self-evaluation by the members of the Board of Directors	II. Self-evaluation by the members of the Board of Directors 1. Execution of the Company's goals and tasks 2. Understanding of the director's roles and responsibilities 3. Participation of the Company's operation 4. Management and communication of



Evaluation cycle (Note 1)	Period of Evaluation (Note 2)	Scope (Note 3)	Method (Note 4)	Evaluation Contents (Note 5)
				the internal relations 5. Expertise and continuing education of the directors 6. Internal control
		Performance evaluation of functional committees	Self-evaluation of the members of functional committees	III. Audit Committee performance Evaluation 1. Level of participation in corporate operations. 2. Understanding of the Audit Committee's duties. 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.
				IV. Remuneration Committee performance evaluation 1. Level of participation in corporate operations. 2. Understanding of the Remuneration Committee's duties. 3. Improvement of the quality of the Remuneration Committee' decision making. 4. Composition of the Remuneration Committee and selection of committee members.

\* The results of the performance evaluation of the Board of Directors and the functional committees in 2020 were reported to the first meeting of the Board of Directors in 2021 (March 5, 2021) and were disclosed on the Company's website after the meeting.

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) Evaluation of individual Directors' performance: It shall at least include the knowledge about the Company's objectives and tasks, the understanding of Director duties, the participation in the Company's operations, the internal relationship management and communication, Directors' specialties and continuous learning, and internal control.

(3) Performance evaluation of functional committees: It shall include the degree of participation in the Company's operations, the understanding of the functional committee's responsibilities, the quality of decision-making of the functional committee, the composition and selection of members of the functional committee, 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 The Company implements corporate governance, safeguards the interests of the shareholders, and strengthens 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 Company has formed functional committees such as the Remuneration Committee and Audit Committee in 2011 and 2016 to improve their effectiveness.

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 6-hour training courses for Directors per year and encourages Directors to attend corporate governance-related courses. The status of continuing education for the Directors of the Company is as follows:



Title	Name	Date of Training	Organizer	Course Title	Number of Hours
Chairman of the Board	Wu, Yi-Gui	July 9, 2020	Securities and Futures Institute	Business Strategies and Corporate Governance in Response to Unsustainable Risks in the World from the Aspect of the COVID-19 Epidemic	3
		October 13, 2020	Securities and Futures Institute	Strategies and Management of Enterprise Upgrade and Transformation: the Choice between M&A and Alliance	3
Vice Chairperson and General Manager	Lin, Han-Fu	July 9, 2020	Securities and Futures Institute	Business Strategies and Corporate Governance in Response to Unsustainable Risks in the World from the Aspect of the COVID-19 Epidemic	3
		September 22, 2020	Taiwan Stock Exchange Corporation	Corporate Governance 3.0-Summit Forum for the Blueprint of Sustainable Development	3
		October 13, 2020	Securities and Futures Institute	Strategies and Management of Enterprise Upgrade and Transformation: the Choice between M&A and Alliance	3
		October 14, 2020	Securities and Futures Institute	2020 Seminar on Insider Trading Prevention and Equity Transfer by Insiders	3
Directors	Wang, Ke-Shun	July 9, 2020	Securities and Futures Institute	Business Strategies and Corporate Governance in Response to Unsustainable Risks in the World from the Aspect of the COVID-19 Epidemic	3
		October 13, 2020	Securities and Futures Institute	Strategies and Management of Enterprise Upgrade and Transformation: the Choice between M&A and Alliance	3
Directors	Liu, Han-Tai	July 9, 2020	Securities and Futures Institute	Business Strategies and Corporate Governance in Response to Unsustainable Risks in the World from the Aspect of the COVID-19 Epidemic	3
		October 13, 2020	Securities and Futures Institute	Strategies and Management of Enterprise Upgrade and Transformation: the Choice between M&A and Alliance	3





Title	Name	Date of Training	Organizer	Course Title	Number of Hours
Directors	Liu, Zhen-Tu	June 23, 2020	Taiwan Corporate Governance Association	Issues that directors and supervisors need to consider in risk management, corporate sustainability and ESG after the impact of the epidemic	1
		July 9, 2020	Securities and Futures Institute	Business Strategies and Corporate Governance in Response to Unsustainable Risks in the World from the Aspect of the COVID-19 Epidemic	3
		August 25, 2020	Taiwan Corporate Governance Association	Collapse of corporate governance and its influence based on the Datong case	1
		October 13, 2020	Securities and Futures Institute	Strategies and Management of Enterprise Upgrade and Transformation: the Choice between M&A and Alliance	3
		October 29, 2020	Taiwan Corporate Governance Association	The struggle for the right to operate companies: what did the Supreme Court say?	1
		December 2, 2020	Taiwan Corporate Governance Association	The 16th Corporate Governance Summit Forum - Moving Corporate Governance Forward	6
		December 31, 2020	Taiwan Corporate Governance Association	Companies' strategies for making good use of capital markets nowadays	1
Directors	Wu, Hung-To	July 9, 2020	Securities and Futures Institute	Business Strategies and Corporate Governance in Response to Unsustainable Risks in the World from the Aspect of the COVID-19 Epidemic	3
		September 22, 2020	Taiwan Stock Exchange Corporation	Corporate Governance 3.0-Summit Forum for the Blueprint of Sustainable Development	3
Independent Directors	Li, Zu-De	July 9, 2020	Securities and Futures Institute	Business Strategies and Corporate Governance in Response to Unsustainable Risks in the World from the Aspect of the COVID-19 Epidemic	3
		July 22, 2020	Taiwan Academy of Banking and Finance	Corporate Governance and Sustainability Seminar	3
Independent Directors	Zheng, Ying-Bin	April 23, 2020	Taiwan Institute of Directors	109 Director's Lecture - How to Make Accurate Decisions on Uncontrolled Decline during Crisis	3
		August 7,	Taiwan Institute of	A Strategic Turning Point of	3



Title	Name	Date of Training	Organizer	Course Title	Number of Hours
		2020	Directors	Taiwan Enterprises under the Major Epidemic Situation	
Independent Directors	Li, Liang-Xian	July 9, 2020	Securities and Futures Institute	Business Strategies and Corporate Governance in Response to Unsustainable Risks in the World from the Aspect of the COVID-19 Epidemic	3
		October 13, 2020	Securities and Futures Institute	Strategies and Management of Enterprise Upgrade and Transformation: the Choice between M&A and Alliance	3
Corporate Governance Officer.	Chen, Yung-Chih	July 9, 2020	Securities and Futures Institute	Business Strategies and Corporate Governance in Response to Unsustainable Risks in the World from the Aspect of the COVID-19 Epidemic	3
		August 19, 2020	Securities and Futures Institute	Seminar on Futures Derivatives Hedging Trading and Operation Practices for Companies to Enhance Sustainable Development	3
		September 24, 2020	Taiwan Stock Exchange Corporation	Corporate Governance 3.0-Summit Forum for the Blueprint of Sustainable Development	3
		September 30, 2020	Securities and Futures Institute	2020 Seminar on Insider Trading Prevention and Equity Transfer by Insiders	3
		October 13, 2020	Securities and Futures Institute	Strategies and Management of Enterprise Upgrade and Transformation: the Choice between M&A and Alliance	3
		October 23, 2020	Taiwan Stock Exchange Corporation	2020 Directors and Supervisors Advocacy for Corporate Governance and Corporate Integrity	3
Manager, Accounting Department	Kuo, Chien-Chou	November 23, 2020 ~ November 24, 2020	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 9, 2020	Securities and Futures Institute	Business Strategies and Corporate Governance in Response to Unsustainable Risks in the World from the Aspect of the COVID-19 Epidemic	3
		October	Securities and Futures	Strategies and Management of	3



Title	Name	Date of Training	Organizer	Course Title	Number of Hours
		13, 2020	Institute	Enterprise Upgrade and Transformation: the Choice between M&A and Alliance	
Chief Internal Auditor	Kang-Nien Chiang	August 31, 2020	Internal Audit Association	Policy Analysis of corporation financial report self-preparation capability enhancement and Discussion on Internal Audit and Control focal points.	6
		October 28, 2020	Internal Audit Association	Business activities and case studies of risk of dishonesty	6
	Chen, Li-nian	September 4, 2020	Accounting Research and Development Foundation	Corporate fraud detection practice: legal liability, identification and big data analysis	6
		November 9, 2020	Accounting Research and Development Foundation	Latest interpretations of corporate governance policy and audit compliance practices for setting "corporate governance personnel"	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 legal person directors and supervisors, the name of the institutional shareholders and their representatives shall be disclosed.

Note 2: (1) Where directors or supervisors resign before the end of the year, the "remark" column shall be annotated with the date of resignation. Actual presence (attendance) rate (%) shall be calculated using the number of Directors' Meetings convened and actual presence (attendance) during the term of service.

(2) Where Directors and Supervisors were re-elected before the end of the year, both the incoming and outgoing Directors and Supervisors shall be listed accordingly. The "remark" column shall be annotated to indicate whether the Director or Supervisor was outgoing, incoming, or re-elected as well as 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 attendance in person during his/her term of office.



## (II) Operations of the Audit Committee:

### 1. Attendance information of the Audit Committee:

A total of 6 (A) meetings were held in the most recent fiscal year 2020. The attendance of Independent Directors was as follows:

Title	Name	Number of Attendance in Person (B)	Number of Attendance by Proxy	Percentage of attendance in person (%) (B/A) (Note)	Remarks
Independent Directors	Li, Zu-De	6	0	100.00	
Independent Directors	Zheng, Ying-Bin	5	1	83.33	
Independent Directors	Li, Liang-Xian	6	0	100.00	

### 2. Main review items of the Audit Committee:

- 2.1 Financial Statements;
- 2.2 Independence evaluation and the hiring and dismissal of certifying CPAs and 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 2020 :

- 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 2019 financial reports; 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 3rd meeting of the 2nd Audit Committee and the first meeting of the Board of Directors in 2020 on March 5, 2020, 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 2019 Business Report prepared by the Board of Directors, the Financial Report audited and certified by CPAs Huang, Hsiu-Chun and Chiu, Cheng-Chun 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:

Term of the Board meeting Start Date	Resolution and Subsequent Actions	Items specified in Article 14-5 of the Securities and Exchange Act	Objections or expressed reservations expressed by Independent Directors	
1st Meeting in 2020 March 5, 2020	1. Proceed with guarantees/endorsements.	Yes	None	
	2. Formulation of the 2019 Account Book.	Yes	None	
	3. Approval of 2019 Profit Distribution Plan.	Yes	None	
	4. Earnings allocation to shareholders stocks and dividends are converted to capital increase to increase the capital by NT\$263,514,960 and issue 26,351,496 new shares.	Yes	None	
	5. Compensation paid to the certifying CPAs for 2019.	Yes	None	
	6. 2020 evaluation of the independence of appointed CPAs.	Yes	None	
	7. Appoint CPAs for the year 2020.	Yes	None	
	8. 2019 Statement on Internal Control.	Yes	None	
	Opinions of the Audit Committee: None.			
	The Company's Processing of 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.				
2nd Meeting in 2020 May 13, 2020	1. Amendment of the internal control system.	Yes	None	
	Opinions of the Audit Committee: None.			
The Company's Processing of Opinions of the Audit Committee:				



Term of the Board meeting Start Date	Resolution and Subsequent Actions	Items specified in Article 14-5 of the Securities and Exchange Act	Objections or expressed reservations expressed by Independent Directors
	None. Resolution: The motions were passed unanimously by the members in attendance and filed for resolution in the board meeting.		
3rd Meeting in 2020 June 30, 2020	1. Proceed with guarantees/endorsements.	Yes	None
	Opinions of the Audit Committee: None.		
	The Company's Processing of 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.		
4th Meeting in 2020 August 12, 2020	1. Proceed with guarantees/endorsements.	Yes	None
	2. Amendment of the Procedures for Handling Material Inside Information	Yes	None
	Opinions of the Audit Committee: None.		
	The Company's Processing of 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.		
5th Meeting in 2020 November 3, 2020	1. Compensation paid to the certifying CPAs for 2020.	Yes	None
	Opinions of the Audit Committee: None.		
	The Company's Processing of 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.		
6th Meeting in 2020 December 23, 2020	1. Proceed with guarantees/endorsements.	Yes	None
	2. Establishment of the Risk Management Policy and Procedures.	Yes	None
	Opinions of the Audit Committee: None.		
	The Company's Processing of 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 meetings of the Audit Committee (at least once a quarter) to report on the major audit findings to the Independent Directors. The communication focus of the meeting is as follows:

Start Date	Meeting/Key Communication Points	Suggestions and Results
March 5, 2020	3rd Meeting of the 2nd Audit Committee 1. Status and results of the auditing operations and the Audit Committee mailbox performed by internal auditors from November 2019 to February 2020. 2. 2019 Statement of Internal Control System.	No objections
May 13, 2020	4th Meeting of the 2nd Audit Committee 1. Status and results of the auditing operations and the Audit Committee mailbox performed by internal auditors from March 2020 to April 2020. 2. Discussed and communicated on the amendment of the internal control system.	No objections
June 30, 2020	5th Meeting of the 2nd Audit Committee Status and results of the auditing operations and the Audit Committee mailbox performed by internal auditors from May 2020 to June 2020.	No objections
August 12, 2020	6th Meeting of the 2nd Audit Committee Status and results of the auditing operations and the Audit Committee mailbox performed by internal auditors from June to July 2020.	No objections





Start Date	Meeting/Key Communication Points	Suggestions and Results
November 3, 2020	7th 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 to October 2020. 2. Approved 2021 Audit Plan.	No objections
December 23, 2020	Status and results of the auditing operations and the Audit Committee mailbox performed by internal auditors in the 8th Meeting of the 2nd Audit Committee in November 2020.	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:

Start Date	Meeting/Key Communication Points	Suggestions and Results
March 5, 2020	3rd Meeting of the 2nd Audit Committee 1. The CPAs' audit status and report on the 2019 Consolidated and Individual 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 CPAs have discussed and communicated with attendees on the questions they raised with regard to major legal amendments and their impact.	No objections
August 12, 2020	6th Meeting of the 2nd Audit Committee 1. The CPAs' audit status and report on the 2020 Q2 Consolidated Financial Statements report. 2. The CPAs have discussed and communicated with attendees on the questions they raised with regard to	No objections



Start Date	Meeting/Key Communication Points	Suggestions and Results
	major legal amendments and their impact.	
November 3, 2020	7th Meeting of the 2nd Audit Committee 1. The CPAs' audit status and report on the 2020 Q3 Consolidated Financial Statements report. 2. The CPAs communicated on the 2020 audit planning report and the key audit items in the audit report in accordance with the Statement of Auditing Standards No. 58. 3. The CPAs have 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) The state of the Company's 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 from "the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	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 significant deviation
II. Shareholding Structure and 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 charge of such matters.	No significant deviation
(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.	
(III) Has the company established and implemented risk control and firewall mechanisms among its affiliated companies?	V		(III) The Company has established and implemented a system to monitor its subsidiaries.	
(IV) Has the company formulated internal regulations that prohibit insiders of the company from trading securities using undisclosed information in the market?	V		(IV) The Company has, at least once a year, educated and advocated the existing Directors, Managerial Officers and employees on the Procedures for Handling Material Internal Information and relevant laws and regulations. The Company has educated and advocated new Directors, Managerial Officers and employees upon taking office.	

Evaluation Item	Status of Implementation			Discrepancies from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
			<p>The Company has formulated the Procedures for Ethical Management and Guidelines for Conduct. Article 14 All Company personnel shall adhere to the provisions of the Securities and Exchange Act, and may not take advantage of undisclosed information of which they have learned to engage in insider trading. Personnel are also prohibited from divulging undisclosed information to any other party, in order to prevent other party from using such information to engage in insider trading.</p> <p>The Company had educated and advocated the existing Directors, Managerial Officers and employees on August 11, 2020. It contains understanding the insider trading and introducing insider trading and paragraph 1 of Article 157 of the Securities Exchange Act from the perspective of corporate governance as well as brief introducing of practice case. The course briefing with video files was uploaded to the internal platform system which will be accessed by those who failed to participate in the activity at the day.</p>	
<p>III. Composition and Responsibilities of the Board of Directors</p> <p>(I) Has the Board of Directors drawn up policies on diversity of its members and implemented them?</p>	V		<p>(I) According to Article 20 of the Company's Corporate Governance Best Practice Principles, diversity shall be considered in the composition of the Company's Board of Directors, and members of the Board of Directors shall possess the knowledge, skills and qualities required to perform their duties. To achieve the ideal goals of corporate governance, the Board of Directors shall possess the following abilities:</p> <ol style="list-style-type: none"> <li>1. Ability to make sound business judgment.</li> <li>2. Ability to conduct accounting and financial analysis.</li> <li>3. Business management ability;</li> </ol>	No significant deviation

Evaluation Item	Status of Implementation			Discrepancies from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
			<p>4. Crisis management ability;  5. Knowledge of the industry;  6. An understanding of international markets.  7. Leadership.  8. Decision-making ability.</p> <p>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.</p> <p>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 assist the Board in reviewing the Company's overall risk management policy and increase the Company's sustainability. The director members possess the ability to increase 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.</p> <p>For details on the diversity of Board members, refer to the table below:</p>	

Evaluation Item	Status of Implementation			Discrepancies from "the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons																																																																																																																																		
	Yes	No	Summary																																																																																																																																			
(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		<table border="1"> <thead> <tr> <th rowspan="2">Names of Director</th> <th rowspan="2">Gender</th> <th colspan="10">Diversified Core Competences</th> </tr> <tr> <th>Sound business judgments</th> <th>Accounting and finance</th> <th>Business management</th> <th>Crisis management</th> <th>Knowledge of the industry</th> <th>Understanding of international markets</th> <th>Leadership skills</th> <th>Decision-making ability</th> <th>Legal expertise</th> <th>Environmental protection expertise</th> </tr> </thead> <tbody> <tr> <td>Wu, Yi-Gui</td> <td>Male</td> <td>V</td> <td>V</td> <td>V</td> <td>V</td> <td>V</td> <td>V</td> <td>V</td> <td>V</td> <td>V</td> <td></td> </tr> <tr> <td>Lin, Han-Fu</td> <td>Male</td> <td>V</td> <td>V</td> <td>V</td> <td>V</td> <td>V</td> <td>V</td> <td>V</td> <td>V</td> <td>V</td> <td>V</td> </tr> <tr> <td>Wang, Ke-Shun</td> <td>Male</td> <td>V</td> <td></td> <td>V</td> <td>V</td> <td>V</td> <td>V</td> <td>V</td> <td>V</td> <td></td> <td></td> </tr> <tr> <td>Liu, Han-Tai</td> <td>Male</td> <td>V</td> <td></td> <td>V</td> <td>V</td> <td>V</td> <td>V</td> <td>V</td> <td>V</td> <td></td> <td></td> </tr> <tr> <td>Liu, Zhen-Tu</td> <td>Male</td> <td>V</td> <td>V</td> <td>V</td> <td>V</td> <td></td> <td></td> <td>V</td> <td>V</td> <td>V</td> <td></td> </tr> <tr> <td>Wu, Hung-To</td> <td>Male</td> <td>V</td> <td></td> <td>V</td> <td>V</td> <td></td> <td></td> <td>V</td> <td>V</td> <td></td> <td></td> </tr> <tr> <td>Li, Zu-De</td> <td>Male</td> <td>V</td> <td>V</td> <td>V</td> <td>V</td> <td></td> <td></td> <td>V</td> <td>V</td> <td></td> <td></td> </tr> <tr> <td>Zheng, Ying-Bin</td> <td>Male</td> <td>V</td> <td>V</td> <td>V</td> <td>V</td> <td></td> <td></td> <td>V</td> <td>V</td> <td></td> <td>V</td> </tr> <tr> <td>Li, Liang-Xian</td> <td>Male</td> <td>V</td> <td></td> <td>V</td> <td>V</td> <td>V</td> <td>V</td> <td>V</td> <td>V</td> <td></td> <td>V</td> </tr> </tbody> </table> <p>The Company's Directors with employee status accounted for 22% and Independent Directors with employee status 33%. Three Independent Directors have served terms for 3 years. Five Directors are aged 70 to 79, one is aged 60 to 69, two are aged 50 to 60 and one is under 50.</p>	Names of Director	Gender	Diversified Core Competences										Sound business judgments	Accounting and finance	Business management	Crisis management	Knowledge of the industry	Understanding of international markets	Leadership skills	Decision-making ability	Legal expertise	Environmental protection expertise	Wu, Yi-Gui	Male	V	V	V	V	V	V	V	V	V		Lin, Han-Fu	Male	V	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	No significant deviation
Names of Director	Gender	Diversified Core Competences																																																																																																																																				
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(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 directors and use	V		<p>(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 positive 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.</p> <p>(III) The Company has formulated rules and procedures for evaluating the performance of the Board of Directors and conducts it annually.</p> <p>I. Performance evaluation of the board of directors and its members 1. The Company passed the Rules Governing the</p>	No significant deviation																																																																																																																																		

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	Yes	No	Summary											
results as the basis for the salary, remuneration, nomination and reappointment of individual Directors?			<p>Performance Evaluation of the Board of Directors in November 2019, stipulating that the performance evaluation of the Board of Directors and individual Directors shall be executed at the end of each year.</p> <p>2. The Secretariat of the Board is responsible for the execution of the performance evaluation of the Board of Directors and individual Directors which shall be conducted based on an internal self-evaluation. The results of performance assessments are used as basis for the Company's review and improvement and as reference in determining remuneration for individual Directors, their nomination and additional office term.</p> <p>3. The Company completed the performance evaluation in January 2021 for the evaluation period from January 1 to December 31, 2020. The below summarizes the evaluation result:  (1) Overall performance of the Board of Directors</p> <table border="1"> <thead> <tr> <th>Performance aspect</th> <th>Score (Note)</th> <th>Evaluation results and additional explanation:</th> </tr> </thead> <tbody> <tr> <td>Participation in Company operations</td> <td>4.67</td> <td rowspan="3">1. The overall evaluation result of the Board of Directors shows that the average score of the five aspects is above 4.6, which is a good evaluation result 2. To improve the Company's risk controls and allow Directors to evaluate and supervise the Company's existing or potential risks, the Company approved the Risk Management Policy and Procedures by the Board of</td> </tr> <tr> <td>Improvement of the quality of the Board of Directors' decision making</td> <td>5</td> </tr> <tr> <td>Composition and structure of the Board of Directors</td> <td>5</td> </tr> </tbody> </table>	Performance aspect	Score (Note)	Evaluation results and additional explanation:	Participation in Company operations	4.67	1. The overall evaluation result of the Board of Directors shows that the average score of the five aspects is above 4.6, which is a good evaluation result 2. To improve the Company's risk controls and allow Directors to evaluate and supervise the Company's existing or potential risks, the Company approved the Risk Management Policy and Procedures by the Board of	Improvement of the quality of the Board of Directors' decision making	5	Composition and structure of the Board of Directors	5	
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(IV) Does the company regularly evaluate the independence of CPAs?	V		<p>(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:</p> <ol style="list-style-type: none"> <li>1. As of the most recent assurance operation, no CPA has yet to be replaced for seven (7) years.</li> <li>2. The CPA does not have significant financial interest in the Company.</li> <li>3. The CPA does not own any shares of the Company and its affiliated companies.</li> <li>4. The CPA has not engaged in lending and borrowing of money with the Company and its affiliated companies.</li> <li>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.</li> <li>6. The CPA is not involved in the decision-making process of the Company and its affiliated companies.</li> <li>7. The CPA does not have a spouse, immediate family members or relatives within the second degree of kinship who serve in the senior management of the Company.</li> <li>8. The CPA has not collected any commission related to his/her service.</li> </ol> <p>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, 2021 in the 9th Meeting of the 2nd Audit Committee and the 1st Meeting of the Board of Directors in 2021.</p>	No significant deviation

Evaluation Item	Status of Implementation			Discrepancies from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
IV. Has the TWSE/TPEX listed company designated an appropriate number of qualified corporate governance personnel and appointed a corporate governance officer responsible for matters related to corporate governance (including but not limited to providing directors and supervisors with the necessary information for operation, assisting directors and supervisors in following regulations, handling matters related to Board meetings and the shareholders' meetings in accordance with the regulations, preparing minutes for Board meetings and the shareholders' meetings, etc.)?	V		<p>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.</p> <p>The focal points of implementation in 2020 are as follows:</p> <p>(1) Assisted Directors in performing their duties, provide the necessary information, arrange continuing education for Directors, and process liability insurance policies.</p> <ol style="list-style-type: none"> <li>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.</li> <li>2. Assisted Directors, upon request, to understand the regulations for which compliance is required for the execution of their business.</li> <li>3. Provided Directors with the necessary information of the Company. They are also provided with assistance for communicating and exchanging ideas with business managers.</li> <li>4. Assisted Independent Directors in arranging meetings</li> </ol>	No significant deviation

Evaluation Item	Status of Implementation			Discrepancies from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
			<p>with the head of internal audit or CPAs when there is a need for Independent Directors to meet them in order to understand the Company's financial operations</p> <p>5. Assisted the Company in arranging at least 6 hours of continuing education courses for members of the Board of Directors.</p> <p>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.</p> <p>(II) Organized matters related to the proceedings of Board of Directors' meetings and shareholders' meetings and confirmed compliance matters of resolutions.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>4. Changed registration items.</p> <p>(III) Maintain relations with investors:  The Company's website is updated from time to time to keep investors abreast of the Company's financial, business, and corporate governance information in order to protect shareholders' rights and interests.</p> <p>The status of continuing education in 2020 is as</p>	

Evaluation Item	Status of Implementation			Discrepancies from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons																						
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			<p>follows:</p> <p>Pursuant 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," a listed company shall arrange continuing professional education for its corporate governance officer.</p> <p>The Corporate Governance Officer shall receive at least 12 hours of continuing education each year, except for at least 18 hours within one year for the first term commencing from the date of his/her appointment.</p> <p>In 2020, Chen, Yung-Chih, corporate governance officer of the Company, had completed 18 hours of continuing education classes. The contents of the classes are as follows:</p> <table border="1"> <thead> <tr> <th>Date of Training</th> <th>Organizer</th> <th>Course Title</th> <th>Number of Hours</th> <th>Total training hours during the year</th> </tr> </thead> <tbody> <tr> <td>July 9, 2020</td> <td>Securities and Futures Institute</td> <td>Business Strategies and Corporate Governance in Response to Unsustainable Risks in the World from the Aspect of the COVID-19 Epidemic</td> <td>3</td> <td rowspan="4">18</td> </tr> <tr> <td>August 19, 2020</td> <td>Securities and Futures Institute</td> <td>Seminar on Futures Derivatives Hedging Trading and Operation Practices for Companies to Enhance Sustainable Development</td> <td>3</td> </tr> <tr> <td>September 24, 2020</td> <td>Taiwan Stock Exchange Corporation</td> <td>Corporate Governance 3.0-Summit Forum for the Blueprint of Sustainable Development</td> <td>3</td> </tr> <tr> <td>September 30, 2020</td> <td>Securities and Futures Institute</td> <td>2020 Seminar on Insider Trading Prevention and Equity Transfer by Insiders</td> <td>3</td> </tr> </tbody> </table>	Date of Training	Organizer	Course Title	Number of Hours	Total training hours during the year	July 9, 2020	Securities and Futures Institute	Business Strategies and Corporate Governance in Response to Unsustainable Risks in the World from the Aspect of the COVID-19 Epidemic	3	18	August 19, 2020	Securities and Futures Institute	Seminar on Futures Derivatives Hedging Trading and Operation Practices for Companies to Enhance Sustainable Development	3	September 24, 2020	Taiwan Stock Exchange Corporation	Corporate Governance 3.0-Summit Forum for the Blueprint of Sustainable Development	3	September 30, 2020	Securities and Futures Institute	2020 Seminar on Insider Trading Prevention and Equity Transfer by Insiders	3	
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			October 13, 2020	Securities and Futures Institute	Strategies and Management of Enterprise Upgrade and Transformation: the Choice between M&A and Alliance	3		
			October 23, 2020	Taiwan Stock Exchange Corporation	2020 Directors and Supervisors Advocacy for Corporate Governance and Corporate Integrity	3		
V. Has the Company established a communication channel with stakeholders (including but not limited to shareholders, employees, customers, and suppliers)? Has a stakeholders' section been established in the Company's website and are major corporate social responsibility topics that the stakeholders are concerned with addressed appropriately by the Company?	V		The Company has set up a stakeholders' section under Corporate Social Responsibility on its website, which features contact information as channels of communication. We have also assigned dedicated personnel to take charge of the collection and disclosure of Company information and implemented a spokesperson system. Communication can be performed through interviews, telephone calls, or dedicated mailboxes. The details of communication with all interested parties are reported to the board of directors on a yearly basis. The channel of communication with interested parties, communication topics and replies in 2019 were submitted to the board of directors on August 12, 2020.					No significant deviation
VI. Has the company commissioned a professional shareholder services agency to handle Shareholders' Meetings and other relevant affairs?		V	The Company takes charge of its own stockholder affairs and handles matters related to shareholders' meetings in accordance with the law.					The Company handles its own shares-related affairs to ensure quality and efficiency.
VII. Information Disclosure								
(I) Has the company established a website to disclose information on financial operations and corporate governance?	V		(I) The Company has set up a website and regularly discloses company information. <a href="https://www.cgpc.com.tw">https : //www.cgpc.com.tw</a>					No significant deviation
(II) Has the Company adopted other means of information disclosure (such as establishing a website in English, appointing specific	V		(II) The Company has appointed specific personnel to take charge of the collection and disclosure of company information and has implemented a spokesperson					No significant deviation

Evaluation Item	Status of Implementation			Discrepancies from "the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Summary	
(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 before the specified deadline?	V		system.  (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 significant deviation
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 has changed the report name from Corporate Social Responsibility Report into CSR Report in 2020. The CSR Report is disclosed on the Company's website ( <a href="https://www.cgpc.com.tw/CSR/zh-tw/CSR25.aspx">https://www.cgpc.com.tw/CSR/zh-tw/CSR25.aspx</a> ) before June 30 every year. M.O.P.S.: ( <a href="https://mops.twse.com.tw/mops/web/t100sb11">https://mops.twse.com.tw/mops/web/t100sb11</a> ).	No significant deviation
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 of the Company attends the General Shareholders' Meeting in person. (II) The General Shareholders' Meeting was held on May 28, 2020. (III) The Company formulated the risk management policies and procedures, which disclosed the scope, the organizational structure, and the operations of risk management. The Company reports to the Board at least once a year. (IV) The Company formulated the Intellectual Property Management Plan and reports it to the Board of Directors at least once a year. Prioritized items for improvement: (I) More than half of the Directors (including the convener of the Audit Committee) attended the general shareholders' meeting.				

Evaluation Item	Status of Implementation			Discrepancies from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
(II) 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 established a remuneration committee, the composition 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)	Name	Terms	Has more than five years of work experience and the following professional qualifications	Status of Independence (Note 2)										Number of publicly listed companies in which the member concurrently serves as a remuneration committee member	Remarks		
				1	2	3	4	5	6	7	8	9	10				
Independent Directors	Zheng, Ying-Bin			√	√	√	√	√	√	√	√	√	√	√	√	0	
Independent Directors	Li, Zu-De			√	√	√	√	√	√	√	√	√	√	√	√	1	
Independent Directors	Li, Liang-Xian			√	√	√	√	√	√	√	√	√	√	√	√	0	

Note 1: For the job title, please identify whether the person is a Director, Independent Director or other.

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

- (1) Not employed by the Company or any of its affiliated companies.
- (2) Not a director or supervisor of the company or any of its affiliates (however, if an independent director is engaged concurrently by the Company, its parent company, and its subsidiary or a subsidiary under the same parent company in accordance with this Act or local laws and regulations, this requirement shall not apply).
- (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 Company's total issued shares, who are among the top five shareholders, or who designates its representative to serve as a director or supervisor of the Company in accordance with Paragraph 1 or 2, Article 27 of the Company Act (however, if an independent director engaged concurrently by the Company, its parent company, and its subsidiary or a subsidiary under the same parent company in accordance with this Act or local laws and regulations, this requirement shall not apply).
  - (6) Not a director, supervisor, or employee of another company where a majority of the Company's director seats or voting shares and those of another company are controlled by the same person (however, if the independent director is engaged concurrently by the Company, its parent company, and its subsidiary or a subsidiary under the same parent company in accordance with this Act or local laws and regulations, this requirement shall not apply).
  - (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's charter and propose recommendations to amend it when necessary.
- (2) Establishing and regularly reviewing the BOD and Managerial Officer's performance evaluation in conjunction with the remuneration policies, systems, standards, and structure.
- (3) Regular evaluation and stipulation on the compensation of Directors and Managerial Officers.

## 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	Number of Attendance in Person (B)	Number of Attendance by Proxy	Percentage of attendance in person (%) (B/A) (Note)	Remarks
Convener	Zheng, Ying-Bin	3	0	100%	
Commissioner	Li, Zu-De	3	0	100%	
Commissioner	Li, Liang-Xian	3	0	100%	
Other matters to be noted:					
I. If the Board of Directors rejects or amends the suggestions of the Remuneration Committee, it should state the date of the Board Meeting, the term of the fiscal year, the content of the proposal, and resolution of the Board Meeting and the follow-up treatments (e.g., if the resolution of the Board Meeting states that the amount of remuneration is higher than that of the suggestions from the Remuneration Committee, the Board should specify the difference in number and the reason behind the resolution): Not applicable.					
II. 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 rate of attendance in person (%) shall be calculated based on the number of meetings held by the Remuneration Committee and the actual number of meetings attended during his/her term of office.

2. If members of the Remuneration Committee are re-elected before the end of the fiscal year,



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

Remuneration Committee	Resolution and Subsequent Actions	Objections or Reservations Expressed by the Remuneration Committee
3rd Meeting of the 4th Remuneration Committee March 5, 2020	1. The Company's 2019 remuneration distribution plan for Directors and employees of the Company.	None
	2. The Company's 2019 Special Annual Bonus Review Plan for Professional Manager.	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 submitted them to the Board of Directors for discussion.	
	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 Meeting of the 4th Remuneration Committee August 12, 2020	1. Amendments to some articles of the Company's Directors' and Managerial Officers' Remuneration Policy and Regulations."	None
	Opinions of the Remuneration Committee: None.	
	Resolution of the Remuneration Committee: All members in attendance unanimously passed the proposals and submitted them to the Board of Directors for discussion.	
	The Company's actions in response to the opinions of the Remuneration Committee: All the Directors in attendance voted in favor of the resolution.	
5th Meeting of the 4th Remuneration Committee November 3, 2020	1. Amended certain articles of the "Remuneration Committee Charter."	None
	2. Established the work plan of the Committee for 2021.	None
	Opinions of the Remuneration Committee: None.	
	Resolution of the Remuneration Committee: All members in attendance unanimously passed the proposals and submitted them to the Board of Directors for discussion.	
	The Company's actions in response to the opinions of the Remuneration Committee: All the Directors in attendance voted in favor of the resolution.	

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

Evaluation Item	Status of Implementation (Note 1)			Discrepancies between its implementation and the Corporate Social Responsibility Best Practice Principles for TWSE or TPEX Listed Companies and reasons for such discrepancies
	Yes	No	Summary (Note 2)	
I. 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		<p>To strengthen corporate governance, reduce possible operating risk and ensure the stable operation and sustainable development, the Company's Audit Committee and the Board of Directors passed the Risk Management Policy and Procedures in November 2020. The Risk Management Policy and Procedures consists of risk management policy, organization of risk management, risk management process, risk management category and mechanism, effectively controlling the risks arising from business activities. The risk management operations are reported to the Audit Committee and the Board of Directors at least once a year.</p> <p>Followed the relevant laws and regulations of the competent authority and formulated the operation standards of each risk management unit for routine business risk control. Kept an eye on the development of international and domestic risk management systems to review and improve risk management policies accordingly. The Company constantly adjusted and improved the best risk management methods in response to changes in the internal and external environment, so as to enhance the effectiveness of the Company's risk management implementation and protect the interests of the Company and its</p>	Consistent with the Corporate Social Responsibility Best-Practice Principles for TWSE or TPEX Listed Companies

Evaluation Item	Status of Implementation (Note 1)			Discrepancies between its implementation and the Corporate Social Responsibility Best Practice Principles for TWSE or TPEX Listed Companies and reasons for such discrepancies
	Yes	No	Summary (Note 2)	
			employees, Shareholders and Stakeholders. ( <a href="https://www.cgpc.com.tw/zh-tw/dirServices/frmServices2.aspx">https://www.cgpc.com.tw/zh-tw/dirServices/frmServices2.aspx</a> )	
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 industry to which it belongs? (II) Is the company committed to improving the efficiency of utilizing various resources and using recycled materials with low impacts on the environment?	V  V		(I) The Company has established comprehensive environmental management systems and formulated guidelines for the Labor Safety Office to supervise their implementation. (II) The Company attaches great importance to resource use efficiency, reduce the negative impact of business activities on the environment and actively implement (1) circular economy (internal circulation): pure water recovery and reuse, conversion of surplus materials, renewable energy,	Consistent with the Corporate Social Responsibility Best-Practice Principles for TWSE or TPEX Listed Companies

Evaluation Item	Status of Implementation (Note 1)			Discrepancies between its implementation and the Corporate Social Responsibility Best Practice Principles for TWSE or TPEX Listed Companies and reasons for such discrepancies
	Yes	No	Summary (Note 2)	
(III) Has the company assessed the present and future potential risks and opportunities of climate change for the entity, and taken measures to respond to climate-related issues?	V		recovery and reuse of waste heat and condensed water, waste reduction... etc. (2) Circular economy (external circulation): cartons, paper bags, PE bags, equipment replacement... and other work. (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) Has the company calculated its GHG emissions, water consumption, and total waste weight in the past two years, and formulated policies for energy conservation, reductions of carbon, GHG, and water consumption, or other waste management?	V		(IV) In 2016, the Company established the management policy and targets for energy savings and carbon reduction. CGPC set a new phase energy management targets in 2019. The six-year energy efficiency ratio from 2020 to 2025 is set as 7.2% (compliance with the ratio set by USI Group) to continue tracking the international trend and national policies and regulations for dynamic review. The Company will introduce the domestic and foreign standards or	

Evaluation Item	Status of Implementation (Note 1)			Discrepancies between its implementation and the Corporate Social Responsibility Best Practice Principles for TWSE or TPEX Listed Companies and reasons for such discrepancies												
	Yes	No	Summary (Note 2)													
			<p>guidelines to implement GHG inventory and management of water resources and wastes It is disclosed as follows:</p> <table border="1"> <thead> <tr> <th>Item</th> <th>Reason for Discrepancy</th> <th>2019</th> <th>2020</th> </tr> </thead> <tbody> <tr> <td>GHG Management</td> <td>The Company set the energy management target. The annual performance is planned to save 1% electricity and 1.2% energy. The factory plans the related action plans and responses.</td> <td>Total emissions Verified the emission of 393,873 metric tons</td> <td>The self-check estimates the emission of 363,495 Tons</td> </tr> <tr> <td>Water Management</td> <td>Reduced and minimized water waste, improved and replaced the equipment that consume large quantities of water, improved water recovery and reuse rate, and set a target to increase water recovery by 3% per year. Amount of water saved and wastewater discharged per year: About 487,000 t/year.</td> <td>Total Water Withdrawal 2,860,000 CBM Total of water recycled 487.91</td> <td>Total water withdrawal: 2,810,000 CBM Total of water recycled 600.6</td> </tr> </tbody> </table>	Item	Reason for Discrepancy	2019	2020	GHG Management	The Company set the energy management target. The annual performance is planned to save 1% electricity and 1.2% energy. The factory plans the related action plans and responses.	Total emissions Verified the emission of 393,873 metric tons	The self-check estimates the emission of 363,495 Tons	Water Management	Reduced and minimized water waste, improved and replaced the equipment that consume large quantities of water, improved water recovery and reuse rate, and set a target to increase water recovery by 3% per year. Amount of water saved and wastewater discharged per year: About 487,000 t/year.	Total Water Withdrawal 2,860,000 CBM Total of water recycled 487.91	Total water withdrawal: 2,810,000 CBM Total of water recycled 600.6	
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IV. Social issues (I) Has the company formulated the 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 implement CSR and human rights protection. Besides, the Company has formulated human rights policy to eliminate human rights violations so that our employees can enjoy a reasonable and dignified treatment. Methods of implementation: <ol style="list-style-type: none"> <li>1. Provide a safe and healthy working environment.</li> <li>2. Prohibiting illegal discrimination to ensure equal work opportunities, etc.</li> <li>3. No child labor.</li> </ol>	Consistent with the Ethical Corporate Management Best Practice Principles for TWSE or TPEX Listed Companies.								

Evaluation Item	Status of Implementation (Note 1)			Discrepancies between its implementation and the 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		<p>4. The Company prohibits forced labor.</p> <p>5. Physical and mental health and work balance.</p> <p>6. Human rights protection training practices: training new employees, prevention of workplace violence, occupational safety training series, and integrity and moral advocacy.</p> <p>(II) The Company has stipulated in the Articles of Incorporation that "When the business is profitable, the Company will distribute employees with the remuneration not less than 1% of the annual profit". All the employees of the Company are entitled to share the business results of the Company. In accordance with the Labor Standards Act, the Company approves leaves and provides labor insurance, health insurance, group insurance of employee and dependants, employee health examination, benefit coupons for the three festivals, maternity benefits, staff canteen... etc.</p>	Consistent with the Ethical Corporate Management 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		<p>(III) Employee safety and health management:</p> <p>1. Policy:</p> <p>(1) Full participation and habit cultivation to build a corporate culture that values safety and health.</p> <p>(2) Complete preventive inspections and perform onsite inspections to prevent accidents.</p> <p>(3) Comply with government regulations to build a comprehensive safety system.</p>	Consistent with the Ethical Corporate Management Best Practice Principles for TWSE or TPEX Listed Companies.

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			<p>2. Goals:</p> <p>(1) Establish a zero-hazard work environment to protect the safety and health of workers.</p> <p>(2) No major occupational disasters.</p> <p>(3) CGPC's absence rates in 2020 are provided in the table below. The absence rates were within control.</p> <table border="1"> <thead> <tr> <th>Company/Gender</th> <th>Male</th> <th>Female</th> </tr> </thead> <tbody> <tr> <td>CGPC (Toufen Plant)</td> <td>0.48%</td> <td>0.08%</td> </tr> <tr> <td>TVCM (Linyuan Plant)</td> <td>0.55%</td> <td>0.11%</td> </tr> <tr> <td>CGPCPOL (Linyuan Plant)</td> <td>1.34%</td> <td>0.04%</td> </tr> </tbody> </table> <p>Note: (3.1.) Absentee Rate = total number of days absent/total number of mandatory work days*100%.</p> <p>(3.2.) Total number of days absent: Calculated based on total actual sick leave and occupational leave in 2020.</p> <p>(3.3.) Mandatory work days: Actual number of days worked in 2020.</p> <p>3. Plan:</p> <table border="1"> <thead> <tr> <th>Implementation Plan</th> <th>Unit</th> <th>2020 Targets</th> <th>2020 Actual performance</th> </tr> </thead> <tbody> <tr> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table>	Company/Gender	Male	Female	CGPC (Toufen Plant)	0.48%	0.08%	TVCM (Linyuan Plant)	0.55%	0.11%	CGPCPOL (Linyuan Plant)	1.34%	0.04%	Implementation Plan	Unit	2020 Targets	2020 Actual performance					
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			<table border="1"> <tr> <td>Enhance onsite inspections and improvements of potential hazardous factors</td> <td>Disabling frequency rate (F.R.)</td> <td>&lt;1.5</td> <td>1.33</td> </tr> <tr> <td>Enhance contractor education to prevent operational disasters</td> <td>Number of injuries</td> <td>≤2</td> <td>2</td> </tr> </table> <p>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&amp;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.</p> <p>The Company has established ISO-45001 occupational safety and health management systems to provide good safety and health protection structure, prevent accidents, and ensure regulatory compliance.</p> <p>In addition, CGPC plants participated in the "Toufen, Zhunan, and Linyuan Industrial Park Safety and Health</p>	Enhance onsite inspections and improvements of potential hazardous factors	Disabling frequency rate (F.R.)	<1.5	1.33	Enhance contractor education to prevent operational disasters	Number of injuries	≤2	2	
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(IV) Has the Company established effective career development and training plans for its employees?	V		<p>Promotion Committees", "Regional Allied Defense Organization", "Taiwan Responsible Care Association (TRCA)", and the Vinyl Chloride and Chlorine Operations Allied Defense Organization, respectively. 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.</p> <p>(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 training, 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 diversified employee functional training, management training, seminars, health talks, various</p>	Consistent with the Ethical Corporate Management Best Practice Principles for TWSE or TPEX Listed Companies.

Evaluation Item	Status of Implementation (Note 1)			Discrepancies between its implementation and the Corporate Social Responsibility Best Practice Principles for TWSE or TPEX Listed Companies and reasons for such discrepancies
	Yes	No	Summary (Note 2)	
(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		<p>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 participate in learning activities anytime, anywhere, thereby enhancing their career development and overall work performance.</p> <p>(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 and passed ISO 27001 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</p>	Consistent with the Ethical Corporate Management Best Practice Principles for TWSE or TPEX Listed Companies.

Evaluation Item	Status of Implementation (Note 1)			Discrepancies between its implementation and the Corporate Social Responsibility Best Practice Principles for TWSE or TPEX Listed Companies and reasons for such discrepancies
	Yes	No	Summary (Note 2)	
(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		<p>working environment to implement rigorous access control strategies and procedures for customer data and avoid the risks of leakage of customers' confidential information.</p> <p>(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. The Company established the supplier sustainability management culture and promoted supplier/contractor social commitment. Miaoli County government established the first Occupational Safety and Health Family, aiming at assisting enterprises with fewer than 100 workers, to improve the working environment and promote employment services. As the leader of the family, CGPC invited contractors to become a member of the family to improve contractor's overall level of independent security management.</p>	Consistent with the Ethical Corporate Management Best Practice Principles for TWSE or TPEX Listed Companies.

Evaluation Item	Status of Implementation (Note 1)			Discrepancies between its implementation and the Corporate Social Responsibility Best Practice Principles for TWSE or TPEX Listed Companies and reasons for such discrepancies
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V. Does the company, following internationally recognized guidelines, prepare and publish reports, such as its Corporate Social Responsibility report, to disclose non-financial information of the company? Has the company received assurance or certification of the aforesaid reports from a third-party accreditation institution?	V		The Company prepared 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 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), AA1000 Assurance Standard (2008) and the type-1, mid-level accountability of Appendix 7.1GRI of AA1000 Assurance Standard published in 2018.	Consistent with the Ethical Corporate Management Best Practice Principles for TWSE or TPEX Listed Companies.
VI. If the company has established its own Corporate Social Responsibility Best Practice Principles in accordance with the Corporate Social Responsibility Best Practice Principles for TWSE or TPEX Listed Companies, state the discrepancies between these principles and its implementation: There is no material discrepancy in the Company's Corporate Social Responsibility Best Practice Principles formulated in accordance with the Corporate Social Responsibility Best Practice Principles for TWSE or TPEX Listed Companies and in the implementation.				
VII. Other important information to facilitate better understanding of the company's Corporate Social Responsibility practices: (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	Independent Director Zheng, Ying-Bin	Chairman of Long Chen Paper Co., Ltd. who adopted new technologies	



Evaluation Item	Status of Implementation (Note 1)			Discrepancies between its implementation and the Corporate Social Responsibility Best Practice Principles for TWSE or TPEX Listed Companies and reasons for such discrepancies
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Chairman			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.
Commissioner			Wu, Yi-Gui, Chairman	-
Commissioner			Independent Director Li, Liang-Xian	-
<p>2. Responsibilities:</p> <ol style="list-style-type: none"> <li>(1) Determining the CSR policy;</li> <li>(2) Outlining the CSR strategy, annual plan, and project plans;</li> <li>(3) Supervising the plans of SCR strategies, the implementation of the annual plan and project plans, and evaluating the implementation;</li> <li>(4) Reviewing and approving the CSR Report;</li> <li>(5) Reporting the implementation of CSR activities to the Board of Directors each year;</li> <li>(6) Other matters to be conducted by the committees per Board resolution.</li> </ol> <p>3. Implementation Status:</p> <p>1st Meeting</p> <ol style="list-style-type: none"> <li>(1) Date: March 5, 2020</li> <li>(2) Committee members in attendance: Zheng, Ying-Bin, Li, Liang-Xian, Wu, Yi-Gui, and Lin, Han-Fu</li> <li>(3) Reported the CSR Policy and identified material issues and the plans for the 2019 CSR Report.</li> <li>(4) Reported the targets for energy conservation, electricity savings, and carbon emissions reduction, and plans for social and charitable activities for 2019.</li> </ol> <p>2nd Meeting</p> <ol style="list-style-type: none"> <li>(1) Date: August 12, 2020</li> <li>(2) Committee members in attendance: Zheng, Ying-Bin, Li, Liang-Xian, Wu, Yi-Gui, and Lin, Han-Fu</li> </ol>				

Evaluation Item	Status of Implementation (Note 1)			Discrepancies between its implementation and the Corporate Social Responsibility Best Practice Principles for TWSE or TPEX Listed Companies and reasons for such discrepancies
	Yes	No	Summary (Note 2)	
<p>(3) Reported the 2019 Corporate Social Responsibility Report, selected 9 major themes and listed the management policy, implementation status, future planning and response to SDGs of the United Nations.</p> <p>(4) Reported the communication and response for issues of concern to stakeholders in 2019.</p> <p>(5) Explanation of risk management and climate change risk management.</p> <p>(II) Implementation of Environmental Protection and Occupational Safety and Health:</p> <p>1. Environmental protection policies:</p> <p>(1) To comply with relevant environmental protection and occupational safety and health regulations and relevant requirements derived from such regulations.</p> <p>(2) To continuously conserve and reuse resources and energy and reduce industrial waste.</p> <p>(3) To prevent pollution, reduce potential risks in operations.</p> <p>(4) To continuously provide employees with education and training and carry out work related to environmental protection and occupational safety and health.</p> <p>(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.</p> <p>(6) To thoroughly implement environmental management system to enhance environmental performance and reduce environmental safety risks in communities.</p> <p>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.</p> <p>3. The Company continues to implement industrial waste reduction, improve workplace safety, and enhance environmental protection and occupational safety and health training for employees.</p> <p>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 wastes and details such information in the Waste Cleanup Plan before submitting the plan to the competent authority.</p>				

Evaluation Item	Status of Implementation (Note 1)			Discrepancies between its implementation and the Corporate Social Responsibility Best Practice Principles for TWSE or TPEX Listed Companies and reasons for such discrepancies
	Yes	No	Summary (Note 2)	
<p>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.</p> <p>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 11th to 12th, 2016, it was announced on April 11th, 2016 that the area had its status as a groundwater pollution control site terminated and was removed from the delineation of the groundwater pollution control region.</p> <p>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.</p> <p>8. The Environmental Development Department of Taiwan VCM Corporation (a subsidiary of CGPC) was awarded the Certificate of Technical Removal of Contaminated Sites by the Environmental Protection Administration Executive Yuan.</p> <p>9. Chien, Hua-Yi, Director of Environmental Development Department of Taiwan VCM Corporation (a subsidiary of CGPC), was awarded the 2020 Outstanding Program Manager Award by Taiwanese Soil and Groundwater Environmental Protection (TASGEP).</p> <p>10. The Company actively implemented the green procurement plan in 2019. The accumulated green procurement in 2020 amounted to NT\$15.98 million. The Company was awarded a certificate of appreciation by the Department of Environmental Protection, Taipei City Government.</p> <p>(III) Implementation of Energy Conservation and Carbon Reduction:</p> <p>1. Energy Conservation and Carbon Reduction Policies:</p> <p>(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 (the green procurement plan contains machinery and other products)</p>				

Evaluation Item	Status of Implementation (Note 1)			Discrepancies between its implementation and the Corporate Social Responsibility Best Practice Principles for TWSE or TPEX Listed Companies and reasons for such discrepancies
	Yes	No	Summary (Note 2)	
<p>(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.</p> <p>(3) To promote energy conservation and carbon reduction plans at departmental level and carry out energy conservation and carbon reduction education and promotional work.</p> <p>(4) To implement energy conservation and carbon reduction-related individual job details and continuously provide employees with education and training in order to implement energy conservation and carbon reduction.</p> <p>2. Outcomes of Energy Conservation and Carbon Reduction:</p> <p>(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 2019 was 393,873 tons. The results of the self-inspections in 2020 totaled 363,495 metric tons (as of the publication date of the Annual Report, SGS has not yet completed the verification of Linyuan Plant and Linyuan Plant; 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 2,770 metric tons and 1,122 metric tons in 2019 and 2020.</p> <p>(2) The Company executed energy conservation and carbon reduction projects in 2019. The results have been submitted to the Bureau of Energy. Total energy savings amounted to 22,030 GJ and carbon emissions were reduced by 5,314 tons CO<sub>2</sub>e.</p> <p>3. Energy conservation and carbon reduction projects: 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) 800RT freezer chiller system modification and renewal project. (2) Secondary steam recovery system project.</p> <p>(IV) Implementation of social services and public welfare: (1) With a history going back 48 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 fourth (after adoption) beach-clearing</p>				

Evaluation Item	Status of Implementation (Note 1)			Discrepancies between its implementation and the Corporate Social Responsibility Best Practice Principles for TWSE or TPEX Listed Companies and reasons for such discrepancies																							
	Yes	No	Summary (Note 2)																								
<p>activity after the adoption on September 19, 2020.</p> <p>(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.</p> <p>(4) The Company helped clean up and maintain the environment around Yungchen Temple, Nantian Street and Beitian Street.</p> <p>(5) The Company adopted streetlamps around its Toufen Plant, and carries out maintenance of these lamps.</p> <p>(6) The Company adopted the Jhonggang River Dongxing Bridge Wetland Park in Miaoli.</p> <p>(7) Miaoli County government established the first Occupational Safety and Health Family, CGPC acting as the leader. The Occupational Safety and Health Family aims at assisting enterprises with fewer than 100 workers to improve the working environment and promote employment services.</p> <p>(8) In 2020, CGPC donated 12% bleaching agents of the Company's products, for a total of 433 barrels (about 10 metric tons). Plants located at Linyuan Petrochemicals Area raised funds to purchase 12,000 mask sets and USI Group-Linkou Laboratory provided eight barrels of anti-epidemic alcohol (75%) as gifts to Linyuan Junior High School and Primary School (eight schools) for anti-epidemic use.</p> <p>(9) USI Group began to hold blood donation activities since 2018 and joined in the blood donation activity of 1,000 people in internal medicine in 2019. Actual and accumulated achievements of blood donation in the past three years are as follows:</p>																											
<table border="1"> <thead> <tr> <th>Item</th> <th>Explanation/Date</th> <th>February 26, 2020 [the Second]</th> <th>August 25, 2020 [the Third]</th> <th>January 28, 2021 [the Fourth]</th> </tr> </thead> <tbody> <tr> <td rowspan="2">Number of blood donation participants:</td> <td>This Time</td> <td>69</td> <td>69</td> <td>52</td> </tr> <tr> <td>Accumulated participants</td> <td>217</td> <td>286</td> <td>338</td> </tr> <tr> <td rowspan="2">Total blood collection bags: (250CC/bag)</td> <td>This Time</td> <td>98</td> <td>104</td> <td>83</td> </tr> <tr> <td>Accumulated bags</td> <td>307</td> <td>411</td> <td>494</td> </tr> </tbody> </table>					Item	Explanation/Date	February 26, 2020 [the Second]	August 25, 2020 [the Third]	January 28, 2021 [the Fourth]	Number of blood donation participants:	This Time	69	69	52	Accumulated participants	217	286	338	Total blood collection bags: (250CC/bag)	This Time	98	104	83	Accumulated bags	307	411	494
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Evaluation Item		Status of Implementation (Note 1)			Discrepancies between its implementation and the Corporate Social Responsibility Best Practice Principles for TWSE or TPEX Listed Companies and reasons for such discrepancies
		Yes	No	Summary (Note 2)	
Amount of donated blood (cc)	This Time (cc)		24,500	26,000	20,750
	Accumulated amount (cc)		76,750	102,750	123,500

Note 1: If “Yes” is checked in the operating status column, please explain the important policies, strategies, measures, and implementation situations; if “No” is checked in the operating status column, please explain the reasons, as well as give relevant policies, strategies, and measures to counter the situation.

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 Implementation Status.

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	Status of Implementation (Note 1)			Discrepancies between its implementation and the Ethical Corporate Management Best Practice Principles for TWSE or TPEX Listed Companies and reasons for such discrepancies
	Yes	No	Summary	
I. Formulating Ethical Corporate Management Policies and Programs				
(I) Does the company specify ethical corporate management policies and programs in its regulations and on external documents? Do its Board of Directors and the management team actively advocate and implement these policies?	V		(I) The Group upholds the business philosophy of "Solid Operation, Professional Management, Seeking Excellence and Serving the Society" and exercises its corporate culture that "seeks truth, honesty and comprehensiveness". The Company has established 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	V		(II) The Company has established the "Ethical Corporate Management Principles," approved by the Board of Directors, and established a risk assessment mechanism for unethical conduct to regularly analyze and evaluate business activities with higher risk of unethical conduct within the business scope, so as to formulate prevention programs, while	

Evaluation Item	Status of Implementation (Note 1)			Discrepancies between its implementation and the Ethical Corporate Management Best Practice Principles for TWSE or TPEX Listed Companies and reasons for such discrepancies
	Yes	No	Summary	
<p>on the above and ensure the programs cover at least the matters described in Paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies?</p> <p>(III) Has the company established policies to prevent unethical conduct, with clear statements regarding relevant procedures, conduct guidelines, punishments for violation, and rules for appeal, and does the</p>	V		<p>reviewing the adequacy and effectiveness of prevention programs on a regular basis and strengthening relevant preventive measures. The prevention programs adopted by the Company shall include preventive measures against the following actions:</p> <ol style="list-style-type: none"> <li>1. To bribe and receive a bribe.</li> <li>2. To provide illegal political donations.</li> <li>3. To offer improper charitable donations or sponsorships.</li> <li>4. To offer or accept unjustified presents or hospitality, or other improper benefits.</li> <li>5. To infringe on business secrets, trademarks, patents, copyrights, and other intellectual property rights.</li> <li>6. To engage in unfair competition.</li> <li>7. Products and services directly or indirectly impair the rights, health, and safety of consumers or other stakeholders when they are developed, purchased, manufactured, supplied or sold.</li> </ol> <p>(III) 1. The Company has established the Ethical Corporate Management Best Practice Principles and Procedures for Ethical Management and Guidelines for Conduct. It also amended the aforementioned</p>	



Evaluation Item	Status of Implementation (Note 1)			Discrepancies between its implementation and the Ethical Corporate Management Best Practice Principles for TWSE or TPEX Listed Companies and reasons for such discrepancies
	Yes	No	Summary	
Company implement them accordingly, and regularly review and correct such measures?			<p>regulations 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. They were passed in the meeting of the Board of Directors on November 11, 2019.</p> <p>2. The Company has established the "Procedures for Handling Cases of Illegal and Unethical or Dishonest Conduct" to promote the reporting of any illegal behavior or violation of the Code of Conduct or the Ethical Corporate Management Principles. Any employee or external party can freely choose to access the Company's website or a dedicated hotline set up at the Audit Office to report cases of illegal, unethical, or dishonest conduct through the following units:</p> <ul style="list-style-type: none"> <li>● Audit Committee: Accept reports from shareholders, investors, and other stakeholders.</li> <li>● Audit Office: Accept reports from customers, suppliers, and contractors.</li> <li>● Human Resources Department: Accept reports from employees of the Company.</li> </ul> <p>In 2020, the number of non-anonymous reports was zero. The number of anonymous reports with concrete evidence was also zero.</p>	

Evaluation Item	Status of Implementation (Note 1)			Discrepancies between its implementation and the Ethical Corporate Management Best Practice Principles for TWSE or TPEX Listed Companies and reasons for such discrepancies
	Yes	No	Summary	
			3. Related regulations have been fully implemented and we continue to organize training courses to promote the ideals.	
II. Implementing Ethical Corporate Management				
(I) Has the Company evaluated the ethics records of counterparties to its business dealings, and specified ethical business policies in contracts 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) Has the company established an exclusively (or concurrently) dedicated unit under the Board to implement ethical corporate management, and report to the Board on a regular basis (at least annually) about the ethical corporate management policies, precautionary measures against unethical conducts, as well as the implementation and supervision thereof?	V		(II) To strengthen ethical corporate management, the corporate governance team is responsible for establishing the ethical corporate management policy and prevention programs while supervising such implementation, the Corporate Governance Officer reports to the Board of Directors regularly at least once a year.	
(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) Has the company established effective	V		(IV) The Company's accounting system and internal	

Evaluation Item	Status of Implementation (Note 1)			Discrepancies between its implementation and the Ethical Corporate Management Best Practice Principles for TWSE or TPEX Listed Companies and reasons for such discrepancies
	Yes	No	Summary	
<p>accounting systems and internal control systems to implement ethical corporate management and had its internal audit unit, based on the results of assessment of the risk of involvement in unethical conduct, devise relevant audit plans and audit the compliance with the prevention programs accordingly or entrusted a CPA to conduct the audit?</p> <p>(V) Does the company regularly hold internal and external training related to ethical corporate management?</p>	V		<p>control system can be operated independently and objectively. The Internal Auditors check relevant operations based on the risk assessment. When Internal Auditors find any major violations or dishonesty that may cause harm to the Company, they make a report and submit it to the Independent Directors. Internal Auditors attend the Audit Committee's report. CPAs appointed by the Company regularly perform internal audits and hold discussions with the management.</p> <p>(V) To help employees understand professional ethical regulations, CGPC has published related 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. In order to promote ethical management, the Company and its subsidiaries Taiwan VCM and CGPC organized ethical management education and training courses in 2020. A total of 352 employees participated in the courses. The total training hours were 902.5 hours. The details are as follows:</p>	

Evaluation Item	Status of Implementation (Note 1)			Discrepancies between its implementation and the Ethical Corporate Management Best Practice Principles for TWSE or TPEX Listed Companies and reasons for such discrepancies																																								
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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	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	Consistent with the Ethical Corporate Management Best Practice Principles																																								

Evaluation Item	Status of Implementation (Note 1)			Discrepancies between its implementation and the Ethical Corporate Management Best Practice Principles for TWSE or TPEX Listed Companies and reasons for such discrepancies
	Yes	No	Summary	
investigations against wrongdoers?			<p>(<a href="https://www.cgpc.com.tw/PDF/others/ProcessForIllegalUnethicalDishonesty.pdf">https://www.cgpc.com.tw/PDF/others/ProcessForIllegalUnethicalDishonesty.pdf</a>) which included the following report channels, incentive system, dedicated personnel responsible for processing reports, and whistleblower protection measures:</p> <ol style="list-style-type: none"> <li>1. Whistleblowing channels:               <ol style="list-style-type: none"> <li>(1) Personal report: Face-to-face explanation.</li> <li>(2) Telephone report: 02-26503783</li> <li>(3) Written report: Auditing Office, 7F., No. 37, Jihu Rd., Neihu Dist., Taipei City.</li> </ol> </li> <li>2. Incentive system:               <p>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.</p> </li> <li>3. Responsible personnel:               <ol style="list-style-type: none"> <li>(1) Audit Committee members: Accept reports from shareholders, investors, and other stakeholders.</li> <li>(2) Auditing Office: Accept reports from clients, suppliers, and contractors.</li> <li>(3) Personnel Division: Accept reports from employees.</li> </ol> </li> <li>4. Whistleblower protection:               <p>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</p> </li> </ol>	for TWSE or TPEX Listed Companies.

Evaluation Item	Status of Implementation (Note 1)			Discrepancies between its implementation and the Ethical Corporate Management Best Practice Principles for TWSE or TPEX Listed Companies and reasons for such discrepancies
	Yes	No	Summary	
(II) Has the company established standard operating procedures for the reported matters, the measures to be taken after investigation is completed, and the relevant confidential mechanism?	V		not be subjected to unfair treatment or retaliation. Where the whistleblower is an employee, the Company shall guarantee that the employee shall not sustain inappropriate treatment that may arise from the report. (II) 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 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) Has the company set up protection for whistleblowers to prevent them from being subjected to inappropriate measures as a result of reporting such incidents?	V		(III) The procedures above also specify that whistleblowers or persons involved in investigations shall be fully protected and the confidentiality of their identities fully maintained, so that they will not be subjected to unfair treatment or retaliation.	
IV. Strengthening Information Disclosure Has the Company disclosed the content and	V		(I) The Company has placed the guidelines and	Consistent with the

Evaluation Item	Status of Implementation (Note 1)			Discrepancies between its implementation and the Ethical Corporate Management Best Practice Principles for TWSE or TPEX Listed Companies and reasons for such discrepancies
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effectiveness of its integrity management principles on the Company's website and the Market Observation Post System?			<p>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.</p> <p>The Company places its "Ethical Corporate Management Best Practice Principles" on the Company's external website (<a href="https://www.cgpc.com.tw/zh-tw/dirServices/frmServices2.aspx">https:// www.cgpc.com.tw/zh-tw/dirServices/frmServices2.aspx</a>) and Annual Reports (the Annual Reports are also placed on MOPS) to disclose information related to ethical corporate management.</p>	Ethical Corporate Management Best Practice Principles for TWSE or TPEX Listed Companies.
<p>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:</p> <p>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.</p>				
<p>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)</p> <p>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 and the Audit Committee on November 12, 2019. The Corporate Governance Officer also regularly reported matters related to ethical management to the Board of Directors. The matters were recently reported to the Board of Directors on November 3, 2020.</p>				

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 Internal Information
  - (17) Regulations Governing Asset Acquisition and Disposal
  - (18) Regulations Governing the Making of Endorsements/Guarantees
  - (19) Regulations Governing the Loaning of Funds to Others
  - (20) Procedures for Handling Cases of Illegal and Unethical or Dishonest Conduct
  - (21) Regulations Governing the Handling of Employee Complaints, Opinions and Feedback
  - (22) Standard Operating Procedures for Requests Filed by Directors
  - (23) Human Rights Policy and Management Plan
  - (24) Risk Management Policy and Procedures
2. For related procedures, please visit the following websites





(1) M.O.P.S. ([https : //mops.twse.com.tw](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](https://www.cgpc.com.tw/zh-tw/dirServices/frmServices2.aspx))

(VIII) Other important information that can promote understanding of the Company's corporate governance operations:

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 - Statement of the Internal Control System

Date: March 5, 2021

Aurora makes the following statement according to the self-evaluation conducted of the internal control system in 2020:

- I. The Company acknowledges that the establishment, implementation and maintenance of the internal control system are the responsibilities of the Company's Board of Directors and managerial officers, and thus the Company has established such a system. The objectives of this system 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 constituent element includes a number of categories. Please refer to the "Regulations" for the aforementioned categories.
- 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. In accordance with the aforementioned evaluation, Aurora has found that the design and implementation of the internal control system (including the assessment and management of subsidiaries), as of December 31, 2020, including the efficacy of understanding operations, the efficiency of achievement of objectives, reliability in reporting, timeliness, and compliance with the relevant guidelines and laws, are effective and can reasonably provide assurance of the aforesaid goals.
- VI. The Statement shall become the main content of the Company's annual report and prospectus, and shall be made public. Should the abovementioned content contain illegalities such as fraudulent and hidden information, the Company shall assume legal liabilities involving Article 20, Article 32, Article 171 and Article 174 of the Securities and Exchange Act.
- VII. This statement was passed by the Board of Directors in their Meeting held on March 5, 2021, with none of the nine attending Directors expressing dissenting opinions, and the remainder all affirming the contents of this Statement.

China General Plastics Corporation -

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

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



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

(X) Sanctions imposed on the Company or its personnel in accordance with the laws, or disciplinary actions taken by the Company against its personnel for any violation of internal control rules, which may possibly have material impact on shareholders' equity or securities prices in the most recent fiscal year and in the current fiscal year up to the Date of Publication of the Annual Report, as well as details of the sanctions, major deficiencies and subsequent improvements: 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
2020	May 28, 2020	<p>The minutes of the Shareholders' Meeting was posted onto MOPS on June 9, 2020. The key resolutions and their status of implementation are as follows:</p> <ol style="list-style-type: none"> <li>Approved the 2019 Account Book. Implementation status: The resolution was passed.</li> <li>Approved the 2019 Profit Distribution Plan. Implementation status: The resolution was passed. A total of NT\$263,514,964 were distributed to the Shareholders as cash dividends, and the record day was July 29, 2020. All the cash dividends were completely distributed on August 28, 2020. A total of NT\$263,514,960 were distributed to the Shareholders as stock dividends in which 26,351,496 new shares were distributed. All the stocks and dividends were distributed on August 28, 2020.</li> <li>Deliberate on capital increase by retained earnings. Implementation status: The resolution was passed. The resolution was declared effective by the Securities and Futures Bureau under the Financial Supervisory Commission on July 3, 2020 and was approved as stated in the approved letter with Reference No. Ching Shou Shang Tzu 10901151600 dated August 21, 2020. The Company issued 26,351,496 new shares, where 50 new shares were distributed for each thousand shares held. The capital increase record date approved by the Board of Directors was July 29, 2020, and all the new shares were completely distributed on August 28, 2020.</li> <li>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.</li> <li>Deliberated on the amendment to the Regulations Governing Making of Endorsements / Guarantees. Implementation status: The resolution was passed, and has been implemented according to the resolution passed by the Shareholders' Meeting.</li> <li>Deliberate on the amendment of the Procedures for Loaning of Funds to Others Implementation status: The resolution was passed, and has been implemented according to the resolution passed by the Shareholders' Meeting.</li> <li>Discussed the permission for Directors to engage in business competition. Implementation status: The resolution was passed.</li> </ol>



## 2. Board of Directors Meeting

Year of Meeting	Time of Meeting	Resolutions
1st Meeting in 2020	March 5, 2020	<ol style="list-style-type: none"> <li>1. Ratify the endorsement guarantee for the subsidiary Company CGPC Polymer Corporation.</li> <li>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.</li> <li>3. Approved the 2019 Account Book.</li> <li>4. Approved the 2019 remuneration distribution plan for Directors and employees.</li> <li>5. Approved the 2019 earnings distribution plan.</li> <li>6. Approved capital increase by retained earnings.</li> <li>7. Approved the amendment to certain articles of the Rules of Procedure for Shareholders' Meetings</li> <li>8. Approved the amendment of certain articles in the Regulations Governing the Making of Endorsements/Guarantees.</li> <li>9. Approved the amendment of certain articles in the Procedures for Loaning of Funds to Others.</li> <li>10. Approved the recommendation to lift the non-compete clause for Directors</li> <li>11. Approved matters related to the convening of the 2020 general shareholders' meeting.</li> <li>12. Established the period for acceptance of shareholders' proposals: March 21, 2020 to March 31, 2020.</li> <li>13. Approved remuneration of CPAs for 2019.</li> <li>14. Approved the 2020 evaluation of the independence of appointed CPAs.</li> <li>15. Approved the appointment of CPAs for 2020.</li> <li>16. Permitted accounting managers of the Company to engage in competitions</li> <li>17. Approved the issuance of the 2019 Internal Control System Statement.</li> <li>18. Authorized the Chairman to sign and deliver short-term credit loan contracts and related documents to financial institutions.</li> <li>19. Approved donations to the USI Education Foundation.</li> </ol>
2nd Meeting in 2020	May 13, 2020	<ol style="list-style-type: none"> <li>1. Approved and authorized the Chairman to sign and deliver short-term credit loan contracts and related documents to financial institutions.</li> <li>2. Authorized the Chairman to change the venue of the 2020 regular shareholder's meeting in the light of the outbreak of the COVID-19 epidemic.</li> </ol>



Year of Meeting	Time of Meeting	Resolutions
		3. Passed the amendments to the Company's internal control system.
3rd Meeting in 2020	June 30, 2020	1. Ratify the endorsement guarantee for the subsidiary Company CGPC Polymer Corporation. 2. Approved the issuance of new shares.
4th Meeting in 2020	August 12, 2020	1. Ratify the endorsement guarantee for the subsidiary Company CGPC Polymer Corporation. 2. Ratified short-term credit loan contracts and related documents signed with and delivered to financial institutions. 3. Approved the amendment to certain articles in the Rules of Procedure for Board of Directors' Meetings 4. Approved the amendment of certain articles in the Rules Governing the Scope of Powers of Independent Directors. 5. Approved the amendment of certain articles in the Corporate Governance Best Practice Principles 6. Approved the amendment of certain articles in the Corporate Social Responsibility Code of Practice. 7. Approve the amendment of certain articles in the Procedures for Handling Material Inside Information 8. Approved the amendment to certain articles of the Remuneration Policy and Regulations for Directors and Managerial Officers
5th Meeting in 2020	November 3, 2020	1. Approved the 2021 Company budget. 2. Approved the remuneration of CPAs for year 2020 3. Approved the 2021 Annual Audit Plan. 4. Approved the amendment to certain articles in the Remuneration Committee Charter
6th Meeting in 2020	December 23, 2020	1. Ratify the endorsement guarantee for the subsidiary Company CGPC Polymer Corporation. 2. Approved the establishment of the Risk Management Policy and Procedures.
1st Meeting in 2021	March 5, 2021	1. Ratify the endorsement guarantee for the subsidiary Company CGPC Polymer Corporation. 2. Approved the 2020 Account Book. 3. Agreed the 2020 distribution of remuneration to Directors and employees of the Company. 4. Approved the 2020 Profit Distribution Plan. 5. Approved capital increase by retained earnings. 6. Approved the amendment of certain articles in the Rules of Procedure for Shareholders' Meetings 7. Approved the recommendation to lift the non-compete clause for Directors



Year of Meeting	Time of Meeting	Resolutions
		8. Approved matters related to the convening of the 2021 general shareholders' meeting. 9. Established the period for acceptance of shareholders' proposals: March 21, 2021 to March 31, 2021. 10. Approved the 2021 Evaluation of the Independence of Appointed CPAs. 11. Approved the appointment of CPAs for year 2021. 12. The 2020 Statement on Internal Control System of the Company. 13. Authorized the Chairman to sign and deliver short-term credit loan contracts and related documents to financial institutions. 14. Approved donations to the USI Education Foundation.

(XII) Recorded or written statements made by any Director or Supervisor which specified dissent to important resolutions passed by the Board of Directors in the most recent year and as of the date of publication of this Annual Report: None.

(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 the CPA Firm	Name of CPAs		Auditing period	Remarks
Deloitte, Taiwan	CPA Huang, Hsiu-Chun	CPA Chiu, Cheng-Chun	2020	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

Range of Fees		Professional Fee	Audit Fees	Non-Audit Fees	Total
1	Under NT\$2,000 thousand			125	125
2	NT\$2,000 thousand (inclusive) - NT\$4,000 thousand				
3	NT\$4,000 thousand (inclusive) - NT\$6,000 thousand		3,920		3,920
4	NT\$6,000 thousand (inclusive) - NT\$8,000 thousand				
5	NT\$8,000 thousand (inclusive) - NT\$10,000 thousand				
6	Over NT\$10,000 thousand (inclusive)				

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

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

Unit: NT\$ thousands

Name of the CPA Firm	Name of CPAs	Audit Fees	Non-Audit Fees					CPA's duration of audit	Remarks
			System Design	Business Registration	Human Resources	Others (Note 2)	Subtotal		
Deloitte, Taiwan	Huang, Hsiu-chun	3,920	0	80	0	45	125	2020	
	Chiu, Cheng-chun			(Note 3)					

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 should 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 should be listed in the "Remarks" column.

Note 3: NT\$80 thousand for the capital audit fees for the conversion of earnings to capital in 2020.

Note 4: NT\$45 thousand service charge for the 2018 Master File and Country-by-Country Reporting

- (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 more) less than that of the previous year, the sum, proportion, and cause of the reduction shall be disclosed:





The audit fee for this year was reduced by NT\$1,290 thousand, or about 25%, compared with the previous year, mainly due to the absence of English financial reporting services.



## VI. Information on Replacement of CPA

### (I) Regarding the former CPA

Replacement Date	Not applicable		
Replacement reasons and explanations	Not applicable		
Statement on whether the authorizing party or the accountant terminate or reject the authorization	Principal	Wu Shih-Tsung	Authorizing party
	Status	Not applicable	
	Termination of appointment		
No longer accepted (continued) appointment			
Other issues (except for unqualified issues) in the audit reports within the last two years	Not applicable		
Is there any disagreement with the issuer?	Yes	/	Accounting principles or practices
			Disclosure of financial statements
			Audit scope or procedures
			Others
	None	✓	
	Explanation: Not applicable		
Other items for disclosure (items in Item 1-4 to Item 1-7, Subparagraph 6, Article 10 of the Regulations shall be disclosed)	Not applicable		

### (II) Information on the succeeding CPA:

Name of CPA Firm	Not applicable
Name of CPAs	
Date of Appointment	
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	
Written opinions from successor CPAs with regards to matters with which former CPAs disagreed	

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



- VII. The Company's Chairman, General Manager, or Any Managerial Officer in Charge of Finance or Accounting Matters Has in the Most Recent Year Held A Position at the Accounting Firm of its Certified Public Accountant or at An Affiliated Enterprise of Such Accounting Firm: None.
- VIII. Any Transfer of Equity Interests and/or Pledge of or Change in Equity Interests (During the Most Recent Fiscal Year or During the Current Fiscal Year up to the Date of Publication of the Annual Report) by a Director, Supervisor, Managerial Officer, or Shareholder with a Stake of More than 10 Percent



## (I) Changes in shareholdings of directors, supervisors, managers and major shareholders

Unit: Shares

Title (Note 1)	Name	2020		As of March 31, 2021	
		Increase (decrease) in number of shares held	Increase (decrease) in number of shares pledged	Increase (decrease) in number of shares held	Increase (decrease) in number of shares pledged
Major Shareholder	Union Polymer International Investment Corporation	6,579,557	0	0	0
Directors	Wu, Yi-Gui (Representative of Union Polymer Int'l Investment Corp.)	0	0	0	0
	Lin, Han-Fu (Representative of Union Polymer Int'l Investment Corp.)	0	0	0	0
	Wang, Ke-Shun (Representative of Union Polymer Int'l Investment Corp.)	0	0	0	0
	Liu, Han-Tai (Representative of Union Polymer Int'l Investment Corp.)	0	0	0	0
	Liu, Zhen-Tu (Representative of Union Polymer Int'l Investment Corp.)	0	0	0	0
	Wu, Hung-To (Representative of Union Polymer Int'l Investment Corp.)	0	0	0	0
Independent Directors	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 Chairperson and General Manager	Lin, Han-Fu	0	0	0	0
Vice President	Hu, Chi-Hong	0	0	0	0
Senior Manager	Chen, Wan-Ta	0	0	0	0



Title (Note 1)	Name	2020		As of March 31, 2021	
		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
Corporate Governance Officer.	Chen, Yung-Chih	0	0	0	0
Director, Materials Manufacturing Division	Tsai, Pei-Hung	0	0	0	0
Director, Processing Manufacturing Division	Cheng, Yung-ping	0	0	0	0
Director, Sales & Marketing Division	Chen, Wan-Yu	0	0	0	0
Manager, Accounting Department	Kuo, Chien-Chou	37	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 should be noted as substantial 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 anyone is a Related Party, Spouse or a Relative within the Second Degree of Kinship

March 30, 2021

Name (Note 1)	Shares Held by the Person		Spouse & Minor Shareholding		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)		Remarks
	Shares	Shares holding % (Note 2)	Shares	Shareholding Percentage (Note 2)	Shares	Shares holding % (Note 2)	Title (or Name)	with the Issuer	
Union Polymer International Investment Corporation Representative: Wu, Yi-Gui	138,170,701	24.97%	-	-	0	0%	APC, TTC	Same Chairman	
	0	0%	-	-	0	0%			
Asia Polymer Corporation Representative: Wu, Yi-Gui	44,653,510	8.07%	-	-			UPIIC, TTC	Same Chairman	
	0	0%	-	-	0	0%			
Taita Chemical Company, Ltd. - Representative: Wu, Yi-Gui	10,967,785	1.98%	-	-			UPIIC, APC	Same Chairman	
	0	0%	-	-	0	0%			
JP Morgan Chase Bank Taipei Branch as custodian of JP Morgan Asset Management Limited Investment Account	8,794,152	1.59%	-	-			None	None	
Norges Bank Investment Account is under custody of Citibank (Taiwan) Limited	7,948,450	1.44%	-	-			None	None	
HSBC Bank (Taiwan) Limited as custodian of Goldman Sachs Investment Account	7,671,372	1.39%	-	-			None	None	
Citibank Taiwan as custodian of UBS Europe SE Investment Account	6,029,770	1.09%	-	-			None	None	
Bank SinoPac Company Limited as custodian of Fuhua Digital Economic Securities Investment Trust Account	5,593,000	1.01%	-	-			None	None	
JP Morgan Chase Bank Taipei Branch was entrusted to host the Emerging Markets Stock Index Fund investment account of Vanguard Group	5,577,073	1.01%	-	-			None	None	
JP Morgan Chase Bank Taipei Branch was entrusted to host the investment account of Vanguard Total International Stock Index Fund, a series of Vanguard Star Fund Company	5,495,807	0.99%	-	-			None	None	

Note 1: All the top 10 shareholders should be listed. For institutional shareholders, their names and the name of their representatives should 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, 2020 Unit: Shares

Reinvestment Entities (Note 1)	Ownership by the Company		Investments by Directors, Supervisors, managerial officers and directly or indirectly controlled enterprises		Total Ownership	
	Shares	Shareholding Percentage (%)	Shares	Shareholding Percentage (%)	Shares	Shareholding Percentage (%)
Taiwan VCM Corporation	240,206,420	87.22	0	0	240,206,420	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 Corporation	19,918,185	33.33	0	0	19,918,185	33.33
CGPC America Corporation	100	100.00	0	0	100	100.00
Acme Electronics Corporation	3,176,019	1.74	1,256,284	0.69	4,432,303	2.43

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

March 31, 2021

Unit: share; NT\$

Year and Month	Issued Price	Authorized share capital		Paid-in Capital		Remarks		
		Shares	Amount	Shares	Amount	Source of Capital	Capital Increased by Assets Other than Cash	Others
2020.8	10	650,000,000 shares	NT\$6,500,000,000	553,381,423 shares	NT\$5,533,814,230	NT\$263,514,960 for the conversion of earnings to capital (Note 2-(1))	None	None

Note 1: The annual data shall be updated as of the publication date of this annual report.

Note 2: For any capital increase, the effective (approval) date and the document number shall be added: (1) Approved by the Ching Shou Shang Tzu No. 10901151600 letter dated August 21, 2020.

Note 3: Shares traded below par value shall be indicated in a clear manner.

Note 4: Capital increase by currency debts or technology should be stated, and the type and amount of assets involved in such capital increase should be noted.

Note 5: Private placement of corporate bonds should be indicated in a clear manner.

March 31, 2021

Unit: Shares

Types of shares	Authorized share capital			Remarks
	Issued Shares (Note)	Unissued Shares	Total	
Registered common stocks	553,381,423 shares	96,618,577 shares	650,000,000 shares	Listed

Note: Please indicate whether the shares are issued by a company listed on the Taiwan Stock Exchange (TWSE) or the Taipei Exchange (TPEX) (Shares of which trading is restricted on the TWSE or those which are traded on the TPEX should 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	Remarks
	Total number of shares	Approved amount	Shares	Price			
Not applicable							





## (II) Shareholder Structure

March 30, 2021 Unit: shares

Shareholder Structure Quantity	Government institutions	Financial Institutions	Other legal persons	Individuals	Foreign Institutions and Natural Persons	Total
Number of Shareholders	3	4	236	58,789	229	59,261
Number of Shares Held	3,575,078	3,407,037	235,468,972	177,455,452	133,474,884	553,381,423
Shareholding ratio	0.65%	0.62%	42.55%	32.06%	24.12%	100.00%

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

## (III) Distribution of Equity Ownership

## 1. Common shares

March 30, 2021

Shareholding Range	Number of Shareholders	Number of Shareholders (Unit: Shares)	Shareholding Percentage (%)
1 to 999	33,710	5,531,129	1.00%
1,000 to 5,000	19,134	39,536,781	7.14%
5,001 to 10,000	3,148	23,579,664	4.26%
10,001 to 15,000	1,121	13,767,992	2.49%
15,001 to 20,000	558	10,252,251	1.85%
20,001 to 30,000	529	13,400,934	2.42%
30,001 to 50,000	440	17,304,465	3.13%
50,001 to 100,000	294	21,082,491	3.81%
100,001 to 200,000	131	18,677,346	3.38%
200,001 to 400,000	76	21,724,709	3.93%
400,001 to 600,000	40	19,765,520	3.57%
600,001 to 800,000	17	11,880,762	2.15%
800,001 to 1,000,000	11	10,138,588	1.83%
1,000,001 and more create new ranges as needed	52	326,738,791	59.04%
Total	59,261	553,381,423	100.00%

## 2. Preferred shares: None.



## (IV) List of Major Shareholders

March 30, 2021

Names of Substantial Shareholders	Shares	Number of Shares Held (Unit: Share)	Shareholding Percentage (%)
Union Polymer International Investment Corporation		138,170,701	24.97%
Asia Polymer Corporation		44,653,510	8.07%
Taita Chemical Company, Ltd. -		10,967,785	1.98%
JP Morgan Chase Bank Taipei Branch as custodian of JP Morgan Asset Management Limited Investment Account		8,794,152	1.59%
Norges Bank Investment Account is under custody of Citibank (Taiwan) Limited		7,948,450	1.44%
HSBC Bank (Taiwan) Limited as custodian of Goldman Sachs Investment Account		7,671,372	1.39%
Citibank Taiwan as custodian of UBS Europe SE Investment Account		6,029,770	1.09%
Bank SinoPac Company Limited as custodian of Fuhua Digital Economic Securities Investment Trust Account		5,593,000	1.01%
JP Morgan Chase Bank Taipei Branch was entrusted to host the Emerging Markets Stock Index Fund investment account of Vanguard Group		5,577,073	1.01%
JP Morgan Chase Bank Taipei Branch was entrusted to host the investment account of Vanguard Total International Stock Index Fund, a series of Vanguard Star Fund Company		5,495,807	0.99%



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

Unit: NTD

Item		Year	2019	2020	As of 2021 March 31 (Note 8)
Market price per share (Note 1)	Highest		24.40	26.00	37.30
	Lowest		17.85	11.65	22.45
	Average		22.14	21.19	30.26
Net Value Per Share (Note 2)	Before distribution		15.66	17.53	19.09
	After distribution		15.16	- (Note 9)	- (Note 9)
Earnings Per Share (Note 3)	Weighted Average Shares		527,029,927	553,381,423	553,381,423
	Earnings per share before adjustment		1.22	2.95	1.49
	Earnings per share after adjustment		1.16	- (Note 9)	- (Note 9)
Dividend Per Share (DPS)	Cash dividends		0.50	1.80 (Note 10)	-
	Stock Divid ends	Stock dividends from retained earnings	0.50	0.50 (Note 10)	-
		Stock dividends from capital reserve	0.00	0.00 (Note 10)	-
	Accumulated unpaid dividends (Note 4)		-	-	-
Return on Investments	Price/earnings ratio (Note 5)		17.95	6.65	-
	Price/dividend ratio (Note 6)		43.80	39.22	-
	Yield on cash dividend (Note 7)		2.28%	2.55%	-

\*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 should 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 should 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 should 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 of the company and its implementation

1. Dividend policy set forth 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 cumulative loss, it should first use its profit to offset cumulative loss.

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 records 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 has 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 profit 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 than 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:

In terms of Profit Distribution Plan in 2020, the Board of Directors has proposed to distribute cash dividends of NT \$1.8 per share and stock dividends of NT \$0.5 per share. The proposal shall be subject to the relevant regulations after the resolution is approved in the general Shareholder's meeting, which will held on May 28, 2021.

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 should be further explained:

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



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

No financial forecast was prepared for year 2021. Therefore, there is no need to disclose forecast information.

Item		Year	2021 (estimate)
Paid-up capital at the beginning of the period (Unit: NT\$)			NT\$5,533,814,230
Distribution of dividends in the current fiscal year (Note 1)	Cash dividend per share (Unit: NT\$)		1.8 dollar
	Surplus to capital increase stock dividend per share		0.05 shares
	Number of shares distributed per share held due to capital increase from capital reserve		0 shares
Changes in Operating Performance	Operating profits		Not applicable (Note 2)
	Ratio of increase (decrease) in operating profit over the same period last year		
	Net income after taxes (NIAT)		
	Ratio of increase (decrease) in NIAT over the same period last year		
	Earnings Per Share (EPS)		
	Ratio of increase (decrease) in EPS over the same period last year		
	Annual average return on investment (reciprocal of average annual price/earnings ratio)		
Pro forma earnings per share and price/earnings Ratio	If capital increase from surplus earnings is entirely replaced by distribution of cash dividends	Pro forma earnings per share	
		Pro-forma average annual return on investment	
	If capital reserves is not used for capital increase	Pro forma earnings per share	
		Pro-forma average annual return on investment	
	If capital reserves is not used for capital increase and capital increase by retained earnings is replaced by cash dividend distribution	Pro forma earnings per share	
		Pro-forma average annual return on investment	

Note 1: Distribution of dividends for 2020 is based on the earnings distribution plan approved by the Board of Directors on March 5, 2021.

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 2020 was estimated to be NT\$17,034 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 2020.
  - (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 2020 employee compensation approved in the Board of Directors meeting on March 5, 2021:
  - (1) Distribution of compensation for Directors and employees.  
Directors' rewards: None.  
Employee remuneration: NT\$17,034 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\$ thousand

Item	Approval of 2019 Profit Distribution Plan		Discrepancy	Reasons for discrepancy and processing method
	Amount reported in Financial Statements in 2019	Amount actually distributed in 2019		
Remuneration of Employees	6,967	6,967	0	No discrepancy
Remuneration of Directors	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 2020 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	Contents	2020	Discrepancies from the previous year
1	The number of full-time employees who are not supervisors	718	-4
2	Average salary of full-time employees who are not supervisors (NT\$ thousand)	995	38
3	Median salary of full-time employees who are not supervisors (NT\$ thousand)	965	40

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 regarding the Conversion of Corporate Bonds: None.
- (III) Information regarding Corporate Bond Swap: None.
- (IV) Information regarding Shelf Registration for Corporate Bonds: None.
- (V) Information regarding Equity Warrant Bonds: None.

## III. Issuance of Preferred Stocks: None.

## IV. Issuance of Global Depository Receipts: None.

## V. Issuance of employee stock options 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. New shares with restricted employee rights 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) Scope of business:

##### 1. Main businesses:

- (1) Manufacture plastic and its required 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 services related to the above businesses.

##### 2. Main products and their proportion in operations:

Product Category	Ratio
Vinyl chloride monomer	2%
PVC powder, plastic pellets and chemicals	74%
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 laminated film/sheet, printed film/sheet	12%
Rubber and soft rubber leather	7%

##### 3. Plans for new product development



<ul style="list-style-type: none"> <li>● Polymerization experiment of 30L PVC</li> <li>● Low-membrane rapidly gelatinized PVC resin</li> <li>● Waterproof submerged pump cable</li> <li>● PVC resin moisture content AI control</li> <li>● Vinyl chloride-acrylic acid EVA rubber cloths</li> <li>● PVC third-generation stain-resistant leather</li> <li>● PU casting stain-resistant PVC leather</li> <li>● PVC de-taped sponge leather for multiple printing</li> <li>● PVC patterned stain-resistant vacuum-pressured soft leather</li> <li>● PVC automotive water-based scratch-resistant sponge leather</li> <li>● Solvent-free surface treatment leather for PVC/TPE</li> </ul>	<ul style="list-style-type: none"> <li>● TPE foamed leather series for treadmills</li> <li>● TPE plastic leather for furniture/ marine market in the Americas</li> <li>● High hydrolysis resistant TPU materials and related products</li> <li>● TPE shoe series (R-grade) products</li> <li>● Development of high temperature reduction PVC leather and supply chain of high temperature reduction raw materials</li> <li>● TPE leather products for baby strollers</li> <li>● TPE-PU rubber sheets</li> <li>● Low VOC PVC/TPE series rubber sheets</li> </ul>
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## (II) State of the industry

### 1. Current state and development of the industry

In 2020, the COVID-19 epidemic at first raged the business in mainland first after the Lunar year, and then spread to Europe, India, etc., causing city and port lockdown. The epidemic severe damaged the Vinyl Chain, for particularly in April and May. As the epidemic eased, countries in the world were successively lifted lockdown and the market began to bottom out. In addition, unexpected production disruptions in various regions further boosted the PVC market, which continued to rise sharply by the end of the year and is expected to continue into 2021.

In terms of raw materials: Due to COVID-19 and the increase in new ethylene production capacity, the price of ethylene fell



sharply in April, approaching the low point of the financial crisis. The ethylene market has improved synchronously as the pandemic has mitigated and the ethylene demand gradually recovered, coupled with a rise in oil price. The price ramped up to hit a record high by the end of the year.

The EDC market also showed a V-shaped trend. In the second quarter, the price of EDC dropped sharply due to the impact of the COVID-19, and the export price of the United States also hit a record low. However, due to the fact that profit was not enough, the alkali-chlorine plants began to reduce production, and the manufactures in the United States made a series of force majeure statements, the EDC supply decreased significantly, and the price rose rapidly, even hitting a 10-year high in December.

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 1.644 million tons respectively. The annual production volume of PVC resin at the Company, Formosa Plastics Corporation and Ocean Plastics Co., Ltd. is 450 thousand tons, 1.735



million tons and 120 thousand tons respectively. The main downstream processing industrial players in need of the material include manufacturers of plastic tapes, plastic sheets, and building materials.

In 2020, the number of domestic public projects released and the volume in private real estate sales and construction industry increased significantly compared with that in 2019. In addition, merchants in Taiwan began to purchase lands to set up factories, which improved the construction industry and boosted the demand for building materials products. In terms of export market, the global economy was hit by the COVID-19 in 2020, but the raw material market showed an uptrend in the second half of the year. With the strong demand from India/South America markets, the annual sales gap was strengthened and the annual decline was narrowed to 8%.

In 2021, 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

1. Research and development investment for 2020: NT\$68,776 thousand
2. R&D expenses for 2021 as of the publication date of the Annual Report: NT\$17,836 thousand
3. Successfully developed technologies or products
  - (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) Cold and hot pure water independent feeding of reaction tank
- (1-8) PU/TPE synthetic rubber production technology
- (1-9) Formulation technology for TPE (TPU) anti yellowing soft leather for making shoes
- (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) Export of plastic pellets for discharge pipes
  - (2-15) Jacket with a maximum operating temperature of 90°C
  - (2-16) PVC breathable soft imitation leather for furniture
  - (2-17) TPE foamed sponge leather for shoes
  - (2-18) TPE packaging rubber for baby strollers
  - (2-19) TPE anti-slip rubber





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

Unit: NT\$ thousand

Research and development project	Current progress	Research expenses to be reinvested	Estimated time to complete mass production	Major factors that influence the success of R&D in the future
Polymerization experiment of 30L PVC	25%	4,550	Before mid-2021	Equipment, formulas and process conditions
Solvent-free surface treatment leather for PVC/TPE	25%	1,000	Before the end of 2021	Equipment, formulas and process conditions
Low-membrane rapidly gelatinized PVC resin	25%	1,000	Before the end of 2021	Equipment, formulas and process conditions
TPE foamed leather series for treadmills	50%	500	Before the end of 2021	Equipment, formulas and process conditions
Soft rubber multi-printing transferring film	50%	500	Before the end of 2021	Equipment, formulas and process conditions
TPE plastic leather for furniture/marine market in the Americas	75%	300	Before the end of 2021	Raw materials, formulas and process conditions
Water-based scratch-resistant soft PVC leather for automobiles	75%	250	Before the end of 2021	Raw materials, formulas and process conditions
PU casting stain-resistant PVC leather development	75%	200	Before the end of 2021	Raw materials, formulas and process conditions
Development of high temperature reduction PVC leather and supply chain of high temperature reduction raw materials	50%	200	Before the end of 2021	Raw materials, formulas and process conditions
Development of third-generation stain-resistant PVC leather	75%	200	Before the end of 2021	Raw materials, formulas and process conditions
Development of TPE-PU rubber sheets	25%	200	Before the end of 2021	Raw materials, formulas and process conditions
TPE leather products for baby strollers	25%	200	Before the end of 2021	Raw materials, formulas and process conditions
Vacuum embossed stain-proof soft rubber	75%	200	Before the end of 2021	Raw materials, formulas and process conditions
PVC resin moisture content AI control	25%	105	Before the end of 2021	Raw materials, formulas and process conditions
Waterproof submerged pump cable	25%	20	Before the end of 2021	Raw materials, formulas and process conditions
PVC soft rubber for imitation cloth furniture	100%	0	Before the end of 2020	Raw materials, formulas and process conditions
TPE rubber for household exhaust pipes	100%	0	Before the end of 2020	Raw materials, formulas and process conditions
TPE sporting goods series foam rubber	100%	0	Before the end of 2020	Equipment, formulas and process conditions
Development of TPE leather products for baby strollers	100%	0	Before the end of 2020	Raw materials, formulas and process conditions
TPE medical grade rubber development	100%	0	Before the end of 2020	Equipment, formulas and process conditions
Export of drainage pipes	100%	0	Before mid-2020	Raw materials, formulas and process conditions



#### (IV) Long-term and short-term business development plans

##### 1. Short-term plans:

###### VCM:

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

###### PVC resin:

- (1) The Company will actively establish cooperative relationships with main customers and continuously develop new customers and high-value industries. The Company's domestic sales market share is still expected to hold steady in 2021.
- (2) Flexible use of product diversification and division of labor at both its Toufen plant and Linyuan plant will fragment the market and customers, screen for customers with good credit ratings, strengthen sales and distribution channels in the main market and increase the proportion of downstream manufacturers, so as to balance market fluctuations due to peak and off-peak seasons and eliminate bottlenecks that resulted from excessive concentration of sales orders on traders.

###### Chemicals:

- (1) In 2020, the global economy was impacted by the COVID-19 the demand for chemicals was declined. 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 pellets:

- (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 of network sales in major markets and promote and sell PVC compound to emerging markets in Central 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 expand business opportunities for plastic leather/sheets through media advertising, website design and participation in various major exhibitions.
- (4) The Company will also join forces with its peers to strengthen the supply of various types of artificial leather, with the purpose of increasing its product portfolio and enhancing horizontal competitiveness.
- (5) The Company will upgrade the FORBID anti-stain processing



- agent. In addition to improving the stain removal effects, we shall develop water soluble formulas to expand the market.
- (6) The business of leather for agricultural equipment and seats in North America has been stable. In this market, the Company has successfully secured stable annual orders from a major tractor seat manufacturer in the U.S.. These orders will expand our product portfolio and sales performance. The Company will enter the OEM truck market, increase the sales of automotive upholstery and seat leather, and expand the application range of products.
  - (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 related labels in line with regulatory requirements of Prop #65 in the North American market; hence, market operations in this region is expected to be more sound and robust.
  - (9) The Company will 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 2021.
  - (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 2021.
  - (12) The Company will continue to develop customers for PVC tape, pool and waterproof cloth. With the expansion of the Company's production capacity and market recovery during



the post-epidemic period, the business performance will continue to grow in comparison with 2020.

- (13) During the epidemic period, it is not proper to hold a trade show. The Company will continue to use e-commerce/network services to grasp the market business opportunities for promotion.

## 2. Long-term plans:

### 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 selling for special specifications.

### Chemicals:

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

### PVC pellets:

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 search for information on fashion and trends to continuously develop trendy emboss and color combinations, and jointly develop new PVC plastic products with peers to create a more complete product portfolio to develop more customers.
- (5) In line with the updated environmental protection regulations, the Company will continue to engage in formula adjustment and supporting measures, improve its corresponding measures, and optimize equipment to enhance product value.
- (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. The Company will put efforts to reduce the production cost of environmental protection materials, in order to improve the market competitiveness and acceptance.
- (7) The Company will continue to monitor the impact of the US-China trade war, the COVID-19 epidemic in 2021, and trends in the relocation of downstream production bases. Due to shortage of COVID-19 vaccine, the vaccination schedule of countries has slowed. The economic recovery over the world is likely to be impacted.

## II. Analysis of the Market as well as Production and Marketing Situation



(I) Market Analysis:

(1) Sales regions and market share for major products

VCM:

For VCM, the ratio of domestic sales to exports to the Company's own use is 2 : 0 : 98.

PVC resin:

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.

Chemicals:

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.

PVC pellets:

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.

PVC processed products:

- (1) Construction materials products: Sales are mainly concentrated in domestic sales. The Company's domestic market share is approximately 18% for PVC pipes. The market share of PVC door panels is gradually increased.
- (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 20%. These products are exported mainly to the Americas, Europe, Australia, South Africa, Russia, Japan, China, Vietnam, Bangladesh and Southeast



Asia.

- (3) Plastic leather: The ratio of domestic sales to exports is 35:65, 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 2021 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 2020, we expect to maintain a certain amount of profitability.

### PVC resin:

- (1) The epidemic continues to spread over the world, but it does not affect the demand for raw materials. After the rapid price rise in the second half of last year, the price is expected to return to the normal level this year. In terms of high growth markets: the demand from South Asia, Southeast Asia, South America and other places will continue to grasp the volume and price changes, in order to continue to create a good business performance.
- (2) As for the demands in Taiwan's market in 2021, the government's policies on the restrictions of plastics and waste import could help enhance the expansion of PCV consumption amount and the capacity of floor tile and building industry, and also boost PVC powder consumption demand. As for the negative influences, including shortage of





manpower and materials, increase of shipping and raw material costs and the slow response of downstream market, all these factors influence the demands of export industry and domestic industrial demand. Therefore, the situation is expected to be in the same level with 2020.

#### Chemicals:

Domestic large-scale chemicals users are expected to maintain steady rates of demand in 2021 mainly due to the growth in upstream production capacity in the semiconductor, display panel, and petrochemical industries.

#### PVC pellets:

The domestic market for plastic pellets is expected to achieve a small-scale growth in 2021 from 2020. We shall continue to develop the pipeline material market in Bangladesh and business opportunities with pellet users in Central Asia, Southeast Asia and Africa for our export sales.

#### PVC processed products:

- (1) Building materials: Due to the growth of the housing market in 2020, public and private construction projects have increased and the supply and energy of the entire market have rebounded. The government continues to curb on speculation and price rise by introducing credit measures to control real estate speculation in 2021. New public construction projects are being launched. The sales volume of building materials in 2021 is expected to remain steady.
- (2) PVC film/sheet: Due to the severe impact of the COV-19 epidemic in 2020, the price of raw materials rose sharply in the second half of the year. The global container shortage pushed up the cost of ocean freight. Combined with the appreciation of New Taiwan Dollar, the overall factors doubled the operating pressure of both sides. Countries adopted anti-epidemic lockdown system and took measures to work from home. The market demand sharply reduced. In



addition, due to consideration of the epidemic, countries have cancelled large international exhibitions and reduced the opportunities for product expansion.

Looking forward to 2021, the domestic and overseas PVC product 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, rising in ocean freight and declining demand in the international market. 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.

- (3) Plastic leather: In 2021, 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 2021.

### 3. Competitive Niches

#### VCM:

Taiwan VCM 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.



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 costs while stabilizing ourselves amid a series of challenges as we wait for opportunities to create profitability.

PVC resin:

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

Chemicals:

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

PVC pellets:

The Company holds the advantage to stably supply PVC pellets 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 the cost of



ethylene is fluctuated.

- (4) It is estimated that the pneumonia epidemic will take some time to ease, which may cause a sustained downturn in global economy.
- 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) Continuously communicating with the government about the Company's plan for fulfilling corporate social responsibility and environmental responsibility in order to achieve consensus in related issues.
    - (3) Performing continuous control on the source of competitive raw materials and adopting flexible production and sales strategies in response to evolving market changes.
    - (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.

#### PVC resin:

- 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 powder 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) The epidemic has impacted the economic recovery schedule of major producing areas in Europe and the United States. Oversupply and inventory pressure will begin to affect the balance of supply and demand in the global PVC market in the second half of the year.
- (2) The demand for PVC resin in the international market grew, which accelerated the recovery of idle capacity among China's calcium carbide powder manufacturers. They take the chance to take orders to 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, and Brazil and establish stable cooperative relationships with them.
- (2) Through distribution channels operated by agents and traders, actively solidify customer base in both India and Bangladesh where the demand for PVC is rapidly growing to expand the sources of sales orders.
- (3) Seeking for long-term support from key customers in each region.
- (4) Enhancing product quality and developing products with unique specifications to enable market differentiation.
- (5) Streamlining organizational operations, improving operational efficiency and enhancing customer service.

### Chemicals:

- 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) The domestic hydrochloric acid market is impacted by the increase in the production of secondary hydrochloric acid which arose from the expansion of potassium sulfate plants.
  - (2) The Company's liquid caustic soda product is faced with the competition of goods imported from Mainland China in domestic sales, which has squeezed the Company's profit margin.
- Response Measures:
  - (1) Segmenting sales markets to establish stable sales and distribution channels.
  - (2) Continuously increasing production quality and efficiency, and optimizing 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 2021, 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 ready.
- (2) The cost of green eco-friendly materials is high.
- (3) OEM automotive leather exports are restricted by rigorous quality requirements and the long testing and development schedule delays qualification certification.
- (4) Environmental regulations in Europe and the U.S. are becoming more stringent. 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) The competition between low-priced products in the same industry at home and abroad and the tariff barriers set by various countries has set up bottle necks in the Company's plan for market expansion.
- (6) Some markets require replacement materials for PVC.
- (7) The Company continues to face exchange rate pressure, which reduces export competitiveness.
- (8) The impact of COVID-19 epidemic cancels large-scale exhibitions and losses product marketing opportunities.

● Response Measures:

- (1) Win public projects and obtain rights to supply building materials for private construction projects.
- (2) Continuously engaging in the research and development of eco-friendly materials and high value-added products.





- (3) Segmenting sales by product and market to acquire markets for high value-added products.
- (4) Continuously reducing production costs and improving production technologies.
- (5) Developing business opportunities in emerging markets and launchings new products to capture market share.
- (6) Using the successful high-end product portfolio in North America to make promotion in other shipping or furniture markets overseas; the main target regions are Europe, Australia and Asia.
- (7) Cooperating with U.S. professional channels of OEM automotive leather and leveraging their profession to accelerate market entry into the automobile industry supply chain.
- (8) Establishing strategic alliances with domestic and overseas brands, as well as developing and promoting new materials.
- (9) Engaging in information exchange about products and horizontally promoting featured products from different regions to markets across the five continents.

## (II) Important uses and production processes of major products

### 1. VCM:

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

### 2. PVC resin:

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

### 3. Chemicals:

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, wire-protection sleeves, and plastic steel doors and panels), public construction projects (water supply and drainage construction, wire-protection sleeves, and wastewater sewage construction). Raw materials include PVC resin and stabilizing agents which undergo procedures including mixing, gelatinization, extrusion, cooling, and cutting.

5. Soft rubber cloths:

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. Rigid rubber cloths:

They are used for the production of vacuum forming, pharmaceutical packaging, cooling tower baffle, inner lining, panel cloth, protective cloth, printing cloth, 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. Plastic leather:

We produce foaming sponge leather, non-foaming PVC leather, and 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, stain-resistance, anti-slip, and anti-scratching or other special treatment to increase added value.

#### 8. Plastic pellets:

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.

### (III) Supply of Major Raw Materials

1. The main raw materials of VCM are EDC and ethylene. Long-term contracts have been signed with suppliers to ensure stable supply of these raw materials.
2. The main raw material of PVC powder 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: They are mainly supplied by Nan Ya Plastics Corporation, and special plasticizers are purchased from abroad.
5. The main raw material of construction products is PVC resin, which is mainly self-produced and supplied, and thus the source of this raw material is stable.

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

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

Unit: NT\$ thousand

Item	2019				2020				Q1 2021 (Note 2)			
	with the Issuer (Note 1)	Amount	Ratio to the net purchases of goods (%)	Relationship with the Issuer	with the Issuer (Note 1)	Amount	Ratio to the net purchases of goods (%)	Relationship with the Issuer	with the Issuer (Note 1)	Amount	Ratio to net purchase in the year up to the first quarter (%)	Relationship with the Issuer
1	Company A	1,560,055	17.01%	None	Company A	1,360,745	20.44%	None	Company A	999,565	36.09%	None
2	Company B	1,300,165	14.17%	None	Company B	852,884	12.81%	None	Company B	420,282	15.17%	None
3	Company C	1,170,300	12.76%	None	Company C	682,671	10.25%	None	Company C	352,721	12.73%	None
4	Company D	1,133,777	12.36%	None	Company D	1,210,356	18.18%	None	Company D	243,642	8.80%	None
5	Company E	1,021,110	11.13%	None	Company E	299,178	4.49%	None	Company E	82,916	2.99%	None
6	Others	2,987,050	32.57%	(Note 3)	Others	2,252,516	33.83%	(Note 3)	Others	670,641	24.22%	(Note 3)
	Net Purchases	9,172,457	100%		Net Purchases	6,658,350	100%		Net Purchases	2,769,767	100%	

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

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

Note 3: No suppliers who account for more than ten (10) percent of the total purchases of goods Proportion of purchases from related parties: 2019: 0.07%; 2020: 0.54%; first quarter of 2021: 0.53%.

\* 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\$ thousand

Item	2019				2020				Q1 2021 (Note 2)			
	with the Issuer (Note 1)	Amount	Ratio to annual net sales of goods (%)	Relationship with the Issuer	with the Issuer (Note 1)	Amount	Ratio to annual net sales (%)	Relationship with the Issuer	with the Issuer (Note 1)	Amount	Ratio to net sales in the year up to the first quarter (%)	Relationship with the Issuer
1	Others	15,117,855	100.00%	Note 3	Others	13,733,148	100.00%	Note 3	Others	4,978,665	100.00%	Note 3
	Net sales	15,117,855	100.00%		Net sales	13,733,148	100.00%		Net sales	4,978,665	100.00%	

Note 1: Listed the name of the customers and the gross sales amount and ratio for those that take up more than 10% of the total sales amount in the most recent two years. However, for customers whose name are not permitted to be disclosed due to contract or the counterparts is an individual who is not an interested party, a code may be used.

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: 2019: 0.02%; 2020: 0.02%; first quarter of 2021: 0.01%.



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

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

Production value: NT\$1,000

Production volume and value		Year		2019			2020		
		Production Capacity	Production Volume	Production Value	Production Capacity	Production Volume	Production Value		
Major Products									
PVC resin, plastic pellets, and chemicals		511,375	479,423	10,859,540	531,375	457,020	9,942,701		
Vinyl chloride monomer		485,000	447,911	9,039,972	485,000	391,457	6,528,342		
PVC film/sheet		72,660	32,838	1,678,202	72,660	31,617	1,623,697		
PVC Construction products		26,640	20,904	708,157	26,700	20,995	711,922		
PVC leather		8,600	6,558	561,978	8,600	6,632	553,928		
Others		0	28,737	92,254	0	733	83,761		
Total	Tons	1,095,675	1,009,813	22,940,103	1,115,735	901,822	19,444,351		
	Thousand meters	8,600	6,558		8,600	6,632			

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

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

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

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

Sales volume and value		Year		2019				2020			
		Domestic Sales		External sales		Domestic Sales		External sales			
		Volume	Value	Volume	Value	Volume	Value	Volume	Value		
Major Products											
PVC resin, plastic pellets, and chemicals		112,139	2,116,016	333,689	8,738,891	109,675	1,916,898	306,788	8,238,647		
Vinyl chloride monomer		38,769	884,055	0	0	12,361	304,482	0	0		
PVC film/sheet		17,288	940,404	14,336	802,507	17,809	945,549	12,701	680,824		
PVC Construction products		20,316	737,147	0	0	20,124	752,017	11	811		
PVC leather		2,819	267,316	4,319	631,519	2,908	269,081	4,070	624,839		
Total	Tons	188,512	4,944,938	348,025	10,172,917	159,969	4,188,027	319,500	9,545,121		
	Thousand meters	2,819		4,319		2,908		4,070			



### III. Employee Information

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

Year		2019	2020	March 31, 2021
Number of employees	Staff	376	363	357
	Workmen	612	596	578
	Total	988	959	935
Average Age		46	46	46
Average years of services		18	19	18
Percentage Distribution of Academic Qualifications	PhD/Master's degree	10%	10%	10%
	Bachelor's Degree	38%	32%	32%
	Junior college	25%	13%	14%
	Senior High School	25%	22%	22%
	Below senior 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:

Date of disciplinary action/Disciplinary official letter No.	Regulation Violated	Penalty Amount (NT\$ thousand)	Facts violated	Improvement Measures
October 8, 2020 / 40-109-100006	1.Paragraph 1, Article 36 and Subparagraph 1, Paragraph 1, Article 31 of the Waste Disposal Act 2.Subparagraph 2, Paragraph 1, Article 7 and Subparagraph 4,	66	The Central Environmental Inspector Brigade of the Environmental Protection Department(EPD) of the Executive Yuan sent personnel to the Toufen Plant of the company from August 20 to 21 in 2020	1. Marks of hazardous industrial wastes has been improved on site. 2. The waste disposal plan has been





Date of disciplinary action/Disciplinary official letter No.	Regulation Violated	Penalty Amount (NT\$ thousand)	Facts violated	Improvement Measures
	Paragraph 1, Article 11 of the Standards for Methods and Facilities for Storage, Removal and Treatment of Business Wastes		<p>(I) There are 15 barrels of waste liquid (c-0301) stored on site, but the name of the enterprise, storage date, quantity, composition of the waste and the mark distinguishing the characteristics of the hazardous industrial waste are not marked; There are no warning signs with white background, red letter and black frame in conspicuous places, and no disaster prevention equipment.</p> <p>(II) In addition, there are empty containers for storing ink on site, but they are not reported in the approved waste disposal plan.</p>	revised, and it was approved on October 14.
February 13, 2020 / 20-109-020015	Paragraph 1, Article 20 of the Air Pollution Control Act	100	On October 22, 2019, Kaohsiung Environmental Protection Bureau sent personnel to the company's Linyuen Factory to detect the leakage concentration of volatile organic compounds (VOCs) in the equipment components. The results showed that the	Reinforce the frequency of voluntary inspections for equipment components.



Date of disciplinary action/Disciplinary official letter No.	Regulation Violated	Penalty Amount (NT\$ thousand)	Facts violated	Improvement Measures
			detection concentration values of the equipment components was 18,723.95ppm, which was greater than the control standard of 2,000ppm.	
April 9, 2020 / 20-109-030013	Paragraph 1, Article 20 of the Air Pollution Control Act	200	The Environmental Protection Bureau of the Kaohsiung City Government assigned personnel to the Company's Linyuan Plant on February 18, 2020 and collected samples of pollutants with odors from the discharge port (No. P007). According to the Foul Odor Perception Methodology - Triangular Odor Bag Method (NIEA A201.14A), the air pollutant foul odor pollutant concentration was 4120 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 $18 < h \leq 50$ meters, the standard value is 2000)	<ol style="list-style-type: none"> <li>1. Increase the circulation of C-6703 detergent.</li> <li>2. Control pH value to avoid acid taste diffusion</li> <li>3. Reduce the temperature of the incoming gas</li> <li>4. Increase the height of packing material of washing tower.</li> </ol>
September 29, 2020 / 20-109-090012	Paragraph 1, Article 20 of the Air Pollution Control Act	450	On August 7, 2020, Kaohsiung Environmental Protection Bureau sent personnel to the company's Linyuen	Reinforce the frequency of voluntary inspections for equipment components.



Date of disciplinary action/Disciplinary official letter No.	Regulation Violated	Penalty Amount (NT\$ thousand)	Facts violated	Improvement Measures
			<p>Factory to detect the leakage concentration of volatile organic compounds (VOCs) in the equipment components. The results showed that the detection concentration values of the two equipment components were 11,852.78ppm and 18,206.26ppm, which were higher than the 2,000ppm of the control standard.</p>	
<p>October 8, 2020 / 20-109-100006</p>	<p>Paragraph 1, Article 20 of the Air Pollution Control Act</p>	<p>100</p>	<p>On December 11, 2019, Kaohsiung Environmental Protection Bureau sent personnel to the company's Linyuen Factory to detect the leakage concentration of volatile organic compounds (VOCs) in the equipment components. The results showed that the detection concentration values of the equipment components was 2,529.9ppm, which was higher than the 2,000ppm of the control standard.</p>	<p>Reinforce the frequency of voluntary inspections for equipment components.</p>



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

1. Environmental protection policies:

- (1) To comply with relevant environmental protection and occupational safety and health regulations and relevant requirements derived from such regulations.
- (2) To continuously conserve and reuse resources and energy, and reduce industrial waste.
- (3) To prevent pollution, reduce potential risks in operations.
- (4) To continuously provide employees with education and training, and carry out work related to environmental protection and occupational safety and health.
- (5) To actively communicate with customers and residents, manage suppliers and contractors, and encourage all employees to participate in work related to environmental protection and occupational safety and health.
- (6) To thoroughly implement environmental management system to enhance environmental performance and reduce environmental safety risks in communities.
- (7) The Company's subsidiary, Taiwan VCM Corporation rented part of the land occupied by the China Petrochemical Development Corporation's Qianzhen Plant from January 1, 1970 to December 31, 1989 to set up its plant for manufacturing VCM. In October 2006, the area was deemed a groundwater pollution control site. After remediating the area using the "Physics+Chemistry+Biology" engineering method developed by Taiwan VCM Corporation, the groundwater pollution concentration level of the site decreased to less than the groundwater pollution control standard. Based on the findings of re-inspections by the Environmental Protection Bureau of the Kaohsiung City Government from January 11th to 12th, 2016, it was announced on April 11th, 2016 that the area had its status as a groundwater pollution control site terminated and was



removed from the delineation of the groundwater pollution control region.

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

2. Expected environmental protection expenditures:

Unit: NT\$ thousand

Year	2021	Amount
Item	1. Operating and maintenance charges for exhaust gas treatment equipment	83,000
	2. Operating and maintenance charges for wastewater treatment equipment	45,000
	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		144,900

- (III) In response to the Restriction of Hazardous Substances (RoHS) prescribed in European Union's Directives:

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



## V. Labor Management 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. In addition to fixed wages, employees' salary also includes performance bonus, year-end bonus, etc.

The Company makes annual salary adjustment according to the profitability. The average employee pay rise for 2020 was about 1.8%. Employees' compensation shall not be lower than 1% of the distributable earnings for the current year. The proposal to distribute NT\$17,034 thousand for 2020 was adopted by the Board of Directors on March 5, 2021.

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

Toufen Plant includes single dormitories and dormitories for family members for employees who are citizens of the country. They can be used by employees who live outside the area for long periods of time. The dormitory is equipped with recreational facilities such as basketball courts, table tennis rooms, and lounges.

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

The Company has established the Employee Welfare Committee



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

## 2. Employee education and training:

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



are conducted from time to time to collect employees' opinions and recommendations on employee training as a reference for improving training.

(5) Employee training implementation status: A total of 5,177 participants took part in training programs in 2020, and training fees totaled at NT\$1,887 thousand.

Training Name	Training Participant	Training Name	Training Participant
[EMBA] Industrial safety and risk management	Related Managers	#1 Boiler education and training	Utilities Section personnel
[EMBA] Innovation and R&D creativity	Related Managers	#7 Operation training of burner for replacing natural gas of the boiler	Utilities Section personnel
[EMBA] Negotiation and consultation	Related Managers	2020 Corporate Sustainability Elite Training Workshop	CSR Personnel
[SEMBA] System thinking and learning organization	Senior managers	Training of GCB high voltage switch operation and maintenance	Instrument and electrical Personnels
[SEMBA] Application of emerging information technology in enterprise management	Senior managers	ISO45001 Internal Auditors education and training	ISO45001 Internal Auditors
[SEMBA] Accounting and Management Decisions	Senior managers	ISO45001 Managers Education and Training	Supervisors
[SEMBA] Economic and Competitive Analysis	Senior managers	PrHA Education and Training	Process Safety Personnel
[SEMBA] Management decision	Senior managers	PULSA quantitative diaphragm pumping training	Maintenance Section personnel
[SEMBA] Operation management	Senior managers	Update and technical exchange of PVC powder production and transportation information	Personnel in export team of raw materials
2020 Mid-tier Manager Training	Supervisors	General loader	Loader operator
2020 Taiju Group's Technical Exchange Seminar	Supervisors/General employees	Class B Boiler Operator Training	Boiler operators
Advocacy and exercise of industrial accidents	PVC Fabric Section 1 personnel	Truck driving training	Fire truck driving
Practical training on plant safety management	Factory Safety personnel	Occupational Safety and Fire Prevention Promotion	Polymerization Section personnel
Plasticizer finished product inspection	Inspection Section personnel	Work Safety Training	PVC Sheet Maintenance Section Personnel
Health promotion & Emergency response education and training for the second half of 2020	Supervisors/General employees	TAF Certification Test Standards (All), Finished Product Inspection Instrumentation and Testing and Calibration Retraining	Inspection Section personnel
2020 Occupational Safety and Health Management System Promoted the Education and Training of Internal Auditors of Business Plans	Equipment Inspection Section	Description and Adjustment of Cooling Water Circuit of #27 and #28 Door Panel Forming Table	Rigid Pipe Management Section personnel
2020 Emergency response education and training for poisoning disasters	Supervisors/General employees	Introduction of Material Characteristics and Manufacturing Technology of Stainless Steel	Engineering Department personnel
Corporate Governance and Regulation	Supervisors	Corporate Governance 3.0-Blueprint of Sustainable Development	CSR Personnel





Training Name	Training Participant	Training Name	Training Participant
2020 Explanation Meeting on Supplementary Premium for Class I Insured Units in Gaoping	Management Section	2020 Internal Education and Training of Instrument and Electricity Course in Operation Instructions of Taiwan VCM High Voltage Power Equipment	Instruments and Electrical Section
2020 Kaohsiung City Labor Inspection Office Publicity Meeting.	Labor Safety Office	Chemical Process Heat Exchanger Technology	Engineering Department personnel
2020 2nd Annual Emergency Response Training	Supervisors/General employees	Processing test implementation	Inspection Section personnel
ISO27001 Pre-Review Training before certification	Information Technology Division	Emergency Response Drill for the Processing, Storage & Transportation Section	Processing, Storage and Transportation Section personnel
API Rotating Machinery Technical Safety Seminar	Maintenance Section	Typhoon emergency response drill	Related personnel
2020 Seminar on Knowledge, Ability and Practice Sharing of Labor Health Service	Labor Safety Office	2020 Internal Education and Training of Instrument and Electricity Course in Brief Introduction of Instrument and Taiwan VCM Electricity Equipment	Instruments and Electrical Section
2020 Workshop on Overhaul Management of Oil Refinery and Petrochemical Factory	Manufacturing Management Department	Pre-Machine Cleaning Power Off Operation Drill	Related personnel
Introduction to Gas Fueled Boiler Operations	Plastic Leather Section 2 personnel	Life with Blue Sky and Hope	General employees
2020 Internal Education and Training of Instrument and Electricity Course in Instructions of Taiwan VCM Power System	Instruments and Electrical Section	2020 Internal Education and Training of Instrument and Electricity Course in Operation Procedures for Switching and Transmitting Electricity of Field Equipment	Instruments and Electrical Section
Hanging Operations Personnel Training	Hanging Operations Personnel	Training of dedicated personnel for Class A wastewater treatment	Class A Waste Water Disposal Personnel
Education and Training of 150L and 1500L Fermentor and Interface Equipment	Special Environmental Testing Section	Automatic lubricator education and training	Maintenance Section personnel
2020 Internal Education and Training of Instrument and Electricity Course in Operation Instructions of CGPC Polymer Corporation High Voltage Power Equipment	Instruments and Electrical Section	Training of Professional Technical Management Personnel for Class A Toxic Chemical	Training for Class A Toxic Chemical Professional Technical Management Personnel
2020 Internal Education and Training of Instrument and Electricity Course in Instructions of CGPC Polymer Corporation Power System	Instruments and Electrical Section	Corporate fraud detection practice: legal liability, identification and big data analysis	Auditors
2020 Internal Education and Training of Instrument and Electricity Course in Brief Introduction of Instrument and CGPC Polymer Corporation Electricity Equipment	Instruments and Electrical Section	Training for Operators of Fixed Cranes with Hoisting Capacity of 3 Tons or More	Fixed crane operators
Certified Course for EC-Council CASE.NET Application Security Engineers	Information Technology Division	Introduction of engineering design, drawing skills, design standards and regulations (ASME, ASTM, API), etc.	Engineering Section



Training Name	Training Participant	Training Name	Training Participant
ISO50001 Energy Management System Explanation	Supervisors/General employees	Self-Defense and Fire Marshalling Team Training (2020 Part 1)	Self-defense and firefighting team personnel
PSM Education and Training	Supervisors/General employees	Self-Defense and Fire Marshalling Team Training (2020 Part 2)	Self-defense and firefighting team personnel
Explanation of PVC Factory Process	Equipment Inspection Section	Emergency Response Drill for Material Section	Materials Section personnel
Brief Introduction and Case Sharing of Six Sigma	Supervisors/General employees	Preliminary Training for Fire Prevention Personnel	Fire Prevention Personnel
Study on Labor Act for HR Personnel	Human Resources	Fire Prevention Personnel Retraining	Fire Prevention Personnel
Soil Pollution Evaluation Inspector Training Weekend Course	Application Planning Section	Explanation of Explosion-proof Safety Practice	Engineering Department personnel
Education and Training Courses for Public Works and Environmental Safety Personnel	General employees	Security Supervisor In-Class Preliminary Training	Security supervisors
CommonWealth Magazine LeaderCampus	Supervisors/General employees	Emergency Response Drill for the Building Material Factory	Building material plant personnel
Mid-tier Manager Training (tier 3)	Related Managers	First Aid Personnel Training	First-aid personnel
Insider Trading Practical Cases and Related Legal Liabilities	Supervisors/General employees	Technical Training of Infrared Thermal Image Inspectors	Equipment inspector
Taiwan VCM Safety and Health & Emergency response education and training for the first half of 2020	Supervisors/General employees	Description of PMI Alloy Material Composition Inspection Procedure for Key Equipment of Two Factories	Equipment Inspection Section
Technical Training of Infrared Thermal Image Inspectors (Level 2)	Equipment inspector	Emergency Response Drill for Polymerization Section personnel	Polymerization Section personnel
Visual Inspection	Manufacturing Management Department	Education and Training of Risk Assessment Concept and Writing Thinking	Process Safety Personnel
Labor Act: Supervisors must know	Supervisors/Human Resources	Continuing Education and Training of Food Safety Control System	Food safety personnel
Hazard and Operability Analysis HAZOP	Relevant employees	Food-Grade Product Education and Training	Alkali-Chlorine Section personnel
Guidance Plan of Process Safety Management, Key Equipment Screening Method and Practical Training for Petrochemical Factories and Chemical Factories	Equipment Inspection Section	Raw Material/Material Inspection, Test Development and Rubber Inspection Retraining	Inspection Section personnel
Strategies and Management of Enterprise Upgrade and Transformation: the Choice between M&A and Alliance	Directors and Supervisors	Safety and Health On-the-job Education and Training for Special High-Pressure Gas Equipment Operators	Operators of special high-pressure gas equipment operation
Practice Description of Process Safety Assessment for Alternative Inspection of Hazardous Equipment	General employees	Continuing Training Class for Principal Accounting Officers of Issuers, Securities Firms, and Securities Exchanges	Manager of Accounting Department
Debate and Prevention Awareness Meetings of Hazardous Machinery and Equipment Operation Hazard	Labor Safety Office	Integrity Lecture: Insider Trading Practical Cases and Related Legal Liabilities	General employees
Description of Operation Procedures Related to Underground Pipeline Maintenance and Transportation	Equipment Inspection Section	Emergency Response Drill for Raw Materials Department	Raw Materials R&D Department Personnel



Training Name	Training Participant	Training Name	Training Participant
Education and Training on Wearing Protective Clothing for Underground Pipeline Emergency Personnel	General employees	Emergency Response Drill for Raw Materials Storage and Transportation Section	Raw Materials Storage and Transportation Section personnel
How to Become a Manager's Good Assistant	General employees	On-the-Job Training for Specific Chemical Operations Supervisors	Specific Chemical Operations Supervisor
Organic Solvent Operations Supervisor Training	Related employees/duty Supervisor	Lectures on Special Operations and Cancer Screening	Health Evaluator
Driving safety training	General employees	Training for Supervisors of Dust Operations	Supervisor training on dust operations
Processing Flow of Machine Exception of Processor	Plastic Leather Section 2 personnel	On-the-Job Training for Oxygen-Deficient Operations Supervisors	Supervisors of oxygen-deficient operations
Material damage analysis	Equipment Inspection Section	Health Seminar: Colorectal Cancer	General employees
Operation instructions for equipment inspection of two factories	Equipment Inspection Section	Basic lubrication education and training	Maintenance Section personnel
Advocacy Meeting on Hazard Prevention of Confined Space and Hypoxia Hazardous Operation (Safety and Health on-the-job Education and Training)	Labor Safety Office	Hazard prevention for hanging operations (safety and health on-the-job education and training)	Maintenance Section / Engineering Department
Nondestructive Testing Procedures for Key Equipment and Pipelines in Two Factories	Equipment Inspection Section	Mechanical Integrity (MI) Education and Training	Process Safety Personnel
Periodic Inspection of Key Pressure Vessels, Pipelines and Rotating Equipment in the Two Factories	Equipment Inspection Section	Thickness gauge education and training	Maintenance Section personnel
On-the-Job Education and Training for Fixed Crane Operators	Instruments and Electrical Section	Operation and Correction of Cursor Caliper	Rigid Pipe Management Section personnel
On-duty Training for Air Pollution Prevention Specialists	Labor Safety Office	Safety and Environmental Protection Training of Group North Factory	Factory Safety personnel
Training and refresher course for Security Supervisor	Utilities Section	Color Management and Practical Application of Colorants in Plastic Dyeing	Technical Quality Control Section personnel
Security Inspector Training Course	Manufacturing Section	Operating Instructions for Defect detector	PVC Leather Section 1 personnel
Road of digit transformation in the post-epidemic era	Supervisors/General employees	Integrity seminar: anti-corruption	General employees
Safety and Health On-the-Job Training for First Aid Personnel	VCM Plant	Integrity seminar: Information security general education training	General employees
Seepage detection	Equipment Inspection Section	Best practice education training of achieving zero job disaster	Factory Safety personnel
Infrared analysis	Equipment Inspection Section	Operation Training for Laser Jet Machine	Rigid Pipe Management Section personnel
Radiographic inspection	Equipment Inspection Section	Tube CNS Description (2017)	Rigid Pipe Management Section personnel
Vibration analysis technician	Equipment Inspection Section	Production cost reduction and control of manufacturing industry	Supervisors



Training Name	Training Participant	Training Name	Training Participant
Supervisors of Specific Chemical Operations	VCM Plant	Process Safety Management (PSM) Education and Training (I)	Process Safety Personnel
Process Safety Operation Training	PVC Compound Section personnel	Process Safety Management (PSM) Education and Training (II)	Process Safety Personnel
High-altitude Rescue Equipment & amp; Education and Training on the Use of Air-supplied Respiratory Protective Mask	VCM Plant	Education and Training on High-altitude Rescue Equipment / Respiratory Protective Equipment with Gas Transmission Line Type / Four-purpose Gas Detector	VCM Plant
Process and quality control training	Quality Technology Section personnel	Introduction to process quantitative analysis	Alkali-Chlorine Section personnel
Safety and Health Educational Training for High-Pressure Gas Containers Operators	Manufacturing Section	Process Quality Control Training	Relevant employees
On-the-Job Training for Forklift Operators	Engineering department/Stacker Operator	Business Strategies and Corporate Governance in Response to Unsustainable Risks in the World from the Aspect of the COVID-19 Epidemic	Directors and Supervisors
Instrument calibration and quality training	Quality Inspection Section personnel	Training on Testing, Inspection and Certification Comparisons and Practices (1)	Inspection Section personnel
Credit Skill and Financial Report Analysis	General employees	Training on Testing, Inspection and Certification Comparisons and Practices (4)	Inspection Section personnel
Fluid Seepage Inspection	Equipment Inspection Section	Training on Testing, Inspection and Certification Comparisons and Practices (2)	Inspection Section personnel
Trademark and patent right	Supervisors/General employees	Training on Testing, Inspection and Certification Comparisons and Practices (3)	Inspection Section personnel
On Occupational Safety and Health Act	Human Resources	Instrument and Electrical Maintenance and Repair Training	PVC Sheet Maintenance Section Personnel
Safety and Health On-the-Job Training for Type I Pressure Vessel Operators	General employees	Type I Pressure Vessel Operation Hazard Prevention (Safety and Health On-the-Job Education and Training)	Labor Safety Office
Welding education and training	Maintenance Section personnel	Emergency Response Drill for PVC Sheet Maintenance Section	PVC Sheet Maintenance Section Personnel
Basic Training of Cathode Corrosion Protection System Maintenance and Detection	Equipment Inspection Section	PVC Sheet Quality Control Training	PVC sheet factory personnel
Eddy current testing	Equipment Inspection Section	PVC Sheet Quality Inspection Training	Technical Quality Control Section personnel
Test Laboratory Supervisor Education and Training	Environmental Protection Technology Division personnel	Raw Materials and Formula of Plastic Sheets	Technical Quality Control Section personnel
Strain Drying Equipment: Education and Training on FBDG-30 and SMG-50	Special Environmental Testing Section	PVC Sheet Operations Technology and Process Abnormality Handling Training	Technical Quality Control Section personnel
Ultrasound Examination	Equipment Inspection Section	Each plant emergency response drill	Relevant employees



Training Name	Training Participant	Training Name	Training Participant
Education and Training on Sign-off and Approval and Operation Standards of the New Work Safety Permit (CV-11-0042-8R)	General employees	Popularization of new products: Introduction of Full Effect Heat Insulation Coating and Fireproof and Flame Resistant Materials	Supervisors/General employees
Digital transformation practice sharing	Supervisors	Mechanical Training	PVC Sheet Maintenance Section Personnel
New Employee Training	New employees	Radiation Protection Workshop	Radioactive equipment operators
Seminar on Application of New Inspection Techniques to Process Pipeline Inspection	Equipment Inspection Section	Production and application of environmental protection materials	PVC Leather Section 1 personnel
Seminar on Best Practices for Achieving Zero Disaster	Labor Safety Office	Application of UV Hardening Resin for Film	Technical Quality Control Section personnel
E-mail Use Security and E-mail Fraud Prevention	General employees	Occupational Safety and Health Management Personnel (Class B)	Occupational Safety and Health Personnel
Laboratory Certification Specification ISO/IEC 17025 Training	Environmental Protection Technology Division personnel	2020 Industrial safety and Fire Safety Training	Employees in all plants
Magnetic particle Inspection	Equipment Inspection Section	2020 Southern Joint Defense Organization Training Seminar	Relevant employees
Practical Education and Training for Escape Cylinder Connecting Sleeve Set of Respiratory Protective Equipment with Gas Transmission Line Type	Manufacturing Management Department	2020 Emergency Response Education and Training of Kaohsiung City Drug Disaster Response Unit and Joint Defense Team	Relevant employees
Pipeline business pre-service training	Manufacturing Management Department	On-the-Job Training for Organic Solvent Operations Supervisors	Relevant employees
Process Safety Management (PSM) Education and Training - PrHA	General employees	On-the-Job Training for Emergency Personnel	Relevant employees
Leadership and Communication	Supervisors/General employees	High-Pressure Gas Manufacturing Safety Operation Supervisors Training	Relevant employees
On-the-Job Training for Wastewater and Waste Specialists	Labor Safety Office	Special Lecture: Leadership and Communication	Relevant employees
Operation Description of Testing and Oil Sampling	Equipment Inspection Section	Accurate Briefing and Communication Skills for Boss To Pay the Bill	Supervisors/General employees
Annual refresher course on radiation safety training for operator	Manufacturing Management Department	On-the-Job Education and Training Course for Boiler Operator	Utilities Section
First Aid Techniques for Occupational Health Nursing Staff (EMS-OHN) Course	Labor Safety Office	Special Lecture: Accurate Briefing and Communication Skills for Boss To Pay the Bill	Relevant employees
Integrity Lecture: On Trademark and Patent Right in Zhiqian Primary School	Employees in all plants		



### 3. Employee Retirement:

- (1) The "Labor Pension Act" was effective on July 1, 2005. The retirement pension provisions of the Labor Standards Act continue to apply to incumbent employees and a Labor Pension Reserve Fund Supervision Committee was established. Every month, 10% of each employee's salary is allocated to the pension 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 separately as retirement pension. The voluntary pension contribution shall be fully deducted from the employee's total comprehensive income for the year.
- (4) After choosing to follow the retirement pension system stated in the Labor Pension Statutes, employees shall not be allowed to switch to the retirement pension system stated in the Labor Standards Act again.

### 4. Employer/employee agreement and 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:

Departments	Name	Relevant Certification
Accounting Division	Kuo, Chien-Chou	Continuing Training Class for Principal Accounting Officers of Issuers, Securities Firms, and Securities Exchanges, Accounting Research and Development Foundation (November 23, 2020 to November 24, 2020)
Auditing Division	Kang-Nien Chiang	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 education on work ideals, ethics, quality management system, environmental protection, occupational safety and health management.
- (3) Signing of Letter of Undertaking by employees: This document establishes 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), ISO 45001 (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 2020:

- 2.1 Mask Specification Project Report
- 2.2 Improvement of Lack of Safety Inspection of Elevator
- 2.3 5S Activity System Report
- 2.4 Punishment for Forklift Violation
- 2.5 Please separate the waste properly
- 2.6 Engineering Vehicles of Outsourced Manufacturers  
Occupy Disabled Parking Spaces
- 2.7 Confirm whether the Wide-headed Safety Shoes Can Be Purchased in Old Style
- 2.8 Report on Oil Leakage Improvement Project of Oil-water Separation Barrel in Lesson 2





- 2.9 Waste labeling regulations
  - 2.10 Occupational Safety & Health Committee Setting
  - 2.11 Confirm whether Safety Shoes Can Be Purchased by Manufacturer
  - 2.12 Empty the Car Parking Lot of North Factory To Facilitate Staff Parking
  - 2.13 Punishment of Supervisors and Parties Involved in Factory Safety Accidents
  - 2.14 2019 Unsettled Cases of Environmental Security Inspection
  - 2.15 Natural Gas Pipeline Management
  - 2.16 Operation Mode of Re-evaluation of Packaging Material Replacement Accident in Raw Material Storage and Transportation Section
  - 2.17 Sphygmomanometers Were Added To the Guard Rooms of Factories in the South and North
  - 2.18 How to manage E-cigarettes?
  - 2.19 Ractopamine Pig management
  - 2.20 Replacement of Wireless Controller for Stationary Crane Controller
  - 2.21 Contractor management
  - 2.22 Special operation safety supervision mechanism
- (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 455 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 499 items were inspected by on-site supervisors in 2020.

4.2 A total of 307 items were inspected by the safety and occupational health officers in 2020.

4.3 The rate of improvement of defects found in environmental safety and health inspections in 2020: Deficiencies: 1,411 cases; improvements: 1,271 cases; improvement rate: 90.08%;

- (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 implementing various business activities.
  - (5) The Company has always been committed to the principle of equal opportunities, and recognizes the contribution of employees from different backgrounds. The Company adopts an open selection process and hires the right talent for the right position, instead of restricting employees' career development based on their race, gender, age, religion, nationality or political affiliation.
- (II) Loss (including labor inspection results in violation of labor standards law, the punishment date, punishment name, violation of laws and regulations, content of violation of laws and regulations, and punishment content shall be listed) sustained as a result of labor disputes in the most recent fiscal year, and during the current fiscal year up to the date of printing of the annual report, disclose an estimate of losses incurred to date and indicate mitigation measures being or to be taken:

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



## VI. Important Contracts

March 31, 2021

Nature of Contract	Principal	Contract Start/End Date	Main Content	Restrictive Provisions
Material Purchase Contract	Formosa Plastics Corporation	January 01, 2020~ 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 01, 2020~ 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 01, 2020~ 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
Material Purchase Contract	Dampier Salt Limited	January 01, 2020~ December 31, 2020	China General Plastics Corporation and Dampier signed a contract for the purchase of industrial salt, with the price of the material agreed by both the buyer and the seller.	None
Medium-term 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 value) shall not be greater than 125%.
Medium-term Lending Limit Contract	Yuanta Bank	August 20, 2020~ August 20, 2022	CGPC Polymer Corporation and Yuanta Commercial Bank signed a two-year medium-term lending limit	None



Nature of Contract	Principal	Contract Start/End Date	Main Content	Restrictive Provisions
			contract worth NT\$200 million, which is a revolving loan facility.	
Medium-term Lending Limit Contract	Hua Nan Bank	August 28, 2020~ August 28, 2023	CGPC Polymer Corporation and Hua Nan Bank signed a three-year medium-term lending limit contract worth NT\$300 million, which is a revolving loan facility.	None
Medium-term Lending Limit Contract	Taishin International Commercial Bank	May 11, 2020~ May 11, 2023	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 shall not be less than 100%, and its debt ratio (debt/net value) shall not be greater than 150%.
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 the financial report of Taiwan VCM Corporation, 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	September 21, 2020~ September 21, 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\$ thousand

Item	Year	Financial information for the most recent 5 years (audit and certification)					Financial Information as of March 31, 2021 (for review)
		2016	2017	2018	2019	2020	
Current assets		7,200,056	5,993,631	6,314,227	4,876,866	5,874,585	6,855,959
Property, plant and equipment		5,227,157	5,729,861	6,009,889	6,157,575	6,658,342	6,811,027
Intangible assets		19,589	10,238	2,493	183	0	0
Other assets		862,185	939,491	897,486	1,296,609	1,360,698	1,449,839
Total assets		13,308,987	12,673,221	13,224,095	12,331,233	13,893,625	15,116,825
Current Liability	Before distribution	2,480,133	1,785,947	2,107,698	1,695,099	2,220,603	2,550,821
	After distribution (Note 1)	3,292,171 (Note 1)	2,523,946 (Note 1)	2,867,837 (Note 1)	1,958,614 (Note 1)	- (Note 2)	- (Note 2)
Non-current liabilities		3,073,034	2,686,426	2,305,293	1,923,568	1,369,264	1,341,370
Total liabilities	Before distribution	5,553,167	4,472,373	4,412,991	3,618,667	3,589,867	3,892,191
	After distribution (Note 1)	6,365,205 (Note 1)	5,210,372 (Note 1)	5,173,130 (Note 1)	3,882,182 (Note 1)	- (Note 2)	- (Note 2)
Equity attributable to owners of the Company		7,375,485	7,806,341	8,374,640	8,250,812	9,703,515	10,564,766
Source of		4,776,695	4,919,996	5,067,596	5,270,299	5,533,814	5,533,814
Capital surplus		8,220	8,236	8,929	10,060	10,338	10,362
Retained earnings	Before distribution	2,549,432	2,857,342	3,256,098	2,937,187	4,063,848	4,890,573
	After distribution (Note 1)	1,737,394 (Note 1)	2,119,343 (Note 1)	2,495,959 (Note 1)	2,673,672 (Note 1)	- (Note 2)	- (Note 2)
Other equity		41,138	20,767	42,017	33,266	95,515	130,017
Treasury stocks		-	-	-	-	-	-
Non-controlling Interests		380,335	394,507	436,464	461,754	600,243	659,868
Total equity	Before distribution	7,755,820	8,200,848	8,811,104	8,712,566	10,303,758	11,224,634
	After distribution (Note 1)	6,943,782 (Note 1)	7,462,849 (Note 1)	8,050,965 (Note 1)	8,449,051 (Note 1)	- (Note 2)	- (Note 2)

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

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

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

Unit: NT\$ thousand

Item	Year	Financial information for the most recent 5 years (audit and certification)					Financial Information as of March 31, 2021 (for review)
		2016	2017	2018	2019	2020	
Sales revenue		14,157,389	14,701,741	15,192,621	15,117,855	13,733,148	4,978,665
Gross profit		2,940,369	2,776,931	2,702,563	1,969,480	3,359,290	1,596,991
Operating margin		1,874,470	1,650,788	1,572,923	773,899	2,153,552	1,103,709
Non-operating revenue and expenses		(73,316)	(34,645)	81,429	80,109	7,513	2,757
Net profit before taxes		1,801,154	1,616,143	1,654,352	854,008	2,161,065	1,106,466
Net income (loss)							
Net income for this period		1,521,307	1,341,471	1,348,653	693,815	1,787,437	886,776
Income from discontinued operations		21,777	(2,197)	7,467	4,175	4,273	0
Net income for this period		1,543,084	1,339,274	1,356,120	697,990	1,791,710	886,776
Other comprehensive income (income after tax)		(77,288)	(27,454)	12,260	(2,290)	82,647	34,553
Comprehensive profit and loss for the year		1,465,796	1,311,820	1,368,380	695,700	1,874,357	921,329
Total							
Net income attributable to owners of the Company		1,443,125	1,269,808	1,276,156	642,677	1,634,184	826,725
Net income attributable to non-controlling interests		99,959	69,466	79,964	55,313	157,526	60,051
Total comprehensive income attributable to owners of the Company		1,367,779	1,242,878	1,289,043	639,912	1,715,940	861,227
Total comprehensive income attributable to non-controlling interests		98,017	68,942	79,337	55,788	158,417	60,102
Earnings Per Share (EPS)	Before adjustment	NT\$3.02	NT\$2.58	NT\$2.52	NT\$1.22	NT\$ 2.95	NT\$ 1.49
	After Adjustment (Note)	NT\$2.85	NT\$2.51	NT\$2.42	NT\$ 1.16	NT\$ 2.95	NT\$ 1.49

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



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

Unit: NT\$ thousand

Item		Year	Financial information for the most recent 5 years (audit and certification)				
			2016	2017	2018	2019	2020
Current assets			3,143,127	2,770,055	2,549,373	2,243,869	2,632,522
Property, plant and equipment			2,534,996	2,914,824	3,046,423	3,082,693	3,248,517
Intangible assets			7,907	4,178	1,640	137	46
Other assets			4,495,866	4,899,414	5,420,078	5,514,107	6,721,182
Total assets			10,181,896	10,588,471	11,017,514	10,840,806	12,602,267
Current Liability	Before distribution		1,099,388	1,431,739	1,527,754	1,515,916	1,879,546
	After distribution		1,911,426 (Note 1)	2,169,738 (Note 1)	2,287,893 (Note 1)	1,779,431 (Note 1)	- (Note 2)
Non-current liabilities			1,707,023	1,350,391	1,115,120	1,074,078	1,019,206
Total liabilities	Before distribution		2,806,411	2,782,130	2,642,874	2,589,994	2,898,752
	After distribution		3,618,449 (Note 1)	3,520,129 (Note 1)	3,403,013 (Note 1)	2,853,509 (Note 1)	- (Note 2)
Source of			4,776,695	4,919,996	5,067,596	5,270,299	5,533,814
Capital surplus			8,220	8,236	8,929	10,060	10,338
Retained earnings	Before distribution		2,549,432	2,857,342	3,256,098	2,937,187	4,063,848
	After distribution		1,737,394 (Note 1)	2,119,343 (Note 1)	2,495,959 (Note 1)	2,673,672 (Note 1)	- (Note 2)
Other equity			41,138	20,767	42,017	33,266	95,515
Treasury stocks			-	-	-	-	-
Total equity	Before distribution		7,375,485	7,806,341	8,374,640	8,250,812	9,703,515
	After distribution		6,563,447 (Note 1)	7,068,342 (Note 1)	7,614,501 (Note 1)	7,987,297 (Note 1)	- (Note 2)

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

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





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

Unit: NT\$ thousand

Item	Year	Financial information for the most recent 5 years (audit and certification)				
		2016	2017	2018	2019	2020
Sales revenue		7,461,520	8,110,347	8,248,176	8,391,693	8,268,069
Gross profit		1,060,675	1,181,111	1,072,154	715,746	879,575
Operating margin		615,407	700,487	570,055	177,311	330,602
Non-operating revenue and expenses		948,277	715,208	813,517	512,380	1,355,736
Net profit before taxes		1,563,684	1,415,695	1,383,572	689,691	1,686,338
Net income for this period		1,443,125	1,269,808	1,276,156	642,677	1,634,184
Other comprehensive income or loss (net value after tax) in this period		(75,346)	(26,930)	12,887	(2,765)	81,756
Total comprehensive income for the period		1,367,779	1,242,878	1,289,043	639,912	1,715,940
Earnings Per Share (EPS)	Before adjustment	NT\$3.02	NT\$2.58	NT\$2.52	NT\$1.22	NT\$ 2.95
	After Adjustment (Note)	NT\$2.85	NT\$2.51	NT\$2.42	NT\$ 1.16	NT\$ 2.95

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
2020	Deloitte, Taiwan	Huang, Hsiu-chun and Chiu, Cheng-chun	Unqualified 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



## II. Financial Analysis of the Most Recent Five Fiscal Years

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

Analysis Item (Note 3)		Year (Note 1)		Financial analysis over the most recent five fiscal years (audited and verified)					Reason for Discrepancy	Financial Information Ending Mar. 31, 2021 (for review)
		2016	2017	2018	2019	2020				
Financial structure	Debt-asset Ratio (%)	41.72	35.28	33.37	29.34	25.83		25.74		
	Proportion of long-term capital in property, plant, and equipment (%)	207.16	190.00	184.96	172.73	175.31		184.49		
Debt-paying ability	Current ratio (%)	290.30	335.59	299.57	287.70	264.54		268.77		
	Quick ratio (%)	218.13	228.65	215.29	193.16	208.14		202.53		
	Interest coverage ratio	83.33	124.88	164.74	71.33	294.13	1.	1,635.37		
Operation ability	Receivables turnover ratio (times)	10.16	9.45	8.72	9.21	8.12		9.29		
	Average days of collection	35.92	38.62	41.85	39.63	44.95		39.28		
	Inventory turnover ratio (times)	6.28	6.66	6.99	8.25	7.75		10.09		
	Average inventory turnover days	58.12	54.80	52.21	44.24	47.09		36.17		
	Payables turnover ratio (times)	12.45	12.71	12.88	13.66	11.98		13.68		
	Property, plant, and equipment turnover ratio (times)	2.75	2.68	2.59	2.48	2.14		2.96		
	Total assets turnover ratio (times)	1.10	1.13	1.17	1.18	1.05		1.37		
Profitability	Return on assets (%)	12.16	10.39	10.54	5.54	13.71	1.	6.12		
	Return on equity (%)	21.22	16.79	15.94	7.97	18.84	1.	8.24		
	Ratio of net profit before tax to paid-in capital (%) (Note 7)	38.16	32.80	32.79	16.28	39.13	1.	19.99		
	Net profit ratio (%)	10.90	9.11	8.93	4.62	13.05	1.	17.81		
	Earnings Per Share (EPS)	Before Adjustment (NTD)	3.02	2.58	2.52	1.22	2.95	1.	1.49	
After adjustment (NTD)		2.93	2.51	2.42	1.16	2.95	1.	1.49		
Cash flow	Cash flow ratio (%)	88.10	90.23	86.71	118.96	94.04	2.	8.41		
	Cash flow adequacy ratio (%)	151.49	97.46	98.42	117.10	124.86		105.85		
	Cash reinvestment ratio (%)	9.10	3.90	5.39	6.46	8.83	3.	1.01		
Leverage	Operating leverage	2.10	2.31	2.48	4.16	2.23	1.	1.65		
	Financial leverage	1.01	1.01	1.01	1.02	1.00		1.00		
Reasons for the change of various financial ratios in the most recent two fiscal years: (analysis can be exempted if the change of increase or decrease did not reach 20%)										
1. The price of ethylene /EDC fell sharply in the first half of the year and resulted in a significant cost reduction because the emergence of new production capacity and COVID-19 reduced their demand. Due to the impact of the hurricane on the large factories in the United States, the global supply of PVC was tight. In addition, due to the lack of cabins and containers and the outbreak of demand due to the epidemic, the price of PVC powder continued to rise, resulting in a substantial increase in profits.										
2. Net cash inflow from operating activities decreased due to the increase in financial assets, accounts receivable. The current liabilities increased due to the accounts payable and other payables, resulting in a decrease of the cash flow ratio.										
3. This is mainly due to a decrease of NT\$510 million in cash dividends issued this year, resulting in an increase in cash reinvestment ratio.										



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

Analysis Item (Note 3)		Year (Note 1)	Financial analysis over the most recent five fiscal years (audited and verified)					Reason for Discrepancy	
			2016	2017	2018	2019	2020		
Financial structure	Debt-asset Ratio (%)		27.56	26.27	23.98	23.89	23.00		
	Proportion of long-term capital in property, plant, and equipment (%)		358.28	314.14	311.50	302.49	330.08		
Debt-paying ability	Current ratio (%)		285.89	193.47	166.87	148.02	140.06		
	Quick ratio (%)		219.91	144.59	112.01	99.27	105.99		
	Interest coverage ratio		41,150.58	23,595.92	98,827.57	876.24	1,711.28	1.	
Operation ability	Receivables turnover ratio (times)		8.27	8.41	7.81	8.40	7.55		
	Average days of collection		44.13	43.40	46.73	43.45	48.34		
	Inventory turnover ratio (times)		8.62	10.04	9.56	10.02	11.05		
	Average inventory turnover days		42.34	36.35	38.17	36.42	33.03		
	Payables turnover ratio (times)		12.50	9.24	7.46	7.21	5.95		
	Property, plant, and equipment turnover ratio (times)		3.02	2.98	2.77	2.74	2.61		
	Total assets turnover ratio (times)		0.78	0.78	0.76	0.77	0.71		
Profitability	Return on assets (%)		15.05	12.23	11.81	5.89	13.95	1.	
	Return on equity (%)		20.84	16.73	15.77	7.73	18.20	1.	
	Ratio of net profit before tax to paid-in capital (%) (Note 7)		32.74	28.77	27.30	13.09	30.47	1.	
	Net profit ratio (%)		19.34	15.66	15.47	7.66	19.77	1.	
	Earnings Per Share (EPS)	Before Adjustment (NTD)		3.02	2.58	2.52	1.22	2.95	1.
		After adjustment (NTD)		2.93	2.51	2.42	1.16	2.95	1.
Cash flow	Cash flow ratio (%)		63.50	49.11	53.28	45.51	26.53	2.	
	Cash flow adequacy ratio (%)		101.60	80.25	65.75	65.32	66.48		
	Cash reinvestment ratio (%)		1.70	(0.80)	0.54	(0.50)	1.56	3.	
Leverage	Operating leverage		2.87	2.73	3.20	7.86	4.94	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. Due to the impact of the hurricane on the large factories in the United States, the global supply of PVC was tight. In addition, due to the lack of cabins and containers and the outbreak of demand due to the epidemic, the price of PVC powder continued to rise, resulting in a substantial increase in profits.
2. Net cash inflow from operating activities decreased due to the increase in accounts receivable. The current liabilities increased due to the accounts payable and other payables, resulting in an decrease of the cash flow ratio.
3. This is mainly due to a decrease of NT\$500 million in cash dividends issued this year, resulting in an increase in cash reinvestment ratio.



If the Company has prepared a parent company only financial report, it should prepare a parent company only financial ratio analysis.

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

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

Note 2: 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) Liabilities-to-asset ratio = Total liabilities/Total assets.

(2) Long-term funds to property, plant and equipment = (Stockholders' equity + Noncurrent 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 expense/Interest expense of the current period

3. Operating performance

(1) Accounts receivable (including accounts receivable and notes receivable generated from operations) turnover rate = Net sales/Average balance of accounts receivable (including accounts receivable and notes receivable generated from operations) for each period.

(2) Average collection days = 365/Receivables turnover

(3) Inventory turnover = cost of sales/average inventories

(4) Accounts payable (including accounts payable and notes payable generated from operations) turnover rate = Cost of goods sold/Average balance of accounts payable (including accounts payable and notes payable generated from operations) for each period.

(5) Average days for sale = 365/inventory turnover

(6) Property, plant and equipment turnover rate = net sale/average balance of net property, factory and equipment.

(7) Total asset turnover = Net sales/Average total assets

4. Profitability

(1) Return on assets = [Income after tax + Interest expenses x (1 - tax rate)]/Average total assets.

(2) Return on equity = net income after taxes/average equity

(3) Net profit margin = net income after taxes/net sales

(4) Earnings per share = (net income (loss) attributable to owners of the parent company - preferred stock dividend)/weighted average number of shares outstanding (Note 4)

5. Cash flows

(1) Cash flow ratio = Net cash provided by operating activities/Current liabilities

(2) Net cash flow adequacy ratio = net cash flow rising from operating activities in the most recent five years/(capital expenditure + inventory increase + cash dividend) in the most



recent five years.

(3) Cash reinvestment ratio = (Net cash flow from operating activities – cash dividend) / (gross fixed assets value + long-term investment + other assets + working capital). (Note 5)

6. Leverage:

(1) Degree of operating leverage (DOL) = (net operating revenue - variable operating cost and expenses) / operating 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 outstanding at the end of year.
2. Where there is cash replenishment or treasury stock transaction, its circulation period should be considered when calculating the weighted average number of shares.
3. Where capital increase transferred from surplus or capital reserves exists, when calculating the earnings per share of previous years and half years, it shall be retroactively adjusted according to the proportion of capital increase, need not to consider the issuance period of such capital increase.
4. If the preferred stock is a non-convertible accumulative preferred stock, its annual dividend (whether or not it is paid) shall be deducted from the net profit after tax, or added to the net loss after tax. If the preferred stock is non-cumulative and when there is a net profit after tax, the preferred stock dividend shall be deducted from the net profit after tax; if it is a loss, no adjustment shall be made.

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

1. Net cash provided by operating activities refers to the net cash inflow from operating activities in the cash flow statement.
2. Capital expenditures refer to the annual cash flow used in capital investment.
3. The increase in inventory is only included when the ending balance is higher than the opening balance. If the inventory is reduced at the end of the year, it shall be treated as zero.
4. Cash dividends include the cash dividends of common stocks and preferred stocks.
5. Gross value of PP&E refers to the total value of PP&E minus accumulated depreciation.

Note 6: The issuer should classify various operating costs and operating expenses into fixed and variable properties. If there is an estimate or subjective judgment, attention should be paid to its rationality and consistency.

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 nominal value of the Company's share is NT\$10. Therefore, it shall be calculated based on the paid-in capital.



### III. Supervisors' or Audit Committee's Review Report of the Most Recent Annual Financial Report

#### China General Plastics Corporation - Audit Committee's Audit Report

The Board of Directors has prepared the Company's 2020 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.

To

2021 Regular Shareholders' Meeting of China General Plastics Corporation

China General Plastics Corporation -  
Audit Committee

Independent Director: Li, Zu-De

Independent Director: Ying-Pin Cheng

Independent Director: Li, Liang-Xian

March 5, 2021



- IV. Consolidated Financial Report and Certified by CPAs for the Most Recent Fiscal Years: Please refer to pages 228
- V. Individual Financial Report and Certified by CPAs for the Most Recent Fiscal Years: Please refer to pages 319
- 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 309-1 of the Company Act: None



## Chapter 7. Review and Analysis of Financial Position and Performance and Risk Items

### I. Financial Position

#### Comparison and analysis of financial position

Unit: NT\$ thousand

Item	Year	End of 2019	End of 2020	Increases (decreases)	Increase/decrease (%)	Reason for Discrepancy
Current assets		4,876,866	5,874,585	997,719	20.46	1.
Investment using equity method		280,769	338,228	57,459	20.46	2.
Property, plant and equipment		6,157,575	6,658,342	500,767	8.13	
Other assets		1,016,023	1,022,470	6,447	0.63	
Total assets		12,331,233	13,893,625	1,562,392	12.67	
Current Liability		1,695,099	2,220,603	525,504	31.00	3.
Long-term borrowing		500,000	50,000	(450,000)	(90.00)	4.
Deferred income tax liabilities		595,310	594,562	(748)	(0.13)	
Net defined benefit liabilities		642,215	572,981	(69,234)	(10.78)	
Other liabilities		186,043	151,721	(34,322)	(18.45)	
Total Liabilities		3,618,667	3,589,867	(28,800)	(0.80)	
Source of		5,270,299	5,533,814	263,515	5.00	
Capital surplus		10,060	10,338	278	2.76	
Retained earnings		2,937,187	4,063,848	1,126,661	38.36	5.
Other equity		33,266	95,515	62,249	187.12	6.
Total equity attributable to owners of the company		8,250,812	9,703,515	1,452,703	17.61	
Non-controlling Interests		461,754	600,243	138,489	29.99	7.
Total equity		8,712,566	10,303,758	1,591,192	18.26	

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 an increase in cash/cash equivalents of NT\$120 million, an increase in financial assets at fair value through profit or loss of NT\$750 million, an increase in bills/accounts receivable of NT\$420 million and a decrease in inventories of NT\$260 million.
2. This was mainly due to the increase in profits from investing in the affiliated company of China General Terminal & Distribution Corporation.
3. This was mainly due to an increase of NT\$280 million in income tax payable, NT\$110 million in salary and bonus payable, NT\$50 million in freight payable and NT\$40 million in business tax payable.
4. Caused by the repayment of long-term borrowings of NT\$450 million.
5. This was mainly due to the net profit attributable to the company owner of NT\$1630 million and the dividend distribution of NT\$530 million in 2019.
6. This was mainly due to the equity instrument investment measured at fair value through other comprehensive gains and losses has not realized the evaluation benefit of NT\$ 70 million in this year.
7. This was mainly due to the net profit attributable to non controlling interests of NT\$160 million and the distribution of the year 2019 dividends of NT\$20 million.

II. Where there is material impact on the financial status, the future countermeasure plans shall be stated:  
None.





## II. Financial Performance

### (I) Comparison and analysis of financial performance

Unit: NT\$ thousand

Item	Year		Increases (decreases)	Increase/ decrease (%)	Reason for Discrepancy
	2019	2020			
Net sales revenue	15,117,855	13,733,148	(1,384,707)	(9.16)	
Cost of goods sold	13,148,375	10,373,858	(2,774,517)	(21.10)	1.
Gross profit	1,969,480	3,359,290	1,389,810	70.57	1.
Operating expenses	1,195,581	1,205,738	10,157	0.85	
Operating margin	773,899	2,153,552	1,379,653	178.27	1.
Non-operating revenue and expenses	80,109	7,513	(72,596)	(90.62)	2.
Net income before taxes from continuing operations	854,008	2,161,065	1,307,057	153.05	1.
Income tax expenses	160,193	373,628	213,435	133.24	1.
Net income from continuing operations for the year	693,815	1,787,437	1,093,622	157.62	1.
Gain (loss) from discontinued operations	4,175	4,273	98	2.35	
Net profit for the year	697,990	1,791,710	1,093,720	156.70	1.
Other comprehensive income for the year (net amount after taxes)	(2,290)	82,647	84,937	(3,709.04)	3.
Total comprehensive income for the year	695,700	1,874,357	1,178,657	169.42	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. The price of ethylene /EDC fell sharply in the first half of the year and resulted in a significant cost reduction because the emergence of new production capacity and COVID-19 reduced their demand. Due to the impact of the hurricane on the large factories in the United States, the global supply of PVC was tight. In addition, due to the lack of cabins and containers and the outbreak of demand due to the epidemic, the price of PVC powder continued to rise, resulting in a substantial increase in profits.
2. Due to the appreciation of the Taiwan dollar, the exchange loss increased by NT\$ 30 million and the benefit of financial assets evaluation decreased by NT\$20 million.
3. This was mainly due to an increase of NT\$60 million in the unrealized valuation benefits of equity instrument investment measured at fair value through other comprehensive income and a positive increase of NT\$20 million in the re measurement of defined benefit plans.

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:

In the first half of the year, the supply of ethylene and EDC will be reduced due to the annual repair of large factories and the impact of low temperature and ice storm in Texas. It is estimated that the price will be stabilized at a high level in the second half of the year, and the price will gradually return to normal. Due to the growth of new production capacity lower than demand, low initial inventory, high demand for PVC in emerging markets, and the reduction of calcium carbide PVC production capacity in mainland China, all contribute to the positive development of PVC market. It is expected that the operating performance of PVC in 2021 will be better than that in 2020.

For sustainable development, actively seek to improve VCM / PVC production capacity, continue to carry out equipment automation and energy saving improvement, replace the old with the new and establish intelligent manufacturing management system; The Toufen Plant of CGPC Company built three-dimensional automatic storage and integrated PVC automatic packaging system to strengthen the overall operation efficiency, implemented iso-50001 energy management system to further reduce energy consumption, promoted process safety management (PSM) to ensure safe operation, actively developed new products with high added value and differentiation, made good use of vertical integration mechanism and active and effective management, so as to achieve the annual sales target of 540,000 metric tons.



## (II) Analysis table of changes in sales margin:

Unit: NT\$ thousand

	Increase (decrease) amount between the beginning and the end periods	Reason for the difference			
		Price difference	Difference in cost	Sales mix difference	Quantity difference
Sales Margin	1,389,810	96,932	1,467,276	36,805	(211,203)
Reason for Discrepancy	The price of ethylene /EDC fell sharply in the first half of the year and resulted in a significant cost reduction because the emergence of new production capacity and COVID-19 reduced their demand. Due to the impact of the hurricane on the large factories in the United States, the global supply of PVC was tight. In addition, due to the lack of cabins and containers and the outbreak of demand due to the epidemic, the price of PVC powder continued to rise, resulting in a substantial increase in profits.				

## III. Cash Flow

## Cash flow analysis

Unit: NT\$ thousand

Initial cash balance	Annual cash inflow (outflow) generated from other than business activities	Annual cash flows not derived from operating activities	Ending cash balance	Remedial measures for cash inadequacy	
				Investment plan	Financial plan
653,347	2,088,323	(1,964,569)	777,101	-	-
1. Analysis of current year's cash flow change:					
(1) Operating activities: Net cash inflow from operating activities was NT\$ 2.09 billion, which was mainly attributable to net profit before tax of NT\$ 2.17 billion, depreciation/amortization expenses of NT\$ 690 million, increase in financial assets at fair value through profit or loss of NT\$ 810 million, increase in accounts receivable of NT\$ 440 million, decrease in inventories of NT\$ 240 million, increase in accounts payable of NT\$ 190 million and payment of income tax of NT\$ 100 million.					
(2) Investment activities: Net cash outflow in investment activities amounted to NT\$1.19 billion, mainly due to NT\$1.13 billion in the acquisition of real estate, plant and equipment, and NT\$ 90 million in investment real estate.					
(3) Financing activities: Net cash outflow in financing activities amounted to NT\$770 million, mainly due to the NT\$280 million distribution of cash dividends and NT\$500 million repayment of long-term loans.					
2. Liquidity improvement program: not applicable.					
3. Cash liquidity analysis for the following year:					
Cash balance at the beginning of the period:				777,101	thousand
Expected annual net cash flows from operating activities:				2,073,561	thousand
Expected annual cash flows not derived from operating activities:				(2,143,720)	thousand
Expected annual cash flow:				(70,159)	thousand
Expected cash balance				706,942	thousand



#### IV. Impact of Any Major Capital Expenditures on the Company's Financial Operation During the Most Recent Fiscal Year

##### (I) Application of Major Capital Expenditures and sources of funds:

Unit: NT\$ thousand

	Actual or expected source of funding	Actual or expected date of completion	Total capital required	Actual and expected expenditures		
				2019	2020	2021
(1) Expansion of new product lines						
New Silo 17 in shipping area	Own funds	110.07.31	28,300	6,712	812	6,096
Polymerization Section's VCM recycling compressor renewal project	Own funds	109.08.30	23,321	19,201	3,890	0
Construction of the new Silo 2 and the removal and replacement of the old Silo 1	Own funds	110.12.31	45,000	6,114	16,171	12,049
Improvement of the transportation of powder from the intermediary silo to the product silo	Own funds	110.03.31	42,136	25,769	3,159	3,987
Automatic packaging and stacking system for 25kg packaged PVC resin	Own funds	111.06.30	97,440	67,730	22,507	6,845
Raw Materials Control Section's 800RT freezer chiller system modification and renewal project	Own funds	110.03.31	32,000	15,229	13,104	2,248
Polymerization reactor sprinkler head renewal project	Own funds	110.03.31	10,000	299	0	2,102
#4 dryer renewal project of polymerization department	Own funds	110.09.30	145,000	1,181	4,815	138,991
Hydrochloric acid furnace renovation project	Own funds	111.05.30	70,000	259	84	69,657
New construction project of automatic storage system	Own funds	111.06.30	485,000	12,827	77,320	394,853
Cooling tower pump renewal	Own funds	110.12.31	15,000	41	7,378	7,581
Expansion of powder warehouse	Own funds	110.07.31	37,000	14,872	10,260	11,868
#5 dryer powder transportation pipeline renewal	Own funds	110.06.30	20,000	35	13,192	6,773
Pure Water Deoxidation Improvement Project in Overlapping Course	Own funds	110.05.30	13,230	0	3,079	10,151
Rubber factory _ Added Online Defect Detection System (5 Sets) Project	Own funds	111.12.31	9,500	0	1,539	7,961
New Project of Natural Gas Steam Boiler	Own funds	110.10.30	42,400	0	127	42,273
Coincident secondary steam recovery system engineering	Own funds	110.12.31	15,000	0	4	14,996
E-6151 reactor spare production project	Own funds	110.02.28	166,000	5,665	1,187	26,970
Spares for fixed equipment	Own funds	110.06.30	73,800	7,158	7,332	6,579
Renewal of fixed equipment	Own funds	110.06.30	94,900	78,095	12,817	3,988
Construction of original storage tank and ancillary equipment and utilities for Zhouji phase II	Own funds	110.05.31	2,178,000	207,971	555,479	1,414,550

## Review and Analysis of Financial Position and Performance and Risk Items



	Actual or expected source of funding	Actual or expected date of completion	Total capital required	Actual and expected expenditures		
				2019	2020	2021
ethylene external industrial pipeline project of Zhouji phase II	Own funds	110.05.31	263,000	103	4,194	258,703
C-6204 VCM stripper renewal project	Own funds	111.12.31	70,000	2,295	900	66,805
Annual overhaul of pipelines and equipment maintenance	Own funds	110.12.31	38,000	0	16,035	21,965
Renewal of fixed equipment	Own funds	110.12.31	80,100	0	17,558	62,542
Valve replacement procurement	Own funds	110.12.31	10,000	0	28,177	0
Rotating equipment parts	Own funds	110.12.31	19,200	0	7,276	11,924
V-6103 Magnification (Including M-6101 Fabrication)	Own funds	110.06.30	11,080	0	2,378	8,702
E-6151 reactor spare production project	Own funds	110.12.31	160,000	0	1,772	158,228
(2) Information system update						
Upgrade of Coincident DCS Version and Adding AMS System Engineering	Own funds	110.12.30	13,000	0	14	12,986
(3) Industrial and security facilities						
F-11 circuit and high - voltage plate replacement project	Own funds	110.12.30	10,000	5,582	1,026	3,392
PVC Fabric 3rd Warehouse construction project	Own funds	110.06.30	22,200	92	19,185	2,923
Renewal of Gill Net Fence in Northern Factory	Own funds	109.06.30	9,689	1,834	7,855	0
Maintenance and repair of #7 boiler tube group	Own funds	111.06.30	11,000	0	9,537	1,463
Compliance construction for the application of the Taiwan VCM Corporation Linyuan Plant building usage license	Own funds	110.12.31	30,000	11,020	29	9,526
(4) Pollution prevention						
Rubber factory hot fuel oil boiler combustion engine renewal project	Own funds	110.12.31	21,500	9,985	2,714	8,638
S-321A stripper renewal	Own funds	111.12.30	43,000	46	277	42,677
Biofilter-Exhaust Treatment Equipment Engineering of Rubber Processor	Own funds	110.06.30	30,000	0	58	29,942
Rainwater canal construction project for the Northern Plant	Own funds	110.11.30	30,000	0	24	29,976
Decoration project of Environmental development department office, fermentation plant and certification laboratory and related ancillary equipment purchase	Own funds	110.04.30	16,600	4,404	9,450	1,386
Necessary Emergency Response Measures for Soil and Groundwater of Tainan Jinghui Company	Own funds	110.03.31	20,000	0	16,206	3,794
Total			4,551,396	504,519	898,921	2,926,090

## (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 2020 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

Major risk evaluation item	Implementation and responsible units	Supervision unit
(I) Impacts of fluctuations in interest rates and foreign exchange rates and inflation on the Company's profitability and associated action plans	Finance Division	Auditing Division
(II) Policies regarding high-risk investments, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivatives transactions; the main reasons for the profits/losses generated thereby; and future countermeasures to be taken:	Finance Division	
(III) Research and development work to be carried out in the future, and further expenditures expected for research and development work.	R&D Department and Production Technology Units	
(IV) Impact of changes of the important domestic and foreign policies and laws on the Company's finance and business, and countermeasures	Legal Division/Accounting Division	
(V) Impact of Changes in Technology and Industry on the Company's Financial Operations, and Response Measures	Information Technology Division/Operations Division	
(VI) Impact of Changes in Corporate Image on the Company's Risk Management, and Response Measures	Human Resources Division	
(VII) Expected benefits and possible risks of mergers and response measures	Finance Division/Legal Division/Accounting Division	
(VIII) Expected benefits and possible risks to expand the plants and the countermeasures	General Manager's Office	
(IX) Risks resulting from consolidation of purchasing or sales operations and response measures	Main Raw Materials: Vinyl Chain Operation	



Major risk evaluation item	Implementation and responsible units	Supervision unit
	Coordination Group, Accessories: Material Planning Office / Business Office	
(X) Impacts and risks resulted from major equity transfer or replacement of directors, supervisors, or shareholders holding more than 10% of the Company's shares, and related countermeasures	Finance Division	
(XI) Impact, risk, and response measures related to any change in governance rights in the Company	Board of Directors	
(XII) Litigious and non-litigious matters. List major litigious, non-litigious or administrative disputes that: 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 have been concluded by means of a final and unappealable judgment, or are still under litigation. Where such a dispute could materially affect shareholders' equity or the prices of the Company's securities, the annual report shall disclose the facts of the dispute, amount of money at stake in the dispute, the date of litigation commencement, the main parties to the dispute, and the status of the dispute as of the date of publication of the annual report.	Legal Division	
(XIII) Risk management, policies and management plans for information security	Information Technology Division	
(XIV) The Company's operations, finance, supply chain, policy and investment decisions, etc. affected by climate change	CSR Committee	
(XV) Risk response to ESG issues	General Manager's Office	

(I) Effects of interest rates, exchange rate fluctuation and inflation on the



Company's profit and loss, as well as future response measures:

1. Interest income (payment) and exchange gain (loss) in 2020:

Item	2020 (NT\$ thousand)
Net interest income (expenses)	(3,766)
Net currency exchange gain (loss)	(51,723)
Ratio of net interest income (expense) to net revenue	(0.03%)
Ratio of net interest income (expenses) to net income before tax	(0.17%)
Ratio of net currency exchange gain (loss) to net revenue	(0.38%)
Ratio of net foreign exchange gain (loss) to net income before taxes	(2.39%)

2. Interest rate:

In order to reduce the risk of interest rate fluctuation, idle funds will be invested in fixed deposit of banks, beneficiary certificates of money market funds, buy back transactions of bonds (bills) and REITs.

Reserve Sufficient short-term funds for operational needs; For medium and long-term capital demand, when the interest rate rises, choose the appropriate time to issue ordinary corporate bonds, or obtain medium and long-term credit from financial institutions, lock in the capital cost with fixed interest rate, avoid the risk of future interest rate rise, and cope with the long-term capital stability.

3. Exchange Rate: Hedging is based on the net foreign currency position generated by the Company's business. In addition to closely observing the trend of the international foreign exchange market, it also avoids its risks in a timely manner through spot foreign exchange dumping and forward foreign exchange contracts.

4. Inflation: no significant impact on the Company.

4.1 Some countries (including Taiwan) have not yet experienced



hyperinflation, and the inflation is considered moderate.

4.2 The main cost of the Company is the raw material cost, and the product selling price fluctuates in the same direction as the raw material cost.

(II) Policies regarding high-risk investments, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivatives transactions; the main reasons for the profits/losses generated thereby; and future countermeasures to be taken:

1. Engaging in high-risk, highly-leveraged investment and lending funds to other parties:

The Company's Regulations Governing the Acquisition and Disposal of Assets stipulates that it 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/guarantees:

Ensure to implement the prior evaluation and subsequent follow-up according to the company's endorsements and guarantees procedures.

3. Derivatives transactions:

The Company engages in derivative commodity trading for the purpose of avoiding operational management risks. The trading commodities are mainly undertaken as forward foreign exchange and speculative operations are not involved. In addition, the counterparties should choose reputable financial institutions to avoid credit risks.

(III) Future R&D projects and estimated R&D expenditure:

1. Future research and development plan: Planned and implemented by the Materials R&D Department, Product R&D Department, and Production Technology Units.

2. Expected R&D expenditures



# Review and Analysis of Financial Position and Performance and Risk Items



Unit: NT\$ thousand

Research and development project	Current progress	Research expenses to be reinvested	Estimated time to complete mass production	Major factors that influence the success of R&D in the future
Low VOC PVC/TPE series rubber sheets	0%	15,000	Before the end of 2021	Equipment, formulas and process conditions
Polymerization experiment of 30L PVC	25%	4,550	Before mid-2021	Equipment, formulas and process conditions
Solvent-free surface treatment leather for PVC/TPE	25%	1,000	Before the end of 2021	Equipment, formulas and process conditions
Low-membrane rapidly gelatinized PVC resin	25%	1,000	Before the end of 2021	Equipment, formulas and process conditions
TPE foamed leather series for treadmills	50%	500	Before the end of 2021	Equipment, formulas and process conditions
Soft rubber multi-printing transferring film	50%	500	Before the end of 2021	Equipment, formulas and process conditions
TPE plastic leather for furniture/ marine market in the Americas	75%	300	Before the end of 2021	Raw materials, formulas and process conditions
TPE shoe series (R-grade) products	0%	300	Before the end of 2021	Raw materials, formulas and process conditions
Development of High Hydrolysis Resistant TPU Materials and Related Products	0%	300	Before the end of 2021	Raw materials, formulas and process conditions
Vinyl chloride acrylic copolymer resin adhesive tape	0%	300	Before the end of 2021	Raw materials, formulas and process conditions
Water-based scratch-resistant soft PVC leather for automobiles	75%	250	Before the end of 2021	Raw materials, formulas and process conditions
PU casting stain-resistant PVC leather development	75%	200	Before the end of 2021	Raw materials, formulas and process conditions
Development of high temperature reduction PVC leather and supply chain of high temperature reduction raw materials	50%	200	Before the end of 2021	Raw materials, formulas and process conditions
Development of third-generation stain-resistant PVC leather	75%	200	Before the end of 2021	Raw materials, formulas and process conditions
Development of TPE-PU rubber sheets	25%	200	Before the end of 2021	Raw materials, formulas and process conditions
TPE leather products for baby strollers	25%	200	Before the end of 2021	Raw materials, formulas and process conditions
Vacuum embossed stain-proof soft rubber	75%	200	Before the end of 2021	Raw materials, formulas and process conditions
PVC resin moisture content AI control	25%	105	Before the end of 2021	Raw materials, formulas and process conditions
Waterproof submerged pump cable	25%	50	Before the end of 2021	Raw materials, formulas and process conditions



(IV) Impacts of changes in local and overseas policies and laws on the Company's financial operations, and related response measures:

1. Impact on financial operations:

- (1) Please refer to (III) under Information Regarding Environmental Protection Expenditure in Chapter 5. Operations Overview of the Annual Report for response measures 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. For example, the amendments to "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture" in IFRS 10 and IAS 28, the amendments to "Insurance Contracts" in IFRS 17, and "Classification of Liabilities as Current or Non-current" in IAS 1.

2. Response measures:

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, from time to time, evaluates the impact of such changes on the Company's financial operations and relevant measures in response to the changes in relevant accounting and tax laws and regulations, and discuss with the accountant to prepare the advance planning for such changes.



(V) Impacts of changes in technology and industry on the Company's financial operations, and related response measures:

1. The Company introduced the CSR report system development platform and optimize and maintain it continuously 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 continuously improve the requisition platform, and introduced electronic approval processes, which unified to help employees operate the platform with ease and saves significant amounts of time for employees. We optimized the UI interface to increase review efficiency and accelerated the process.
3. CGPC, Taiwan VCM Corporation and CGPC Polymer Corporation successively completed the introduction of electronic invoice operating system in the year of 2019 and 2020 respectively, followed by continuous system optimization, so as to reduce the probability of human error, improve the correctness of issuing, save the administrative cost of follow-up processing procedures, implement the policy of energy conservation and carbon reduction, fulfill the social responsibility and improve the overall business efficiency of the enterprise.
4. The Company continuously improve the customer order inquiry network expand the scope of application to allow customers to directly check the order progress so as to arrange follow-up work schedules do a good job in customer relationship management.
5. Promote social engineering exercises to enhance employees' awareness of information security, so as to protect data from external intrusion and tampering.
6. Establish the construction and maintenance of environment, safety



and health management platform, provide the inspection and maintenance benchmark of safe and good working environment, and remind colleagues to pay attention to maintenance at any time.

7. Import electronic raw material SDS safety data sheet and establish purchase order printing alarm system to ensure that the raw materials can meet the inspection standard, save the time of manual verification and avoid human error, and improve the work quality and efficiency.

8. Develop export freight payment and estimated expenses automatic accounting function, systematize export expense payment accounting, automatically transfer to ERP system, so as to save manual operation time, maintain consistency with front-end data, improve work efficiency, and make more efficient scheduling of human resources.

(VI) Impacts of changes in corporate image on the Company's risk management, and related response measures

The Company has always uphold the professional and integrity of the operating principles, paid attention to corporate governance, corporate social responsibility, therefore, there is no foreseeable risk associated with changes in corporate image.

(VII) Expected benefits and possible risks associated with any merger and acquisitions, and 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) Impact, risk and countermeasures from Large Scale Transfer or replacement of company of Directors, supervisors or major shareholders holding more than 10% of the shares: None.
- (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 have been no changes in management control at the Company in the most recent fiscal 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: 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 have been concluded by means of a final and unappealable judgment or are still under litigation. Where such a dispute could materially affect shareholders' equity or the prices of the Company's securities, the annual report shall disclose the facts of the dispute, amount of money at stake in the dispute, the date of litigation commencement, the main parties to the dispute, and the status of the dispute as of the date of publication of the annual report.
1. Implementation and Responsible Unit: Legal Division.
  2. Concluded or pending major litigious, non-litigious or administrative disputes in the most recent year and as of the date of report:
    - (1) The Company: None.
    - (2) 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. The case is under the hearing of the supreme court through the appealing filed by Kaohsiung Branch of Taiwan Senior Prosecutor Office.

CGTD reached an agreement with Kaohsiung City Government on February 12, 2015 and pledged a term deposit NT\$227,458 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 CGTD, LCY and CPC Corporation. Taiwan Power Company applied for provisional attachment against CGTD's property on August 27 and November 26, 2015. CGTD had deposited cash of NT\$ 99,207 thousand to the court to avoid provisional attachment. Taiwan Water Corporation also applied for provisional attachment against CGTD's property on February 3 and March 2, 2017. As of April 30, 2021, the value of the seized property of CGTD is about NT\$13,320 thousand.

For the deceased, CGTD, LCY and Kaohsiung City Government signed a tripartite agreement on July 17, 2015 agreeing to negotiate the compensation first with the 32 deceased's successors and persons entitled to the claims ("family of the deceased"). Each family was entitled to NT\$12 million and the total compensation was NT\$384 million. The compensation was first paid by LCY who also represent the three parties in the settlement negotiation and the signing of settlement agreements with family of the deceased.



For the severely injured, CGTD, LCY and the Kaohsiung City Government signed a tripartite agreement for severe injuries on October 25, 2017 agreeing to negotiate the compensation first with the 65 severely injured victims. The compensation was first paid by CGTD, LCY and the Kaohsiung City Government. CGTD also represents the three parties in negotiating settlements with victims who suffered severe injuries in the incident. It has signed settlement agreements with 64 of the victims.

As of April 30, 2021, the injured, victims or their relatives of the Kaohsiung gas explosion case have filed civil (including incidental civil to criminal) lawsuits to claim compensation from CGTD, LCY and CPC Corporation, Taiwan. Based on the consideration of reducing the litigation cost, CGTD has reached a settlement on the claim with the original claim amount of NT\$46,677 thousand, and the settlement compensation amount is NT\$4,519 thousand. The total amount of the claim in the lawsuit and the settlement of agreement for the victims and the severely injured mentioned in the preceding paragraph is about NT\$3,856,447 thousand. The first-instance judgments of some of the above-mentioned civil cases (with a total amount of compensation of approximately NT\$1,341,128 thousand) have been gradually announced, starting from June 22, 2018. Many cases have been affirmed. 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 NT\$401,979 thousand (in particular, CGTD was exempted from paying NT\$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) Risk management, policies and management plans for information security

I. Information security risk management framework:

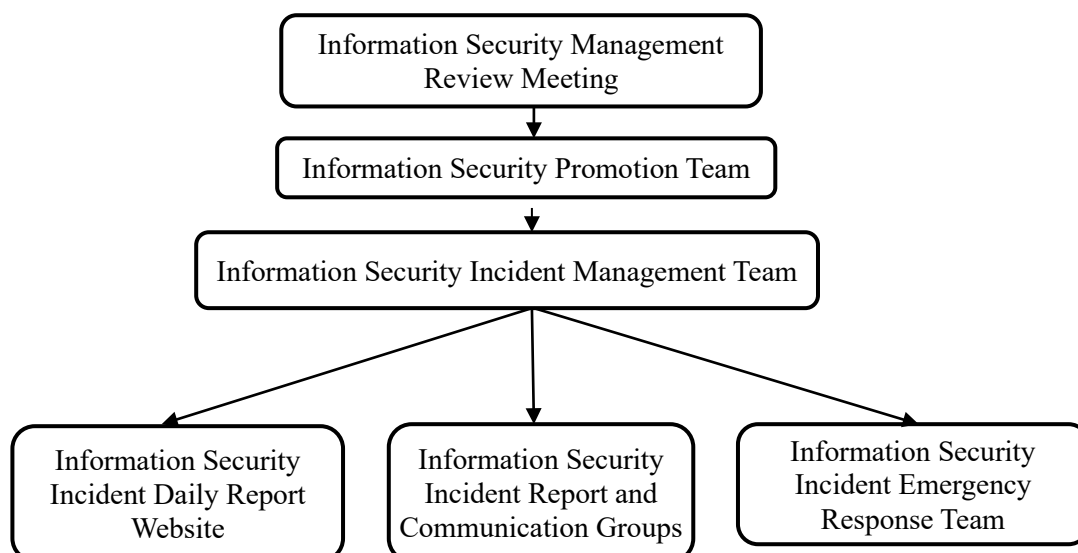
1. Information security governance system:

In order to improve information security management, the Company has been certified to ISO 27001 since 2014. Based on ISO 27001 related specifications and the considerations of enhancing the overall information security of the group, the Company holds an annual "information security management review meeting", make a judgment on the six input projects (resolution status of past management reviews, changes to internal and external issues related to the information security management system, feedback on information security performance, feedback from related parties, status of risk assessment results and risk management plans, opportunities for continuous improvement) of the information security system management, and make a conclusion on the two output projects of the management review of the information security management system (including decisions related to continuous improvement opportunities and any need for changes to the information security management system), to verify the achievement of the locked objectives of the information security management system. We established the "Information Security



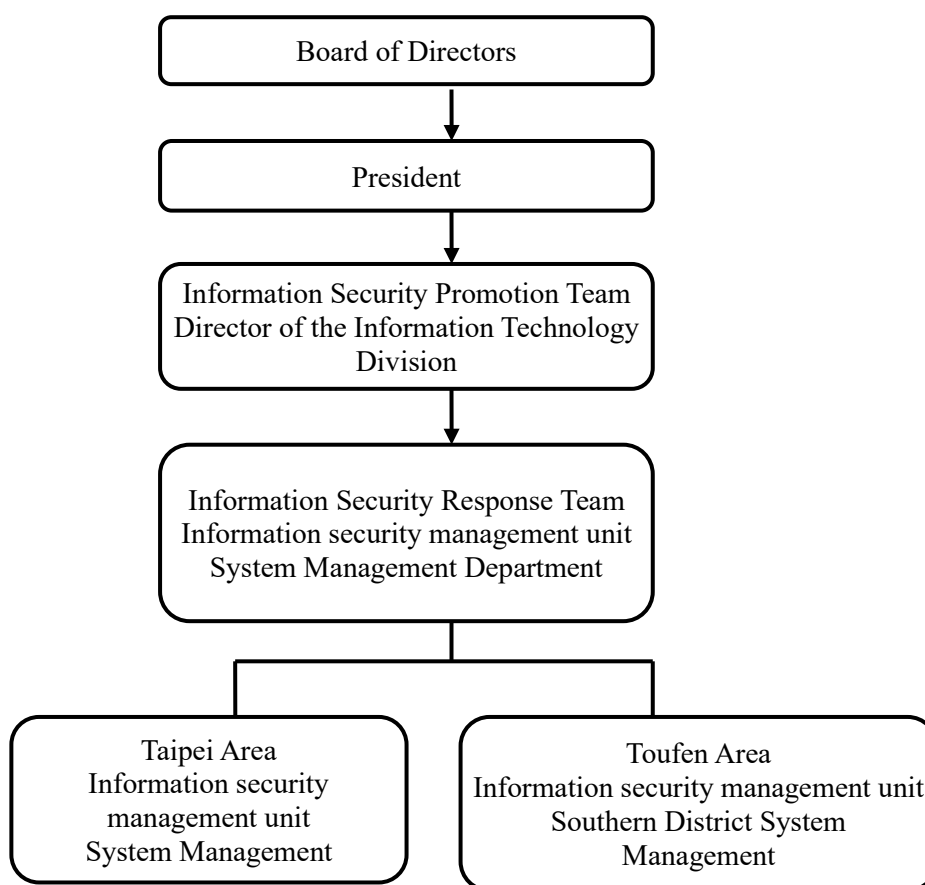


Implementation Team" in accordance with the regulations defined in the "Information Security Implementation Organization Regulations" in the Company's internal standard operating procedures to supervise the implementation status of information security management of the Group and clarify the roles and 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 Division formulates information security related policies and plans, governs, supervises and implements them in accordance with ISO 27001 to ensure the Group's information security capability and enhance the awareness of its colleagues on information security.



## 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 six consecutive years. In addition to conducting examination on the risk management framework for information security, the Company shall provide guidance and prevention, conduct analysis on information security risk assessment pertaining to both internal and external issues.
2. In order to strengthen information security management and prevent the occurrence of hacker invasion or data leakage, the Company provides information personnel with information security education for four hours every year, and commissions an external professional information security consulting firm to conduct information security check and provide appropriate data protection in line with relevant data protection norms.
3. At least twice a year, the Company entrusts an external professional security consulting company to carry out social engineering drills, so as to effectively enhance employees' awareness of security, protect data from external intrusion and tampering.
4. For the operating system of the server host and other equipment, the Company entrusts an external professional security consulting company to conduct a vulnerability scan every year to identify potential risks for system correction or propose compensatory measures.
5. In order to protect personal data, since 2017, the Company has successively covered and restricted the relevant information



fields of personal data in various information application systems and provided appropriate protection. 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. Website of the Company has been changed from http to https to strengthen the safety of browse.

### III. Formulation of information security policy:

The information security policy covers information security management, legal compliance, and technology applications as follows:

Information Security Policy		
Information security management	<ol style="list-style-type: none"> <li>1. Ensure the continuous and robust operations of the information security management system.</li> <li>2. Ensure confidentiality, completeness and availability of information use and operations.</li> <li>3. Risk management and prevention.</li> <li>4. Optimize the management system.</li> <li>5. Establish a network</li> </ol>	<ol style="list-style-type: none"> <li>1. Hold an ISMS information security management review meeting to confirm the accomplishment of the objectives of the ISMs.</li> <li>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.</li> <li>3. Conduct information security risk assessment and analysis on</li> </ol>



	framework the meets the highest information security standards and verify the reliability of network transmissions.	internal and external issues. 4. Review the information security infrastructure design.
Legal compliance	<ol style="list-style-type: none"> <li>1. Regularly review the updates and amendments to the legislation.</li> <li>2. Establish information operation mechanisms that are appropriate for the location, timing, and operations.</li> </ol>	Review and revise internal operating procedures and standards on a regular basis to comply with relevant information security laws and regulations at home and abroad.
Technology applications	<ol style="list-style-type: none"> <li>1. Collection of internal Group data and external data.</li> <li>2. Make good use of data analysis.</li> <li>3. Predict potential information security threats.</li> </ol>	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.

Regarding information security insurance, the Company is now selecting the appropriate information security insurance by evaluating the insurance coverage and insurance companies (such as quotations, underwriting conditions and approval, and status of claims) in the aspects of crisis management, loss of operating revenue, additional expenses, third-party liability, and fines.

(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. In 2019, 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	CSR 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 Management Conference	It is the top management meeting of USI. The Chairman of the Group serves as the chair. Implementation of major policies is reported at the conference from time to time, and the chair shall decide on the implementation direction.
	Preventive Maintenance and Environmental Risk Control Division Quarterly Meeting	The highest-level unit in the implementation of energy management in USI, and it reports to the Group's Chairman every quarter on the planning and progress of implementation for decision making.
Strategy	Risk and Opportunity Identification	According to risk and opportunity items, each company identifies major items based on the probability and impact.
	Potential financial impact evaluation	Potential financial impact evaluation is conducted for major risks and opportunities identified.
Risk management	Introduction of the TCFD framework	The TCFD framework is adopted to identify risks and opportunities, which will be communicated with major responsible units and confirmed by senior executives.
	Presentation of the identification results	The major risks and opportunities identified will be reported and response measures illustrated at the meeting of CSR Committee held annually.
Indicators and targets	Group energy management goals	The Group sets an average energy conservation rate of 1.2% or more from 2020 to 2025, and conducts reviews every three years.
	Response strategies for climate change	Equipment replacement, installation of renewable energy equipment, optimization of production schedules, air conditioning planning of buildings, energy management systems, and extreme climate emergency response plan are included.
	Greenhouse gas emissions disclosure	The Scope 1 and Scope 2 emission data are disclosed in the CSR report every year, and review of the reasons for the increase or decrease is conducted regularly.

### 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.

### 3. Potential financial impact of risks and Response measures

Type	Climate Risk	Potential financial impacts	Response measures
Transformation	Rising costs of raw materials	Increased operational costs Reduced revenue	<ol style="list-style-type: none"> <li>1. Establish safety inventory and regularly review the optimal inventory planning</li> <li>2. Increase the self-sufficiency rate of raw materials and ensure long-term stable supply</li> <li>3. Use operation coordination to grasp market changes for use as material purchase strategies.</li> <li>4. Adopt sound plans for production and sales and implement flexible adjustments for the production plan.</li> </ol>
	Stigmatization of the sector	Increased operational costs Increased capital expenditures Reduced revenue	<ol style="list-style-type: none"> <li>1. The new green R &amp; D thinking (non-toxic) layout is used to develop new products in the market to reduce environmental impact.</li> <li>2. Research and development of new varieties of non-toxic plasticizer and stabilizer to make PVC products.</li> <li>3. Research and development of PVC free products, including TPE, TPU, TPO, and other green products.</li> </ol>
	Increasing pricing of greenhouse gas emissions	Increased operational costs Reduced revenue	<ol style="list-style-type: none"> <li>1. Greenhouse gas emissions are monitored through annual inventory.</li> <li>2. Continue to pay attention to the revision of national climate change related laws and regulations, and actively participate in the public hearing of the new (Revised) Research Institute.</li> </ol>
Physical	Changes in rainfall (water) patterns and extreme changes in climate patterns	Increased operational costs Increased capital expenditures Decrease in net asset value Reduced revenue	Reconstruction of old rain ditch in Toufen Plant: Two outfalls and sludge removal are added, and the second phase of the ditch reconstruction planning is under way.



Type	Climate Risk	Potential financial impacts	Response measures
	Severe weather events such as typhoon and floods	Increased operational costs Increased capital expenditures Reduced revenue	

#### 4. Potential financial impact of opportunities and Response measures

Type	Climate opportunity	Potential financial impacts	Response measures
Resource efficiency	Reduce water consumption and water consumption rate	Reduced operating costs Increased asset value	Dry centrifuge wastewater recovery system (HBF): The recycled water is supplied to the cooling tower for reuse to reduce the supply of tap water and the discharge of waste water. The total amount of HBF is 544,000 tons / year.
	Use of more efficient production and distribution processes	Reduced operating costs Increased asset value Increase in revenue	1. Equipment automation and energy-saving improvement. 2. Replacement of old equipment with new ones 3. Use energy saving lighting. 4. Promote intelligent manufacturing management systems. 5. Build three-dimensional automatic warehouse and improve transportation line.
Energy sources	Usage of low-price and low-carbon energy sources	Reduced operating costs	1. Linyuen Factor of Taiwan VCM completed the introduction of ISO 50001 energy management system in 2020, and planned to complete the verification in 2021 Q1. (CGPC and CGPC Polymer Corporation have already obtained) 2. The Toufen Plant of CGPC has built a solar photovoltaic power generation system and set up a project team to evaluate the construction of renewable energy power generation equipment and purchase green power.
	Participation in the carbon trading market	Reduced operating costs	
Products and services	R&D and innovation for the development of new products and services	Reduced operating costs Increase in revenue	1. Intelligent mechanical automatic control and quality defect detection equipment, collect and build the process data database of PVC powder dryer, establish the setting of the best program operating conditions, improve product quality and ensure energy saving. 2. Cooperate with customers to develop recycled TPU shoe products, and use recycled materials to make shoe leather. 3. Research and development of new varieties of non-toxic plasticizer and stabilizer to make PVC products.





Type	Climate opportunity	Potential financial impacts	Response measures
Resilience	Participation in renewable energy programs and adoption of energy conservation measures	Reduced operating costs Increased asset value	1. The roof of the Toufen Plant of CGPC is equipped with parallel solar photovoltaic power generation system. In 2020, the total power consumption of Taiwan power was 1,784,156 kWh. 2. Since 2021, it is planned to build and install solar photovoltaic power generation system on the roof about 300 kWp, and the remaining insufficient capacity will be planned by the Huaxia Group. 3. The heavy oil and thermal oil boiler in Toufen Plant was fully converted to natural gas in 2020. 4. In 2020, the three plants saved 17,783 GJ of energy, reduced 4,844 tons of CO <sub>2</sub> e, and about 12 Da'an Forest Parks absorbed carbon.
	Energy substitution/diversification	Reduced operating costs Increased asset value	

(XV) Responding to environmental, social, and corporate governance risks:

Aspects to consider	Risk description	Response measures
Governance	Raw material-related risks	<ul style="list-style-type: none"> <li>● Establish safety inventory and regularly review the inventory.</li> <li>● Vertical integration and effective management.</li> <li>● Manage and coordinate material procurement strategies.</li> <li>● Implement flexible adjustments in production and sales for the production plan.</li> </ul>
	Production and operation interruptions caused by disasters/accidents	<ul style="list-style-type: none"> <li>● Regularly organize occupational safety and fire safety training</li> <li>● Regular maintenance, PDA inspections, and infrared thermal image inspections of machinery and equipment.</li> <li>● Purchase property insurance, operation interruption insurance, shipping insurance, and public liability insurance</li> <li>● In order to ensure the safety of employees, strengthen advocacy and education and training, and continuously improve the safety of on-site operation of employees, the company has entrusted a third party unit to analyze the causes of the accident, conduct in-depth review and improvement, reduce the hazard factors, and put forward corresponding action plans:                             <ul style="list-style-type: none"> <li>■ System:                                     <ol style="list-style-type: none"> <li>(1) The material and time limit of flange gaskets shall be determined, and the flange gaskets shall be replaced according to the time limit.</li> <li>(2) Set up the on-site audit procedures for all levels of personnel to implement the operation safety.</li> <li>(3) Revise relevant SOP and implement education and training.</li> </ol> </li> </ul> </li> </ul>



Aspects to consider	Risk description	Response measures
Governance		<ul style="list-style-type: none"> <li>■ Implementation:                             <ol style="list-style-type: none"> <li>(1) Check and replace the incompatibilities of pipeline equipment.</li> <li>(2) Implement the MOC and replace the records with CMMS registry.</li> <li>(3) Conduct the education and training of wearing protective equipment at all levels, and test the implementation degree with normal no warning drill.</li> <li>(4) Every six months, we will carry out in-house drills of disaster and emergency, including emergency treatment of leakage and fire.</li> </ol> </li> </ul>
	Others	<ul style="list-style-type: none"> <li>● Adjust business strategy due to COVID-19: Continue to disperse PVC market to avoid overall sales affected by single market factors.</li> <li>● Capacity impact and operation interruption countermeasures: Take emergency outsourcing, adjust overlapping production line, arrange equipment maintenance in advance, and strictly control the business order delivery. At the same time, ask the financial department to negotiate with the insurance company for the loss of operation interruption and shutdown.</li> </ul>
	Financial risks	<ul style="list-style-type: none"> <li>● Changes in interest rates: Use short, medium, and long-term loans and sign IRS agreements.</li> <li>● Exchange rate variation: Use forward foreign exchange contracts to offset risks.</li> <li>● Property insurance: Purchase fire insurance, operation interruption insurance, and shipping insurance.</li> <li>● Endorsements and guarantees: Ensure the prior evaluation and subsequent follow-up for endorsements and guarantees.</li> <li>● Accounts Receivable Risk: Actively care about customers' operating conditions or analyze customers' financial reports.</li> <li>(1) Domestic customers: Add substantial guarantee and qualified joint guarantor.</li> <li>(2) Export customers: Countries that strive to increase the amount of credit insurance and increase the coverage of L/C insurance.</li> </ul>
Environmental risks	Inappropriate discharge of sewage and hazardous gases	<ul style="list-style-type: none"> <li>● Establishment of an environmental management system: Establish ISO 14001 environmental management system and conduct regular internal and external audit to ensure compliance with environmental regulations.</li> <li>● Regularly perform inspections, propose improvement measures, and install additional pollution prevention equipment.</li> <li>● Continue to promote energy conservation and</li> </ul>



Aspects to consider	Risk description	Response measures
		carbon reduction. <ul style="list-style-type: none"> <li>● Replace VCM tank car new unloading equipment to reduce VOC emission. Scheduled to be completed by 2021 Q1</li> <li>● Process part: Optimize the slotting procedure of reaction tank and reduce VOC emission. (Ongoing)</li> <li>● Regularly plan and inspect pipelines and equipment components and timely repair to reduce pollution caused by equipment damage and failure. (in progress)</li> <li>● Pollution prevention equipment: Clean the flue regularly and increase the emission chimney pollution treatment equipment to reduce the generation of peculiar smell. (Ongoing)</li> </ul>
Society	Transportation and storage operations and safety maintenance	<ul style="list-style-type: none"> <li>● Tanker trucks must have certificates of qualification in inspections and comply with related control regulations and measures.</li> <li>● The transportation of toxic chemical substances regulated by the government must be incorporated into the corresponding joint defense organization.</li> <li>● Contractor vehicles must be regularly inspected and safety meetings must be held in accordance with regulations.</li> <li>● Develop corresponding risk control measures.</li> </ul>
	Impact of infectious diseases on employee health and work	<ul style="list-style-type: none"> <li>● Establish disease prevention procedures and guidelines for infectious diseases.</li> <li>● Establish a disease prevention team to execute preventive measures.</li> <li>● Set up operating standards for relevant technologies and management.</li> </ul>
	Passing on the technology and experience of high-level talents	<ul style="list-style-type: none"> <li>● System of job rotations and agent cultivation.</li> </ul>
	Information Security	<ul style="list-style-type: none"> <li>● Protection of confidential customer information.</li> <li>● Risk categories and responses-risks and challenges.</li> </ul>

Note: Derivative financial products Interest Rate Swap (IRS).



## VII. Other important matters: The Company's key performance indicators

- (I) Productivity achievement rate: Compared to the annual target, raw materials products reached 96.6% and processed products reached 97.0%.
- (II) Yield: 100.5% of raw materials and 100.0% of processing products, compared with the annual target.
- (III) Customer complaints: The ratio of annual losses from customer complaints (excluding quantity discounts) was 0.03% (the losses from customer complaints as a ratio of the revenue) and it was within the Company's control.
- (IV) Employee proposals: There were 469 proposals (established cases) and the estimated savings is NT\$13.14 million.
- (V) Labor safety incidents: Injury frequency (number of disability and injury per million hours): 1.33  
Injury severity rate (total number of days of losses due to disability and injury per million hours): 11 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. In October 2006, the area was deemed a groundwater pollution control site. After remediating the area using the "Physics+Chemistry+Biology" engineering method developed by Taiwan VCM Corporation, the groundwater pollution concentration level of the site decreased to less than the groundwater pollution control standard. Based on the findings of re-inspections by the Environmental Protection Bureau of the Kaohsiung City Government from January 11th to 12th, 2016, it was announced on April 11th, 2016 that the area had its status as a



groundwater pollution control site terminated and was removed from the delineation of the groundwater pollution control region.

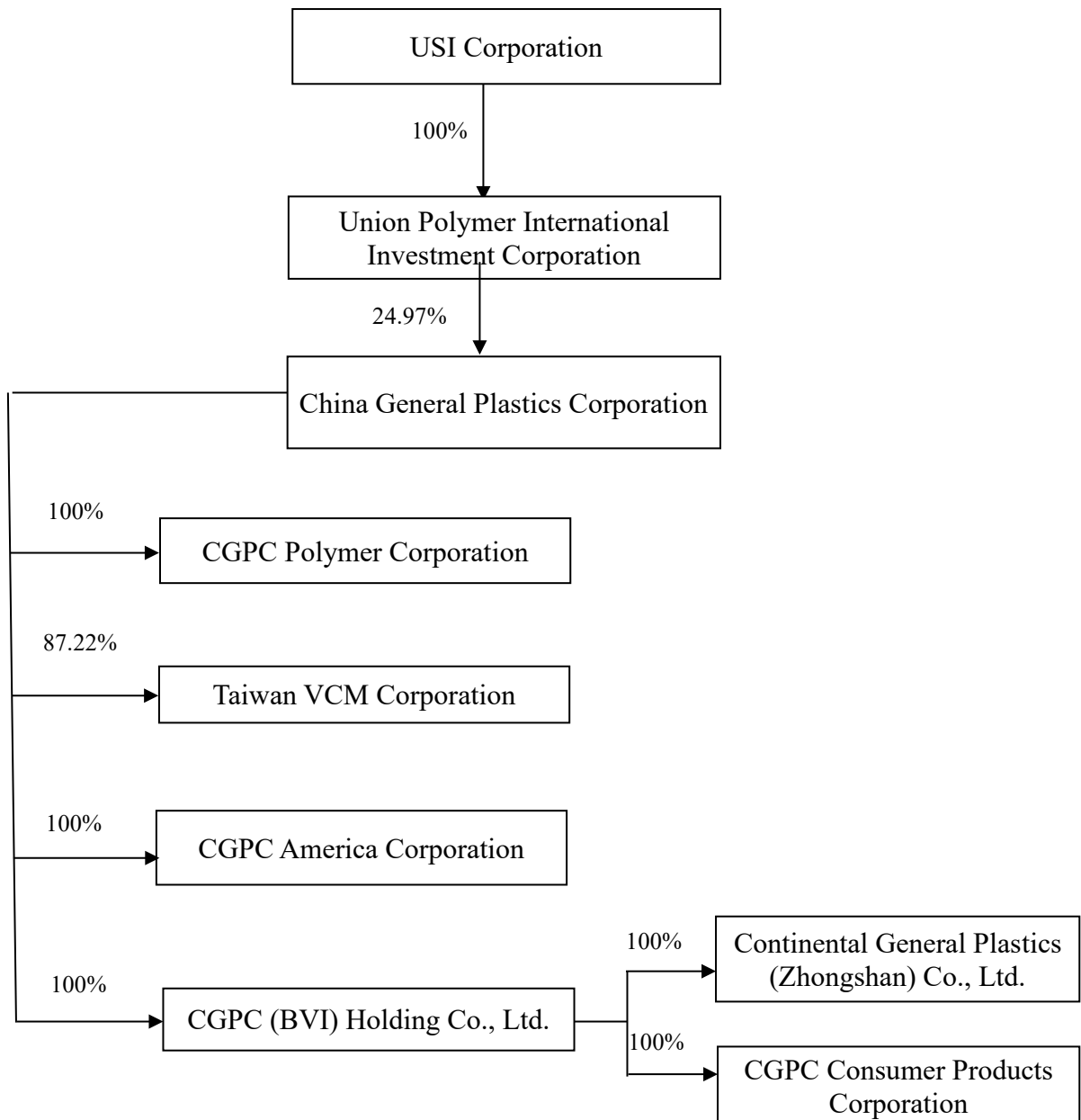
2. Small areas of the Company's Toufen Plant were listed by the environmental protection unit as groundwater pollution control sites and groundwater pollution control region in 2010. Toufen Plant adopted the "Physics + Chemistry + Biology" engineering method developed by the subsidiary Taiwan VCM Corporation 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.
3. The Environmental Development Department of Taiwan VCM Corporation (a subsidiary of CGPC Company) has approved and issued the certificate of decontamination technology for contaminated sites through the EPD of the Executive Yuan. Through promoting the certification and validation of remediation technologies and collecting information from domestic manufacturers and successful cases of separation, the EPD recently announced the remediation technologies of Environmental Development Department of Taiwan VCM Corporation in the "soil and groundwater pollution remediation network" of EPD.
4. Jian, Hua-yi, director of Environmental Development Department of Taiwan VCM Corporation (a subsidiary of CGPC), won the 109 "Outstanding Program Manager Award" of Taiwan Soil and Groundwater Environmental Protection Association.

## Chapter 8. Special Notes

### I. Affiliates Information

#### (I) 2020 Consolidated Business Report of Affiliated Enterprises

##### 1. Organizational Structure of Affiliated Companies



## 2. Basic information regarding Various Affiliated Companies

Unit: NT\$ thousand

Name of Company	Date of Founding	Address	Actual Paid-in Capital	Main Business or Product
Taiwan VCM Corporation	1970.01.21	No.1, Gongye 1st Road, Linyuan District, Kaohsiung City	2,754,098	Production and sales of vinyl chloride monomer
CGPC America Corporation	1988.06.21	1181 California Ave., Suite 235 Corona, CA 92881	571,024	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	464,459	Reinvestment holding Company
Continental General Plastics (Zhongshan) Co., Ltd.	1997.12.02	Yianjiang East 2nd Road, Zhongshan Torch Hi-Tech Industrial Development Zone, Zhongshan City, Guangdong Province, China	569,600	Manufacturing and sales of PVC secondary processing, three processing products
CGPC Consumer Products Corporation	2006.12.12	Yianjiang East 2nd Road, Zhongshan Torch Hi-Tech Industrial Development Zone, Zhongshan City, Guangdong Province, China	42,720	Manufacturing and sales of PVC third processing products
CGPC Polymer Corporation	2009.05.19	12F, No.37, JiHu Road, NeiHu District, Taipei City	800,000	Manufacturing and sales of PVC resin

3. Information of the same legal person shareholder presumed to have relationship of controlled and affiliated: None.

4. Business of affiliates and their relationships



Industry code	Name of Affiliates	Business relationship with other affiliates
Petrochemical manufacturing industry	CGPC Polymer Corporation	Procurement from Taiwan VCM Corporation
	Taiwan VCM Corporation	Sell products to CGPC Polymer Corporation
Plastics manufacturing	Continental General Plastics (Zhongshan) Co., Ltd.	Business suspended
	CGPC Consumer Products Corporation	
Plastic sales industry	CGPC America Corporation	Sales of products of China General Plastics Corporation
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 regarding the 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 by the person/Shareholding percentage	Number of Shares/Shareholding Ratio of The Legal Representative
Taiwan VCM Corporation	Chairman of the Board	Lin, Han-Fu (Representative of China General Plastics Corporation)	0/0	240,206,420/87.22%
	Directors	Wu, Yi-Gui (Appointed by China General Plastics Corporation)	0/0	
	Directors	Wang, Ping-I (Appointed by China General Plastics Corporation)	0/0	
	Directors	L, Kuo-Hung (Appointed by China General Plastics Corporation)	0/0	
	Directors	Liu, Han-Tai (Appointed by China General Plastics Corporation)	0/0	
	Directors	Hu, Chi-Hong (Appointed by China General Plastics Corporation)	0/0	
	Directors	Chen, Chin-Yuan (Appointed by Ocean Plastics Co. Ltd.)	0/0	34,317,033/12.46%
	Supervisors	Kuang-Che Huang	0/0	-



Company Name or Responsible Unit	Title	Name or representative	Number of shares held by the person/Shareholding percentage	Number of Shares/Shareholding Ratio of The Legal Representative
	Supervisors	Ya-I Huang	0/0	-
	President	Lin, Han-Fu	0/0	-
CGPC America Corporation	Directors	Wu, Yi-Gui	0/0	-
	Directors	Lin, Han-Fu	0/0	-
	Directors	Hu, Chi-Hong	0/0	-
	Directors	Sun, Meng-Wen	0/0	-
	President	Hu, Chi-Hong	0/0	-
	Directors	Wu, Yi-Gui	0/0	-
CGPC (BVI) Holding Co., Ltd.	Directors	Lin, Han-Fu	0/0	-
	Directors	Hu, Chi-Hong	0/0	-
	Directors	Yang, Wen-Li	0/0	-
	Directors	Wu, Yi-Gui	0/0	-
Continental General Plastics (Zhongshan) Co., Ltd. (Business suspended)	Chairman of the Board	Lin, Han-Fu (Appointed by CGPC (BVI) Holding Co., Ltd.)	0/0	Capital contribution: US\$ 20,000,000/100
	Directors	Liu, Han-Tai (Appointed by CGPC (BVI) Holding Co., Ltd.)	0/0	
	Directors	Yang, Li-Wen (Appointed by CGPC (BVI) Holding Co., Ltd.)	0/0	
	Directors	Hu, Chi-Hong (appointed by CGPC (BVI) Holding Co., Ltd.)	0/0	
	Directors	Chen, Yung-Chih (Appointed by CGPC (BVI) Holding Co., Ltd.)	0/0	
	Supervisor	Huang, Ya-I (appointed by CGPC (BVI) Holding Co., Ltd.)	0/0	
	President	Lin, Han-Fu	0/0	-
CGPC Consumer Products Corporation (Business suspended)	Chairman of the Board	Lin, Han-Fu (Appointed by CGPC (BVI) Holding Co., Ltd.)	0/0	Capital contribution USD1,500,000/100
	Directors	Yang, Li-Wen (Appointed by CGPC (BVI) Holding Co., Ltd.)	0/0	
	Directors	Hu, Chi-Hong (appointed by CGPC (BVI) Holding Co., Ltd.)	0/0	
	Directors	Chen, Wan-Ta (appointed by CGPC (BVI) Holding Co., Ltd.)	0/0	
	Directors	Huang, Ya-I (appointed by CGPC (BVI) Holding Co., Ltd.)	0/0	
	Supervisor	Chen, Yung-Chih (Appointed by CGPC (BVI) Holding Co., Ltd.)	0/0	
	President	Lin, Han-Fu	0/0	-
CGPC Polymer Corporation	Chairman of the Board	Wu, Yi-Gui (Appointed by China General Plastics Corporation)	0/0	80,000,000/100%
	Directors	Lin, Han-Fu (Representative of China General Plastics Corporation)	0/0	

Company Name or Responsible Unit	Title	Name or representative	Number of shares held by the person/Shareholding percentage	Number of Shares/Shareholding Ratio of The Legal Representative
	Directors	Hu, Chi-Hong (Appointed by China General Plastics Corporation)	0/0	
	Supervisors	Huang, Ya-I (Appointed by 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: If the director or supervisor is a legal person, the related information of the representatives shall be disclosed.

## 6. Business overview of affiliates in 2020

Unit: NT\$ thousand

Name of Company	Capital Contribution	Total assets	Total liabilities	Per Share (NAVPS)	Net revenue	Operating Profit (Loss)	Profit or loss for the current period (after taxes)	Earnings (Loss) per share (NT\$)(after-tax)
Taiwan VCM Corporation	2,754,098	6,221,862	1,525,918	4,695,944	8,465,031	1,507,209	1,232,387	4.47
CGPC America Corporation	571,024	392,017	140,875	251,142	608,421	25,952	25,001	250,007.76
CGPC (BVI) Holding Co., Ltd.	464,459	351,935	0	351,935	0	(91)	4,943	0.30
Continental General Plastics (Zhongshan) Co., Ltd. (Note 3)	569,600	270,270	3,911	266,359	0	(3,924)	4,270	-
CGPC Consumer Products Corporation (Note 3)	42,720	13,668	149	13,519	0	0	3	-
CGPC Polymer Corporation	800,000	2,859,168	1,681,333	1,177,835	5,002,387	339,384	283,408	3.54

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, 2020.

Note 3: On October 24, 2011, the board of directors of the Company resolved to dissolve CGPC (ZS) and CGPC (CP), and the profits and losses of the above companies, after deduction of the income and expense losses among the merged individuals, shall be listed in the losses of the suspended entities in the consolidated income statement.

## (II) Consolidated Financial Statements of Affiliated Enterprises

### Statement of Consolidated Financial Statements of Affiliated Enterprises

In 2020 (from January 1, 2020 to December 31 2020), 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.

Which is thereof declared

Company Name: China General Plastics Corporation

Person in charge: Wu, Yi-Gui

March 5, 2021

### (III) Affiliation Reports

#### 1. Statement of Affiliation Reports

##### Statement of Affiliation Reports

The Company's affiliation reports for the fiscal year of 2020 (from January 1, 2020 to December 31, 2020) 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.

Which is thereof declared

Company Name: China General Plastics Corporation

Person in charge: Wu, Yi-Gui

March 5, 2021

## 2. Independent auditor's opinion on affiliation reports

April 24, 2021 Deloitte & Touche Audit Report No. 11002895

Recipient: China General Plastics Corporation

Subject: We express our opinions on the Company's 2020 affiliation report that it does not contain any material inconsistency.

Note:

- I. The Company's affiliation reports for the fiscal year of 2020 (from January 1, 2020 to December 31, 2020) was prepared on March 5, 2021 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 to 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 2020. No material inconsistency has been found in the abovementioned statement.

Deloitte, Taiwan

CPA: Huang, Hsiu-Chun

CPA :Chiu, Cheng-Chun



### 3. The general relationship between the subsidiary company and the control company

Unit: Shares

Name of the Controlling Company (Note 1)	Reasons for the Control	Shares Held by the Holding Company and Status of Pledged Shares			Directors, Supervisors or Managers Appointed by the Holding Company	
		Number of Shares Held	Shareholding ratio	The Number of Pledged Shares	Title	Name
Shing Li Enterprises (Hong Kong) Limited	The major shareholder and representative of USI was elected as the Chairman	-	-	-	-	-
USI Corporation (USI)	The parent company of the major shareholder (Union Polymer Int'l Investment Corp.) and the chairman are the same	-	-	-	-	-
Union Polymer Int'l Investment Corp. (UPI)	Major shareholder with more than half of the director seats	138,170,701	24.97%	0	Chairman of the Board	Wu, Yi-Gui
					Directors	Lin, Han-Fu, Wang, Ke-Shun, Liu, Zhen-Tu, Liu, Han-Tai and Wu, Hung-To

Note 1: Where the controlling company of a subsidiary company is a subsidiary company of another company, the other company's related information shall also be filled in. Where the other company is a subsidiary company of another company, the same shall apply.

Note 2: As of December 31, 2020, Union Polymer Int'l Investment Corp. has not pledged shares; as of the book closure date on March 30, 2021, Union Polymer Int'l Investment Corp. has not pledged shares.

#### 4. Import and Sales Transaction Situation

Unit: NT\$ thousand

Name of the Controlling Company	Transactions With Controlling Companies				Transaction terms with the holding company		General trade terms		Reason for the difference	Accounts Receivable (Payable), Notes Receivable (Payable)		Overdue Accounts Receivable (Payable)			Remarks
	Purchases (Sales)	Amount	Percentage to total purchases (sales)	Sales Margin	Unit Price (NTD)	Loan tenor	Unit Price (NTD)	Loan tenor		cash balance	Ratio of total accounts receivable (payable) and notes	Amount	Treatment Method	Amount of Allowance for Bad Debts	
USI Corporation	Purchase	143	0.00	-	57.1	60 days	57.1	60 days	-	-	-	-	-	-	-

Note: In case of advance receipt (payment), the reasons, contractual terms, amount and difference from the general transaction shall be stated in the Remarks column.

5. Status of property transactions: None.

6. Status of financing: None.

7. Lease of assets

Unit: NT\$ thousand

Name of the Controlling Company	Transaction type (leasing or renting)	Subject		Lease Term	Nature of Leasing	Determination Basis of Leasing Price	Collection (Payment) Method	Comparison With Ordinary Leasing Price Levels	Total rent for this period	Collection/Payment Status in The Current Period	Other Stipulations
		with the Issuer	Location								
USI Corporation	Lessee	Housing and Parking Lots	Underground Parking and 7F, No.37, JiHu Road, NeiHu District, Taipei City	2020.05 ~ 2021.04	Operating lease	Market price	Monthly Payment	Same	2,700	Normal	None
		Housing	Part of 6F-10F, No. 37 and 39, Jihu Road, Neihu District, Taipei City	2020.01 ~ 2020.12	Operating lease	Market price	Monthly Payment	Same	2,409	Normal	None

8. Other significant 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.



## **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, 2020, 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 will not prepare a separate set of combined financial statements of affiliates.

Very truly yours,

**CHINA GENERAL PLASTICS CORPORATION**

By

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YI-GUI WU  
Chairman

March 5, 2021

## **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, 2020 and 2019, 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, 2020 and 2019, 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.

### **Base for Opinion**

We conducted our audit of the consolidated financial statements for the year ended December 31, 2020 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. 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. 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, 2020. 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, 2020 are stated as follows:

### Valuation of Inventory

As of December 31, 2020, the carrying amount of the Group's inventory was NT\$1,207,129 thousand (i.e., the gross amount of inventory of NT\$1,300,086 thousand with a deduction of the allowance for inventory valuation and obsolescence losses of NT\$92,957 thousand), representing 9% 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. We have conducted tests with the inventory cost and net realizable value evaluation statements prepared by the management, including but not limited to validation of logic in the statement, bases adopted for inventory cost carried down and net realizable value, also recalculated and validated related statements.
3. We have obtained inventory aging for evaluation data prepared by the management, spot checked on inventory aging and evaluated the management's base for obsolescence loss of inventory estimates and whether it is reasonable.
4. 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, 2020 and 2019 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, 2020 and are therefore the key audit matters. We describe these matters in our auditor's 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.

Deloitte & Touche  
Taipei, Taiwan, Republic of China

CPA Huang, Hsiu-Chun

Financial Supervisory Commission  
Approved Document No. Tai Cai  
Zheng Liu Zi No. 0920123784

CPA Chiu, Cheng-Chun

Financial Supervisory Commission  
Approved Document No. Jin Guan  
Zheng Liu Zi No. 0930160267

March 05, 2021

**Notice to Readers:**

The consolidated financial statement (Chinese version) of our company is audited by the CPA HUANG, HSIU-CHUN and CPA CHIU, CHENG-CHUN of Deloitte Taiwan. For the convenience of reading, the statement has been translated from Chinese to English. If there is any difference regarding the context or interpretation in the English version, the Chinese version shall prevail.

**CHINA GENERAL PLASTICS CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2020 AND 2019**

Unit: NT\$ thousand

CODE	ASSETS	December 31, 2020		December 31, 2019	
		Amount	%	Amount	%
	<b>CURRENT ASSETS</b>				
1100	Cash and cash equivalents (Note 4 and 6)	\$ 777,101	6	\$ 653,347	6
1110	Financial assets at fair value through profit or loss (FVTPL) - current (Note 4 and 7)	1,524,661	11	776,077	6
1136	Financial assets at amortized cost - current (Notes 4, 9 and 30)	269,224	2	269,103	2
1150	Notes receivable (Notes 4, 10)	200,777	1	209,990	2
1170	Trade receivables (Notes 4, 10 and 29)	1,703,390	12	1,268,810	10
1200	Other receivables (Note 4 and 10)	126,010	1	73,501	1
1210	Other receivables from related parties (Notes 4, 10 and 29)	2,811	-	14,315	-
1220	Current tax assets (Note 4, 5 and 25)	16,481	-	6,223	-
1310	Inventories (Note 4, 5 and 11)	1,207,129	9	1,469,212	12
1410	Prepayments	45,425	-	133,470	1
1470	Other current assets	1,576	-	2,818	-
11XX	Total current assets	<u>5,874,585</u>	<u>42</u>	<u>4,876,866</u>	<u>40</u>
	<b>NON-CURRENT ASSETS</b>				
1517	Financial assets at fair value through other comprehensive income (FVTOCI) - non-current (Notes 4 and 8)	140,477	1	119,803	1
1550	Investments accounted for using the equity method (Notes 4 and 14)	338,228	2	280,769	2
1600	Property, plant and equipment (Notes 4, 15, 29 and 30)	6,658,342	48	6,157,575	50
1755	Right-of-use assets (Note 4, 16 and 29)	268,352	2	305,108	2
1760	Investment properties (Note 4 and 17)	356,831	3	285,298	2
1840	Deferred tax assets (Note 4, 5 and 25)	216,299	2	230,996	2
1990	Other non-current assets (Note 4 and 30)	40,511	-	74,818	1
15XX	Total non-current assets	<u>8,019,040</u>	<u>58</u>	<u>7,454,367</u>	<u>60</u>
1XXX	<b>TOTAL</b>	<u>\$ 13,893,625</u>	<u>100</u>	<u>\$ 12,331,233</u>	<u>100</u>
	<b>LIABILITIES AND EQUITY</b>				
	<b>CURRENT LIABILITIES</b>				
2120	Financial liabilities at fair value through profit or loss (FVTPL) - current (Note 4 and 7)	\$ 4,556	-	\$ 1,227	-
2170	Trade payables (Note 19)	786,736	5	681,973	6
2180	Trade payables to related parties (Notes 19 and 29)	107,035	1	156,339	1
2200	Other payables (Note 20)	802,869	6	630,440	5
2220	Other payables to related parties (Note 29)	13,471	-	15,084	-
2230	Current tax liabilities (Note 4, 5 and 25)	374,688	3	99,734	1
2280	Lease liability - current (Notes 4, 16 and 29)	36,029	-	36,082	-
2300	Other current liabilities (Notes 23)	95,219	1	74,220	1
21XX	Total current liabilities	<u>2,220,603</u>	<u>16</u>	<u>1,695,099</u>	<u>14</u>
	<b>NON-CURRENT LIABILITIES</b>				
2540	Long-term borrowings (Notes 4, 15, 18 and 30)	50,000	1	500,000	4
2570	Deferred tax liabilities (Note 4, 5 and 25)	594,562	4	595,310	5
2580	Lease liabilities - non-current (Notes 4, 16 and 29)	147,189	1	181,459	1
2640	Net defined benefit liabilities - non-current (Notes 4 and 21)	572,981	4	642,215	5
2670	Other non-current liabilities	4,532	-	4,584	-
25XX	Total non-current liabilities	<u>1,369,264</u>	<u>10</u>	<u>1,923,568</u>	<u>15</u>
2XXX	Total liabilities	<u>3,589,867</u>	<u>26</u>	<u>3,618,667</u>	<u>29</u>
	<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4, 8, 14, 21, 22 and 25)</b>				
3110	Ordinary shares	5,533,814	40	5,270,299	43
3200	Capital surplus	10,338	-	10,060	-
	Retained earnings				
3310	Legal reserve	704,963	5	640,570	5
3320	Special reserve	408,223	3	408,223	3
3350	Unappropriated earnings	2,950,662	21	1,888,394	16
3300	Total retained earnings	4,063,848	29	2,937,187	24
3400	Other equity	95,515	1	33,266	-
31XX	Total equity attributable to owners of the Company	<u>9,703,515</u>	<u>70</u>	<u>8,250,812</u>	<u>67</u>
36XX	<b>NON-CONTROLLING INTERESTS</b>	<u>600,243</u>	<u>4</u>	<u>461,754</u>	<u>4</u>
3XXX	Total equity	<u>10,303,758</u>	<u>74</u>	<u>8,712,566</u>	<u>71</u>
	<b>TOTAL</b>	<u>\$ 13,893,625</u>	<u>100</u>	<u>\$ 12,331,233</u>	<u>100</u>

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

**Notice to Readers:**

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**CHINA GENERAL PLASTICS CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

Unit: NT\$ Thousand, except  
Earnings Per Share

Code		2020		2019	
		Amount	%	Amount	%
4100	NET REVENUE (Notes 4, 23 and 29)	\$13,733,148	100	\$15,117,855	100
5110	COST OF REVENUE (Notes 4, 5, 11, 21, 24 and 29)	<u>10,373,858</u>	<u>75</u>	<u>13,148,375</u>	<u>87</u>
5900	GROSS PROFIT	<u>3,359,290</u>	<u>25</u>	<u>1,969,480</u>	<u>13</u>
	OPERATING EXPENSES (Notes 4, 21, 24 and 29)				
6100	Selling and marketing expenses	874,540	6	851,284	6
6200	General and administrative expenses	262,422	2	284,330	2
6300	Research and development expenses	<u>68,776</u>	<u>1</u>	<u>59,967</u>	<u>-</u>
6000	Total operating expenses	<u>1,205,738</u>	<u>9</u>	<u>1,195,581</u>	<u>8</u>
6900	PROFIT FROM OPERATIONS	<u>2,153,552</u>	<u>16</u>	<u>773,899</u>	<u>5</u>
	NON-OPERATING INCOME AND EXPENSES (Notes 4, 7, 14, 24 and 29)				
7100	Interest income	3,621	-	15,780	-
7010	Other income	36,181	-	48,764	1
7020	Other gain and loss	( 48,610)	-	3,028	-
7510	Interest expense	( 7,387)	-	( 12,203)	-
7060	Share of profit of associates accounted for using the equity method	<u>23,708</u>	<u>-</u>	<u>24,740</u>	<u>-</u>
7000	Total non-operating income and expenses	<u>7,513</u>	<u>-</u>	<u>80,109</u>	<u>1</u>
7900	PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS	2,161,065	16	854,008	6
7950	INCOME TAX EXPENSE (Notes 4, 5 and 25)	<u>373,628</u>	<u>3</u>	<u>160,193</u>	<u>1</u>
8000	NET PROFIT FROM CONTINUING OPERATIONS	1,787,437	13	693,815	5
8100	NET PROFIT FROM DISCONTINUED OPERATIONS (Note 4 and 12)	<u>4,273</u>	<u>-</u>	<u>4,175</u>	<u>-</u>
8200	NET PROFIT FOR THE YEAR	<u>1,791,710</u>	<u>13</u>	<u>697,990</u>	<u>5</u>
	OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4, 8, 14, 21, 22 and 25)				
	Items that will not be reclassified subsequently to profit or loss:				
8311	Remeasurement of defined benefit plans	23,527	-	7,692	-
8316	Unrealized gain on investments in equity instruments at FVTOCI	37,096	1	4,054	-
8321	Share of the other comprehensive income (loss) of associates accounted for using the equity method - remeasurement of defined benefit plans	241	-	( 411)	-
8326	Share of the other comprehensive income of associates accounted for using the equity method - unrealized loss on investments in equity instruments at FVTOCI	34,754	-	5,175	-
8349	Income tax relating to items that will not be reclassified subsequently to profit or loss	( <u>3,475</u> )	<u>-</u>	( <u>862</u> )	<u>-</u>
8310		<u>92,143</u>	<u>1</u>	<u>15,648</u>	<u>-</u>
	Items that may be reclassified subsequently to profit or loss:				
8361	Exchange differences on translating the financial statements of foreign operations	( 12,122)	-	( 20,861)	-
8371	Share of the other comprehensive income (loss) of associates accounted for using the equity method - exchange differences on translating the financial statements of foreign operations	203	-	( 711)	-
8399	Income tax relating to items that may be reclassified subsequently to profit or loss	<u>2,423</u>	<u>-</u>	<u>3,634</u>	<u>-</u>
8360		( <u>9,496</u> )	<u>-</u>	( <u>17,938</u> )	<u>-</u>
8300	Other comprehensive income (loss) for the year, net of income tax	<u>82,647</u>	<u>1</u>	( <u>2,290</u> )	<u>-</u>
8500	TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$1,874,357</u>	<u>14</u>	<u>\$ 695,700</u>	<u>5</u>
	NET PROFIT ATTRIBUTABLE TO:				
8610	Owners of the Company	\$1,634,184	12	\$ 642,677	4
8620	Non-controlling interests	<u>157,526</u>	<u>1</u>	<u>55,313</u>	<u>1</u>
8600		<u>\$1,791,710</u>	<u>13</u>	<u>\$ 697,990</u>	<u>5</u>

(Continued)



Code		2020		2019	
		Amount	%	Amount	%
	TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
8710	Owners of the Company	\$1,715,940	13	\$ 639,912	4
8720	Non-controlling interests	<u>158,417</u>	<u>1</u>	<u>55,788</u>	<u>1</u>
8700		<u>\$1,874,357</u>	<u>14</u>	<u>\$ 695,700</u>	<u>5</u>
	EARNINGS PER SHARE (Note 26)				
	From continuing and discontinued operations				
9750	Basic	\$ 2.95		\$ 1.16	
9850	Diluted	<u>\$ 2.95</u>		<u>\$ 1.16</u>	
	From continuing operations				
9710	Basic	\$ 2.94		\$ 1.15	
9810	Diluted	<u>\$ 2.94</u>		<u>\$ 1.15</u>	

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

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**CHINA GENERAL PLASTICS CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

Unit: NT\$ thousand

Equity Attributable to Owners of the Company (Notes 4, 8, 14, 21, 22 and 25)

Code		Equity Attributable to Owners of the Company							Other Equity			Non-controlling Interests (Note 22)	Total Equity		
		Share Capital	Capital Surplus			Retained Earnings			Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gain on Investments in Equity Instruments at FVTOCI	Total				
		Ordinary Shares	Unpaid Dividends	Others	Total	Legal Reserve	Special Reserve	Unappropriated Earnings	Total			Total			
A1	BALANCE AT JANUARY 1, 2019	\$ 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
A3	Effect of retrospective restatement	-	-	-	-	-	-	(4,731)	(4,731)	-	-	-	(4,731)	(306)	(5,037)
A5	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														
B1	Legal reserve	-	-	-	-	127,616	-	(127,616)	-	-	-	-	-	-	-
B5	Cash dividends distributed by the Company	-	-	-	-	-	-	(760,140)	(760,140)	-	-	-	(760,140)	-	(760,140)
B9	Share dividends distributed by the Company	202,703	-	-	-	-	-	(202,703)	(202,703)	-	-	-	-	-	-
O1	Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(30,192)	(30,192)	-
C17	Other changes in capital surplus	-	1,124	7	1,131	-	-	-	-	-	-	1,131	-	1,131	
D1	Net profit for the year ended December 31, 2019	-	-	-	-	-	-	642,677	642,677	-	-	-	642,677	55,313	697,990
D3	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)
D5	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
Z1	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
	Appropriation of 2019 earnings														
B1	Legal reserve	-	-	-	-	64,393	-	(64,393)	-	-	-	-	-	-	-
B5	Cash dividends distributed by the Company	-	-	-	-	-	-	(263,515)	(263,515)	-	-	-	(263,515)	-	(263,515)
B9	Share dividends distributed by the Company	263,515	-	-	-	-	-	(263,515)	(263,515)	-	-	-	-	-	-
O1	Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(19,927)	(19,927)	-
C17	Other changes in capital surplus	-	278	-	278	-	-	-	-	-	-	278	(1)	277	
D1	Net profit for the year ended December 31, 2020	-	-	-	-	-	-	1,634,184	1,634,184	-	-	-	1,634,184	157,526	1,791,710
D3	Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	-	-	19,507	19,507	(9,496)	71,745	62,249	81,756	891	82,647
D5	Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	-	-	1,653,691	1,653,691	(9,496)	71,745	62,249	1,715,940	158,417	1,874,357
Z1	BALANCE AT DECEMBER 31, 2020	\$ 5,533,814	\$ 10,024	\$ 314	\$ 10,338	\$ 704,963	\$ 408,223	\$ 2,950,662	\$ 4,063,848	(\$ 43,259)	\$ 138,774	\$ 95,515	\$ 9,703,515	\$ 600,243	\$ 10,303,758

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

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**CHINA GENERAL PLASTICS CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

Unit: NT\$ thousand

Code		2020	2019
	<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
A00010	Income before income tax from continuing operations	\$ 2,161,065	\$ 854,008
A00020	Income before income tax from discontinued operations	<u>4,273</u>	<u>4,175</u>
A10000	Income before income tax	2,165,338	858,183
A20010	Adjustments for:		
A20100	Depreciation expenses	653,932	604,562
A20200	Amortization expenses	40,690	33,505
A20400	Net loss (gain) on fair value change on financial assets carried at FVTPL	70,497	( 40,527)
A20900	Interest expense	7,387	12,203
A21200	Interest income	( 3,882)	( 16,013)
A21300	Dividend income	( 9,265)	( 4,019)
A22300	Share of profit of associates	( 23,708)	( 24,740)
A22500	Gain on disposal of property, plant and equipment	( 764)	( 4)
A22600	Property, plant and equipment transferred to expense	9,431	4,340
A23200	Loss (gain) on disposal of investments accounted for using the equity method	173	( 2,549)
A23700	Write-down of inventories	10,404	3,736
A30000	Changes in operating assets and liabilities		
A31115	Financial assets mandatorily classified as at FVTPL	( 814,525)	715,948
A31130	Notes receivable	9,213	( 14,143)
A31150	Trade receivables	( 440,883)	336,100
A31180	Other receivables	( 52,930)	11,032
A31190	Other receivables from related parties	11,504	( 3,124)
A31200	Inventories	242,839	240,021
A31230	Prepayments	88,045	( 77,134)
A31240	Other current assets	1,242	( 1,305)
A32110	Financial liabilities held for trading	( 1,227)	( 19,209)
A32130	Notes payable	-	( 288)

(Continued)

Code		2020	2019
A32150	Trade payables	\$ 109,387	(\$ 232,934)
A32160	Trade payables to related parties	( 49,304)	( 15,521)
A32180	Other payables	190,253	( 90,251)
A32190	Other payables to related parties	( 1,611)	813
A32230	Other current liabilities	20,999	5,808
A32240	Net defined benefit liabilities	( 45,707)	( 57,772)
A33000	Cash generated from operations	2,187,528	2,226,718
A33100	Interest received	4,289	16,141
A33300	Interest paid	( 7,462)	( 12,487)
A33500	Income tax paid	( 96,032)	( 213,820)
AAAA	Net cash generated from operating activities	2,088,323	2,016,552
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
B00030	Proceeds from capital reduction of financial assets at FVTOCI	16,423	6,891
B00040	Purchase of financial assets at amortized cost	( 662,578)	( 269,103)
B00050	Proceeds from sale of financial assets at amortized cost	662,457	268,954
B02700	Payments for property, plant and equipment	( 1,133,190)	( 955,870)
B02800	Proceeds from disposal of property, plant and equipment	4,115	5,552
B03700	Increase in refundable deposits	( 50,062)	( 22,902)
B03800	Decrease in refundable deposits	50,898	13,150
B05400	Acquisition of Investment Property	( 85,673)	-
B06700	Increase in other non-current assets	( 7,235)	( 24,061)
B07600	Dividends received	9,265	4,019
B09900	Proceeds from liquidation of investments accounted for using equity method	1,274	-
BBBB	Net cash used in investing activities	( 1,194,306)	( 973,370)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
C01600	Proceeds from long-term borrowings	50,000	-
C01700	Repayments of long-term borrowings	( 500,000)	( 500,000)
C03000	Proceeds from guarantee deposits received	15,683	3,866
C03100	Refunds of guarantee deposits received	( 15,738)	( 2,926)
C04020	Repayment of the principal portion of lease liabilities	( 34,088)	( 33,939)
C04300	Increase (decrease) in other non-current liabilities	3	( 6)

(Continued)

Code		2020	2019
C04500	Dividends paid to owner of the company	(\$ 261,104)	(\$ 757,933)
C05800	Cash dividends paid to non-controlling interests	( 19,927)	( 30,192)
CCCC	Net cash used in financing activities	( 765,171)	( 1,321,130)
DDDD	EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	( 5,092)	( 3,385)
EEEE	NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	123,754	( 281,333)
E00100	CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		
		<u>653,347</u>	<u>934,680</u>
E00200	CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 777,101</u>	<u>\$ 653,347</u>

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

(Concluded)

**Notice to Readers:**

The consolidated financial statement (Chinese version) of our company is audited by the CPA HUANG, HSIU-CHUN and CPA CHIU, CHENG-CHUN of Deloitte Taiwan. For the convenience of reading, the statement has been translated from Chinese to English. If there is any difference regarding the context or interpretation in the English version, the Chinese version shall prevail.

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## **CHINA GENERAL PLASTICS CORPORATION AND SUBSIDIARIES**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

#### **FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

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

### **1. GENERAL INFORMATION**

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

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

The consolidated financial statements of the Company and its subsidiaries (collectively referred to “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 to the Company’s board of directors on March 05, 2021.

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

- (1) Initial application of 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).

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.

- (2) IFRSs certified by applicable FSC in 2021

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”	Effective immediately upon promulgation by the IASB
Amendment to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”	Effective during the annual reporting period starting from January 1, 2021
Amendment to IFRS 16 "COVID-19 Related Rent Concession"	Effective during the annual reporting period starting from June 1, 2021

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.

(3) New IFRSs in issue but not yet endorsed and issued into effect by the FSC:

New IFRSs	Effective Date Announced by IASB (Note 1)
“Annual Improvements to IFRS Standards 2018–2020”	January 1, 2022 (Note 2)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 3)
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, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 4)
Amendments to IAS 37 “Onerous Contracts–Cost of Fulfilling a Contract”	January 1, 2022 (Note 5)
Amendments to IAS1 "Disclosure of Accounting Policy"	January 1, 2023 (Note 6)
Amendments to IAS8 "Definition of Accounting Estimates"	January 1, 2023 (Note 7)

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

Note 2: The amendments to IFRS 9 are applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” are applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” are applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 3: The amendments are applicable 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, 2022.

Note 4: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 5: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

Note 6: The amendments are deferred to be applicable to the annual reporting period starting after January 1, 2023.

Note 7: The amendments are applicable to changes on accounting estimates and policies happened during the annual reporting period starting after January 1, 2023.

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**

##### (1) 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.

##### (2) 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.

### (3) 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.

### (4) 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).

#### (5) 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.

#### (6) 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.

#### (7) 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's consolidated financial statements only to the extent that interests in the associate are not related to the Group.

#### (8) 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.

#### (9) 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.

#### (10) 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.

## (11) 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.

## (12) 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.

I) 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. 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 28.

B. Financial assets at amortized cost

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

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

- a. 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
- b. 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.

#### C. 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.

## II) 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):

- A. Internal or external information show that the debtor is unlikely to pay its creditors.
- B. 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.

## III) 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) Equity Tool

The debt and equity tool was issued by the Group pursuant to the agreement and financial liability and equity tool are defined and classified as financial liability or equity.

It recognizes the amount after acquired prices deducting costs of direct issuance.

## 3) Financial liabilities

### I) Subsequent measurement

Except the derivative instruments, all financial liabilities are measured at amortized cost using the effective interest method.

Financial liabilities at fair value through profit or loss (FVTPL)

Financial liabilities are classified as at fair value through profit or loss when the financial liability is held for trading.

Financial liabilities held for trading are stated as at fair value with any gains or loss arising on remeasurement recognized in other gain or loss. For the way of fair price determination, please refer to Note 28.

### II) 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.

## 4) 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.

(13) 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.

(14) 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.

(15) Leasing

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.

#### (16) 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.

(17) 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.

(18) Taxation

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

1) Current tax

The Group determines proceeds (loss) of current period pursuant to the Law and Regulation prescribed in every income tax declaration region and calculates tax payable (recoverable).

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**

#### **(1) 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.

#### **(2) Income taxes**

As of December 31, 2020 and 2019, the carrying amounts of deferred tax assets in relation to unused tax losses were \$216,299 thousand and \$230,996 thousand, respectively. As of December 31, 2020 and 2019, no deferred tax assets have been recognized on tax losses and deductible temporary differences of \$536,533 thousand and \$808,800 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.

- (3) 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, 2020	December 31, 2019
Cash on hand and petty cash	\$ 369	\$ 527
Checking accounts and demand deposits	342,063	216,911
Cash equivalents		
Time deposits	434,669	435,909
	<u>\$ 777,101</u>	<u>\$ 653,347</u>

The market rate intervals of time deposits in bank at the end of the reporting period were as follows:

	December 31, 2020	December 31, 2019
Time deposits	0.10%-0.49%	1.40%-2.20%

## 7. FINANCIAL INSTRUMENTS AT FVTPL

	December 31, 2020	December 31, 2019
<u>Financial assets mandatorily classified as at FVTPL</u>		
Derivative financial assets (not under hedge accounting)		
— Foreign exchange forward contracts	\$ 3,443	\$ 7,446
Non-derivative financial assets		
— Mutual funds	1,471,300	528,164
— Beneficiary securities	49,918	240,467
— Overseas unlisted equity investments	-	-
	<u>\$ 1,524,661</u>	<u>\$ 776,077</u>
<u>Financial liabilities held for trading</u>		
Derivative financial liabilities (not under hedge accounting)		
— Foreign exchange forward contracts	<u>\$ 4,556</u>	<u>\$ 1,227</u>

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)		
<u>December 31, 2020</u>					
Buy	NTD/USD	2021.01.04-2021.03.02	NTD	191,350	/USD 6,750
Sell	USD/NTD	2021.01.04-2021.03.18	USD	28,490	/NTD 807,532
<u>December 31, 2019</u>					
Buy	NTD/USD	2020.01.13-2020.03.04	NTD	259,075	/USD 8,590
Sell	USD/NTD	2020.01.03-2020.03.24	USD	23,740	/NTD 719,887

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 – NON CURRENT**

### Investments in Equity Instruments at FVTOCI

	December 31, 2020	December 31, 2019
Domestic equity investments		
Listed ordinary shares		
Asia Polymer Corporation	\$ 2,746	\$ 1,921
Unlisted ordinary shares		
KHL IB Venture Capital Co., Ltd.	<u>137,731</u>	<u>117,882</u>
	<u>\$ 140,477</u>	<u>\$ 119,803</u>

In order to adjust its capital structure, KHL IB Venture Capital Co., Ltd. resolved at the shareholders' meeting in November 2020, May 2020 and April 2019 to reduce its capital per thousand shares by 59, 165 and 82.5 shares and refund \$590, \$1,650 and \$825 per thousand shares. The Company received capital refunds of \$16,423 thousand and \$6,891 thousand for the years ended December 31, 2020 and 2019, 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 – CURRENT

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Domestic investments		
Pledged time deposits	<u>\$ 269,224</u>	<u>\$ 269,103</u>

As of December 31, 2020 and 2019, the interest rates for pledged time deposits ranged from 0.040% to 1.015%.

Refer to Note 30 for information related to financial assets at amortized cost pledged as security.

## 10. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Notes receivable</u>		
Notes receivable - operating	<u>\$ 200,777</u>	<u>\$ 209,990</u>
<u>Trade receivables (including related parties)</u>		
At amortized cost		
Gross carrying amount	\$ 1,716,848	\$ 1,282,410
Less: Allowance for impairment loss	( 13,458)	( 13,600)
	<u>\$ 1,703,390</u>	<u>\$ 1,268,810</u>
<u>Other receivables</u>		
Tax refund receivables	\$ 93,081	\$ 68,620
Lend raw materials receivables	27,067	-
Interest receivables	404	811
Others	5,706	4,314
Less: Allowance for impairment loss	( 248)	( 244)
	<u>\$ 126,010</u>	<u>\$ 73,501</u>
Other receivables from related parties (Note 29)	<u>\$ 2,811</u>	<u>\$ 14,315</u>

### (1) 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 receivables based on the Group's allowance matrix.

#### December 31, 2020

	<u>Credit Rating A</u>	<u>Credit Rating B</u>	<u>Credit Rating C</u>	<u>Others</u>	<u>Total</u>
Gross carrying amount	\$ 70,205	\$ 560,442	\$ 165,823	\$1,121,155	\$1,917,625
Loss allowance (lifetime ECLs)	-	( 4,990)	( 3,844)	( 4,624)	( 13,458)
Amortized cost	<u>\$ 70,205</u>	<u>\$ 555,452</u>	<u>\$ 161,979</u>	<u>\$1,116,531</u>	<u>\$1,904,167</u>

#### December 31, 2019

	<u>Credit Rating A</u>	<u>Credit Rating B</u>	<u>Credit Rating C</u>	<u>Others</u>	<u>Total</u>
Gross carrying amount	\$ 171,304	\$ 575,394	\$ 173,466	\$ 572,236	\$1,492,400
Loss allowance (lifetime ECLs)	-	( 5,097)	( 3,812)	( 4,691)	( 13,600)
Amortized cost	<u>\$ 171,304</u>	<u>\$ 570,297</u>	<u>\$ 169,654</u>	<u>\$ 567,545</u>	<u>\$1,478,800</u>

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Not past due	\$ 1,824,754	\$ 1,448,401
Less than and including 60 days	90,454	40,017
Over 60 days	<u>2,417</u>	<u>3,982</u>
	<u>\$ 1,917,625</u>	<u>\$ 1,492,400</u>

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 Years Ended December 31	
	2020	2019
Balance at January 1	\$ 13,600	\$ 13,735
Less: Amounts written off	-	( 62)
Foreign exchange gains and losses	( 142)	( 73)
Balance at December 31	<u>\$ 13,458</u>	<u>\$ 13,600</u>

(2) Other receivables

As of December 31, 2020 and 2019, the Group assessed the impairment loss of other receivables using expected credit losses.

## 11. INVENTORIES

	December 31, 2020	December 31, 2019
Finished goods	\$ 593,470	\$ 722,447
Work in progress	48,411	37,077
Raw materials	<u>565,248</u>	<u>709,688</u>
	<u>\$ 1,207,129</u>	<u>\$ 1,469,212</u>

The cost of inventories recognized as cost of goods sold for 2020 and 2019 were \$10,373,858 thousand and \$13,148,375 thousand respectively. The cost of goods sold for 2020 and 2019 included allowance for inventory valuation and obsolescence losses of \$10,404 thousand and \$3,736 thousand, 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 performances of the discontinued operations included in the consolidated comprehensive income statement were as follows:

	For the Years Ended December 31	
	2020	2019
Administrative expenses	(\$ 20,853)	(\$ 28,650)
Loss from operations	( 20,853)	( 28,650)
Non-operating income	<u>25,126</u>	<u>32,825</u>
Net profit from discontinued operations	<u>\$ 4,273</u>	<u>\$ 4,175</u>

For 2020 and 2019, the cash flows from the discontinued operations were as follows:

	For the Years Ended December 31	
	2020	2019
Net cash generated from operating activities	\$ 16,339	\$ 9,674
Net cash generated from investments	-	411
Effect of exchange rate changes	1,763	( 3,234)
Net cash inflow	<u>\$ 18,102</u>	<u>\$ 6,851</u>

### 13. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements:

Investor	Subsidiary	Nature of Activities	Proportion of Ownership (%)		Note
			December 31, 2020	December 31, 2019	
The Company	CGPC Polymer Corporation (“CGPCPOL”)	Manufacturing and marketing of PVC resins	100.00%	100.00%	Subsidiary , a
The Company	Taiwan VCM Corporation (“TVCM”)	Manufacturing and marketing of VCM	87.22%	87.22%	Subsidiary , b
The Company	CGPC (BVI) Holding Co., Ltd. (“CGPC (BVI)”)	Reinvestment	100.00%	100.00%	Subsidiary
The Company	CGPC America Corporation (“CGPC America”)	Marketing of PVC film and leather products	100.00%	100.00%	Subsidiary
The Company	Krystal Star International Corporation (“Krystal Star”)	Marketing of PVC film and consumer products	-	-	Subsidiary , d
CGPC (BVI)	Continental General Plastics (Zhong Shan) Co., Ltd. (“CGPC (ZS)”)	Manufacturing and marketing of PVC film and consumer products	100.00%	100.00%	Subsidiary of CGPC (BVI) , c
CGPC (BVI)	CGPC Consumer Products Corporation (“CGPC (CP)”)	Manufacturing and marketing of PVC consumer products	100.00%	100.00%	Subsidiary of CGPC (BVI) , c

- a. On May 24, 2019, 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, representing 1,141 thousand shares. The record date of the capital increase was July 5, 2019.
- b. On May 6, 2020 and May 6, 2019, the TVCM shareholders in their meeting passed a resolution to increase TVCM’s capital by declaring a share dividend of \$155,892 thousand and \$236,200 thousand, representing 15,589 thousand shares and 23,620 thousand shares, respectively. The record date of the capital increase was July 3, 2020 and July 5, 2019 respectively.
- c. In October 2011, the board of directors of the Company resolved to dissolve CGPC (ZS) and CGPC (CP). As of December 31, 2020, 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 that are not individually material

	December 31, 2020	December 31, 2019
Listed company		
Acme Electronics Corporation ("ACME")	\$ 22,517	\$ 21,739
Unlisted company		
China General Terminal & Distribution Corporation ("CGTD")	315,711	257,584
Thintec Materials Corporation ("TMC")	-	1,446
	<u>\$ 338,228</u>	<u>\$ 280,769</u>

##### Aggregate information of associates that are not individually material

	<u>For the Years Ended December 31</u>	
	2020	2019
The Group's share of:		
Gain from continuing operations	\$ 23,708	\$ 24,740
Other comprehensive income (loss)	<u>35,198</u>	<u>4,053</u>
Total comprehensive income for the year	<u>\$ 58,906</u>	<u>\$ 28,793</u>

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

Name of Associates	December 31, 2020	December 31, 2019
ACME	1.74%	1.74%
CGTD	33.33%	33.33%
TMC	-	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 approved the proposal for dissolution and liquidation of the Company starting from the dissolution date of May 25, 2019. TMC have been completed dissolution procedures on July 22, 2020. The Company retrieved the residual assets of \$1,274 thousand in May 2020 and recognized a loss of \$173 thousand on disposal of investment.

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:

Name of Associate	December 31, 2020	December 31, 2019
ACME	<u>\$ 60,027</u>	<u>\$ 38,906</u>

All associates are accounted for using the equity method.

Except ACME's financial statement as of and for the year ended December 31, 2020, the Group's investments accounted for using the equity method and its share of profit or loss and other comprehensive income or loss as of and for the years ended December 31, 2020 and 2019 were based on the associates' financial statements which have been audited for the same years; The management considered ACME's Financial Statements not yet be audited by CPA might not generate material effect.

## **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
<b>Cost</b>							
Balance at January 1, 2020	\$ 2,090,707	\$ 2,004,298	\$ 10,218,539	\$ 58,694	\$ 343,686	\$ 763,535	\$ 15,479,459
Additions	-	-	-	-	123	1,120,046	1,120,169
Disposals	-	( 15,715 )	( 118,325 )	( 3,666 )	( 6,980 )	-	( 144,686 )
Reclassification	-	52,795	392,029	13,719	62,935	( 536,801 )	( 15,323 )
Effect of foreign currency exchange differences	-	4,830	283	( 48 )	( 176 )	7	4,896
Balance at December 31, 2020	<u>\$ 2,090,707</u>	<u>\$ 2,046,208</u>	<u>\$ 10,492,526</u>	<u>\$ 68,699</u>	<u>\$ 399,588</u>	<u>\$ 1,346,787</u>	<u>\$ 16,444,515</u>
<b>Accumulated depreciation and impairment</b>							
Balance at January 1, 2020	\$ -	\$ 1,158,717	\$ 7,827,294	\$ 43,683	\$ 284,379	\$ 7,811	\$ 9,321,884
Depreciation expenses	-	74,553	500,435	5,849	21,041	-	601,878
Disposals	-	( 15,681 )	( 115,009 )	( 3,666 )	( 6,979 )	-	( 141,335 )
Reclassification	-	-	-	-	-	-	-
Effect of foreign currency exchange differences	-	3,513	355	-	( 129 )	7	3,746
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ 1,221,102</u>	<u>\$ 8,213,075</u>	<u>\$ 45,866</u>	<u>\$ 298,312</u>	<u>\$ 7,818</u>	<u>\$ 9,786,173</u>
Carrying amounts at December 31, 2020	<u>\$ 2,090,707</u>	<u>\$ 825,106</u>	<u>\$ 2,279,451</u>	<u>\$ 22,833</u>	<u>\$ 101,276</u>	<u>\$ 1,338,969</u>	<u>\$ 6,658,342</u>

(Continued)

	Freehold Land	Buildings and Improvements	Machinery and Equipment	Transportation Equipment	Miscellaneous Equipment	Construction in Progress and Machinery in Transit	Total
<u>Cost</u>							
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	<u>\$ 2,090,707</u>	<u>\$ 2,004,298</u>	<u>\$ 10,218,539</u>	<u>\$ 58,694</u>	<u>\$ 343,686</u>	<u>\$ 763,535</u>	<u>\$ 15,479,459</u>
<u>Accumulated depreciation and impairment</u>							
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	<u>\$ -</u>	<u>\$ 1,158,717</u>	<u>\$ 7,827,294</u>	<u>\$ 43,683</u>	<u>\$ 284,379</u>	<u>\$ 7,811</u>	<u>\$ 9,321,884</u>
Carrying amounts at December 31, 2019	<u>\$ 2,090,707</u>	<u>\$ 845,581</u>	<u>\$ 2,391,245</u>	<u>\$ 15,011</u>	<u>\$ 59,307</u>	<u>\$ 755,724</u>	<u>\$ 6,157,575</u>

( 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 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 30.



## 16. LEASE ARRANGEMENTS

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

	December 31, 2020	December 31, 2019
Carrying amounts		
Land	\$ 241,879	\$ 264,921
Buildings	8,239	12,836
Machinery	<u>18,234</u>	<u>27,351</u>
	<u>\$ 268,352</u>	<u>\$ 305,108</u>
	<u>For the Years Ended December 31</u>	
	2020	2019
Addition of right of use assets	<u>\$ 281</u>	<u>\$ -</u>
Depreciation Charge for right of use assets		
Land	\$ 24,694	\$ 24,762
Buildings	4,103	4,292
Machinery	<u>9,117</u>	<u>9,117</u>
	<u>\$ 37,914</u>	<u>\$ 38,171</u>

### (2) Lease liabilities

	December 31, 2020	December 31, 2019
Carrying amounts		
Current	<u>\$ 36,029</u>	<u>\$ 36,082</u>
Non-current	<u>\$ 147,189</u>	<u>\$ 181,459</u>

Range of discount rate for lease liabilities was as follows:

	December 31, 2020	December 31, 2019
Land	0.8244%-1.0392%	1.0392%
Buildings	1.0392%	1.0392%
Machinery	1.0392%	1.0392%

### (3) 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.

(4) Other lease information

	For the Year Ended December 2020	For the Year Ended December 2019
Expenses relating to short-term leases	<u>\$ 12,101</u>	<u>\$ 11,769</u>
Expenses relating to low-value asset leases	<u>\$ 616</u>	<u>\$ 588</u>
Expenses relating to variable lease payments not included in the measurement of lease liabilities	<u>\$ 36,421</u>	<u>\$ 43,148</u>
Total cash outflow for leases	<u>(\$ 85,322)</u>	<u>(\$ 91,900)</u>

The Group's option is to select buildings, transportation gears leased in a short term and lands, office devices leased meeting low-value assets for exemption of cognition, not recognizing related right of use assets and lease liability against such leases.

**17. INVESTMENT PROPERTIES**

	<u>Land</u>	<u>Building and improvements</u>	<u>Total</u>
<u>Cost</u>			
Balance at January 1, 2020	\$ 27,715	\$ 292,932	\$ 320,647
Additions	<u>85,673</u>	<u>-</u>	<u>85,673</u>
Balance at December 31, 2020	<u>\$ 113,388</u>	<u>\$ 292,932</u>	<u>\$ 406,320</u>
<u>Accumulated depreciation</u>			
Balance at January 1, 2020	\$ -	\$ 35,349	\$ 35,349
Depreciation expense	<u>-</u>	<u>14,140</u>	<u>14,140</u>
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ 49,489</u>	<u>\$ 49,489</u>
Carrying amount at December 31, 2020	<u>\$ 113,388</u>	<u>\$ 243,443</u>	<u>\$ 356,831</u>

(Continued)

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

The Group's investment properties are located in an 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 on December 31, 2020 and 2019 were as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Year 1	\$ 10,336	\$ 7,567
Year 2	10,776	6,622
Year 3	10,776	6,622
Year 4	10,776	6,622
Year 5	10,776	6,623
Year 6 onwards	<u>37,716</u>	<u>29,800</u>
	<u>\$ 91,156</u>	<u>\$ 63,856</u>

The investment properties are depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings and improvements	5 to 26 years
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## **18. LONG-TERM BORROWINGS**

	December 31, 2020	December 31, 2019
Line of credit borrowings	\$ 50,000	\$ -
Secured loans	<u>-</u>	<u>500,000</u>
	<u>\$ 50,000</u>	<u>\$ 500,000</u>
The range of interest rate	<u>0.82%</u>	<u>1.05%</u>

In order to enrich the medium and long-term working capital, the Company entered into a medium and long-term credit contract with a bank, with a total credit limit of \$1,000,000 thousand. The credit contract will expire in July 2023, and the total credit amount will be revolved to utilize within the validity period; however, the credit amount has cancelled in November, 2020.

In order to enrich the medium and long-term working capital, CGPCPOL entered into a medium and long-term credit contract with banks, with a total credit limit of \$1,800,000 thousand. The credit contract will expire before August 2023, and the total credit amount will be revolved to utilize within the validity period; however, CGPCPOL has reduced \$800,000 thousand of credit line in November, 2020 and as of December 31, 2020, CGPCPOL has not yet used its credit.

In order to enrich the medium and long-term working capital, TVCM entered into a medium and long-term credit contract with banks, with a total credit limit of \$1,100,000 thousand. The credit contract will expire before September 2023, and the total credit amount will be revolved to utilize within the validity period. As of December 31, 2020, the utilized credit amounted to \$50,000 thousand.

With part of contracts under the credit agreement, the current ratio and debt ratio in the financial statements of the Group shall not be lower than the specified ratio. If there is any discrepancy, improvement measures must be reported to the bank. As of December 31, 2020, the Group has not violated the above-mentioned terms. For details that the Group set out the assets as pledged collateral for bank borrowings, please refer to Note 30.

## **19. TRADE PAYABLES**

	December 31, 2020	December 31, 2019
<u>Trade payables (including related parties)</u>		
Operating	<u>\$ 893,771</u>	<u>\$ 838,312</u>

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.

## 20. OTHER PAYABLES – CURRENT

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Payables for salaries or bonuses	\$ 343,379	\$ 236,794
Payables for freight	133,405	79,446
Payables for utilities and fuel fees	114,259	128,454
Payables for purchases of equipment	47,247	66,160
Payables for operating tax	40,305	1,732
Others	<u>124,274</u>	<u>117,854</u>
	<u>\$ 802,869</u>	<u>\$ 630,440</u>

## 21. RETIREMENT BENEFIT PLANS

### (1) 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.

### (2) 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:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Present value of defined benefit obligation	\$ 1,485,005	\$ 1,597,593
Fair value of plan assets	( <u>912,024</u> )	( <u>955,378</u> )
Net defined benefit liabilities	<u>\$ 572,981</u>	<u>\$ 642,215</u>

Movements in net defined benefit liabilities (assets) were as follows:

	Present value of defined benefit obligation	Fair value of the plan assets	Net defined benefit liabilities (Assets)
Balance at January 1, 2019	<u>\$ 1,640,307</u>	<u>(\$ 932,628)</u>	<u>\$ 707,679</u>
Service cost			
Current service cost	15,176	-	15,176
Net interest expense (income)	<u>14,459</u>	<u>( 8,557)</u>	<u>5,902</u>
Recognized in profit or loss	<u>29,635</u>	<u>( 8,557)</u>	<u>21,078</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	<u>( 32,254)</u>	<u>( 32,254)</u>
Actuarial loss - changes in demographic assumptions	47	-	47
Actuarial loss - changes in financial assumptions	31,785	-	31,785
Actuarial gain - experience adjustments	<u>( 7,270)</u>	<u>-</u>	<u>( 7,270)</u>
Recognized in other comprehensive income	<u>24,562</u>	<u>( 32,254)</u>	<u>( 7,692)</u>
Contributions from the employer	-	<u>( 78,850)</u>	<u>( 78,850)</u>
Benefits paid	<u>( 96,911)</u>	<u>96,911</u>	<u>-</u>
Balance at December 31, 2019	1,597,593	<u>( 955,378)</u>	642,215
Service cost			
Current service cost	14,707	-	14,707
Net interest expense (income)	<u>9,988</u>	<u>( 6,126)</u>	<u>3,862</u>
Recognized in profit or loss	<u>24,695</u>	<u>( 6,126)</u>	<u>18,569</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	<u>( 32,914)</u>	<u>( 32,914)</u>
Actuarial loss - changes in financial assumptions	28,991	-	28,991
Actuarial gain - experience adjustments	<u>( 19,604)</u>	<u>-</u>	<u>( 19,604)</u>
Recognized in other comprehensive income	<u>9,387</u>	<u>( 32,914)</u>	<u>( 23,527)</u>
Contributions from the employer	-	<u>( 64,276)</u>	<u>( 64,276)</u>
Benefits paid	<u>( 146,670)</u>	<u>146,670</u>	<u>-</u>
Balance at December 31, 2020	<u>\$ 1,485,005</u>	<u>(\$ 912,024)</u>	<u>\$ 572,981</u>

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans is as follows:

	For the Years Ended December 31	
	2020	2019
Operating cost	\$ 14,879	\$ 17,111
Selling and marketing expenses	1,546	1,682
General and administrative expenses	1,547	1,590
Research & development expenses	597	695
	<u>\$ 18,569</u>	<u>\$ 21,078</u>

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, 2020	December 31, 2019
Discount rates	0.375%-0.500%	0.625%-0.750%
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:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Discount rates		
0.25% increase	( <u>\$ 28,991</u> )	( <u>\$ 31,785</u> )
0.25% decrease	<u>\$ 29,910</u>	<u>\$ 32,813</u>
Expected rates of salary increase		
0.25% increase	<u>\$ 28,781</u>	<u>\$ 31,651</u>
0.25% decrease	( <u>\$ 28,050</u> )	( <u>\$ 30,827</u> )

It is unlikely that changes in the assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Expected contribution amounts in the next year	<u>\$ 67,809</u>	<u>\$ 68,980</u>
Weighted average duration of defined benefit obligation	7.8-8.6 years	8-9 years

## **22. EQUITY**

### (1) Ordinary shares

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Number of shares authorized (in thousands)	<u>650,000</u>	<u>650,000</u>
Shares authorized	<u>\$ 6,500,000</u>	<u>\$ 6,500,000</u>
Number of shares issued and fully paid (in thousands)	<u>553,381</u>	<u>527,030</u>
Shares issued	<u>\$ 5,533,814</u>	<u>\$ 5,270,299</u>

The holders of issued ordinary shares with a par value of \$10 are entitled to the right to vote and to receive dividends.



## (2) Capital surplus

The overdue cash dividends or share dividends that not yet been received in capital surplus is only used to offset a deficit.

The capital surplus arising from investments in associates accounted for using the equity method may not be used for any purpose.

## (3) 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 are 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 24-(7).

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 2019 and 2018 as approved in the Company's shareholders' meeting on May 28, 2020 and June 21, 2019, respectively, was as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For the Years Ended		For the Years Ended	
	December 31		December 31	
	2019	2018	2019	2018
Legal reserve	\$ 64,393	\$ 127,616		
Cash dividends	263,515	760,140	\$ 0.5	\$ 1.5
Share dividends	263,515	202,703	0.5	0.4

The proposed appropriation of earnings for 2020 in the Board of Directors Meeting on March 5, 2021 was as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 165,369	
Cash dividends	996,086	\$ 1.8
Share dividends	276,691	0.5

The appropriation of earnings for 2020 are subject to resolution in the shareholders' meeting to be held on May 28, 2021.

#### (4) 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, 2020, there was no change.

#### (5) Other equity items

##### 1) Exchange differences on translating the financial statements of foreign operations

	For the Years Ended	
	December 31	
	2020	2019
Balance at January 1	(\$ 33,763)	(\$ 15,825)
Recognized for the year		
Exchange differences on translating the financial statements of foreign operations	( 12,122)	( 18,312)
Related income tax	2,423	3,634
Share of exchange differences of associates accounted for using the equity method	( 203)	( 711)
Reclassification adjustments		
Disposition of foreign operations	-	( 2,549)
Balance at December 31	<u>(\$ 43,259)</u>	<u>(\$ 33,763)</u>

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

	For the Years Ended December 31	
	2020	2019
Balance at January 1	\$ 67,029	\$ 57,842
Recognized during the year		
Unrealized gain(loss) on equity		
Instruments	36,991	4,012
Share of gain (loss) of associates		
accounted for using the equity method	<u>34,754</u>	<u>5,175</u>
Balance at December 31	<u>\$138,774</u>	<u>\$ 67,029</u>

(6) Non-controlling interests

	For the Years Ended December 31	
	2020	2019
Balance at January 1	\$ 461,754	\$ 436,464
Effect of retrospective restatement of IFRS 16	<u>-</u>	<u>(306)</u>
Balance at January 1 (as restated)	461,754	436,158
Net profit attributable to non-controlling interests	157,526	55,313
Comprehensive income attributable to non-controlling interests:		
Adjustments for changes in capital surplus of subsidiary using the equity method	( 1)	-
Unrealized gains (loss) on financial assets at FVTOCI	105	42
Remeasurement on defined benefit plans	786	433
Distributions of cash dividends	<u>(19,927)</u>	<u>(30,192)</u>
Balance at December 31	<u>\$ 600,243</u>	<u>\$ 461,754</u>

**23. REVENUE**

(1) Revenue from contracts with customers

	For the Years Ended December 31	
	2020	2019
Revenue from the sale of goods		
PVC products	\$ 13,428,666	\$ 14,233,801
VCM products	<u>304,482</u>	<u>884,054</u>
	<u>\$ 13,733,148</u>	<u>\$ 15,117,855</u>

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 34 for information about revenue from contracts with customers.

(2) Contract balances

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

	December 31, 2020	December 31, 2019	January 1, 2019
Contract liabilities (presented in other current liabilities)	<u>\$ 64,270</u>	<u>\$ 32,763</u>	<u>\$ 23,211</u>

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

(3) Refund Liabilities

	December 31, 2020	December 31, 2019
Refundable liabilities (presented in other current liabilities)	<u>\$ 9,612</u>	<u>\$ 21,412</u>

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. NET PROFIT FROM CONTINUING OPERATIONS**

Net profit from continuing operations was attributable to:

	For the Years Ended December 31	
	2020	2019
Owners of the Company	\$ 1,629,911	\$ 638,502
Non-controlling interests	<u>157,526</u>	<u>55,313</u>
	<u>\$ 1,787,437</u>	<u>\$ 693,815</u>

(1) Interest income

	For the Years Ended December 31	
	2020	2019
Interest income		
Bank deposits	\$ 1,990	\$ 9,135
Financial assets at FVTPL	1,077	5,826
Financial assets at amortized cost	441	497
Others	<u>113</u>	<u>322</u>
	<u>\$ 3,621</u>	<u>\$ 15,780</u>

(2) Other income

	For the Years Ended December 31	
	2020	2019
Rental income	\$ 11,386	\$ 8,919
Others	<u>24,795</u>	<u>39,845</u>
	<u>\$ 36,181</u>	<u>\$ 48,764</u>

(3) Other gains and losses

	For the Years Ended December 31	
	2020	2019
Gain (Loss) on disposal of property, plant and equipment	\$ 764	(\$ 417)
Gross foreign exchange gains	74,538	89,146
Gross foreign exchange losses	( 126,261)	( 107,046)
Loss on financial liabilities held for trading (see Note 7)	( 18,966)	( 18,791)
Gain on financial assets mandatorily classified as at FVTPL (see Note 7)	43,467	64,226
Depreciation expenses from investment properties	( 14,140)	( 14,140)
(Loss) Gain on disposal of investments accounted for using equity method	( 173)	2,549
Others	<u>( 7,839)</u>	<u>( 12,499)</u>
	<u>(\$ 48,610)</u>	<u>\$ 3,028</u>

(4) Interest expense

	For the Years Ended December 31	
	2020	2019
Interest on bank loans	\$ 5,323	\$ 9,794
Interest on lease liabilities	2,096	2,456
Less: Capitalized interest (included construction in progress)	<u>( 32)</u>	<u>( 47)</u>
	<u>\$ 7,387</u>	<u>\$ 12,203</u>

Information about capitalized interest was as follows:

	For the Years Ended December 31	
	2020	2019
Capitalized interest	\$ 32	\$ 47
Capitalization rate	0.76%	0.66%

(5) Depreciation and amortization

	For the Years Ended December 31	
	2020	2019
Property, plant and equipment	\$ 590,536	\$ 540,380
Right-of-use assets	34,671	34,775
Investment properties	14,140	14,140
Intangible assets	122	2,310
Others	<u>40,568</u>	<u>31,195</u>
	<u>\$ 680,037</u>	<u>\$ 622,800</u>
An analysis of depreciation by function		
Operating costs	\$ 607,953	\$ 558,834
Operating expenses	17,254	16,321
Non-operating expenses	<u>14,140</u>	<u>14,140</u>
	<u>\$ 639,347</u>	<u>\$ 589,295</u>
An analysis of amortization by function		
Operating costs	\$ 40,568	\$ 31,618
General and administrative expenses	<u>122</u>	<u>1,887</u>
	<u>\$ 40,690</u>	<u>\$ 33,505</u>

(6) Employee benefits expense

	For the Years Ended December 31	
	2020	2019
Post-employment benefits (see Note 21)		
Defined contribution plans	\$ 28,725	\$ 27,563
Defined benefit plans	<u>18,569</u>	<u>21,078</u>
	47,294	48,641
Other employee benefits	<u>1,247,421</u>	<u>1,156,580</u>
Total employee benefits expense	<u>\$ 1,294,715</u>	<u>\$ 1,205,221</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 1,022,595	\$ 942,331
Operating expenses	<u>272,120</u>	<u>262,890</u>
	<u>\$ 1,294,715</u>	<u>\$ 1,205,221</u>

(7) 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. For the year ended December 31, 2020 and

2019, the employees' compensation and remuneration of directors were determined in the Resolution of the Board of Directors Meeting on March 5, 2021 and 2020 as follows:

Accrual rate

	<u>For the Years Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Employees' compensation	1%	1%
Remuneration of directors	-	-

Amount

	<u>For the Years Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Employees' compensation	\$ 17,034	\$ 6,967

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, 2019 and 2018.

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

**25. INCOME TAX RELATING TO CONTINUING OPERATIONS**

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

	<u>For the Years Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Current tax</u>		
In respect of the current period	\$ 375,803	\$ 110,421
Income tax on unappropriated earnings	2	14,390
Adjustments for prior periods	( 15,074 )	647
	<u>360,731</u>	<u>125,458</u>
<u>Deferred tax</u>		
In respect of the current period	15,783	33,222
Adjustments for prior periods	( 390 )	( 701 )
	( 2,496 )	2,214
Income tax expense recognized in profit or loss	<u>12,897</u>	<u>34,735</u>
<u>Current tax</u>	<u>\$ 373,628</u>	<u>\$ 160,193</u>

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

	For the Years Ended December 31	
	2020	2019
Profit before tax from continuing operations	<u>\$ 2,161,065</u>	<u>\$ 854,008</u>
Income tax expense calculated at the statutory rate	\$ 705,388	\$ 255,700
Domestic investment gains accounted for using the equity method	( 266,251)	( 95,582)
Domestic disposed loss recognized using Equity method	( 910)	-
Unrecognized deductible of investments	( 1,636)	-
Others	( 3,782)	( 15,907)
Additional income tax under the Alternative Minimum Tax Act	-	4,491
Income tax on unappropriated earnings	2	14,390
Unrecognized deductible temporary differences	( 5,177)	( 6,789)
Loss deductions	( 38,549)	-
Effect of different tax rates	7	3,943
Adjustments for prior years of tax	( <u>15,464</u> )	( <u>53</u> )
Income tax expense recognized in profit or loss	<u>\$ 373,628</u>	<u>\$ 160,193</u>

In accordance with the revised Statute for Industrial Innovation announced in July 2019, it provided that unappropriated earnings for construction or procurement of specified assets or technology shall be recognized as deductible for calculation of unappropriated earnings. When calculating the additional income tax leviable on unappropriated earnings, the Group has only deducted the amount of unappropriated earnings that has actually used for reinvestment.

(2) Income tax recognized in other comprehensive income

	For the Years Ended December 31	
	2020	2019
<u>Deferred tax</u>		
In respect of the current year		
— Translation of foreign operations	\$ 2,423	\$ 3,634
— Remeasurement in the Defined benefit plan	( <u>3,475</u> )	( <u>862</u> )
Income tax recognized in other comprehensive income)	( <u>\$ 1,052</u> )	<u>\$ 2,772</u>



(3) Current tax assets and liabilities

	For the Years Ended December 31	
	2020	2019
Current tax assets		
Tax refund receivable	<u>\$ 16,481</u>	<u>\$ 6,223</u>
Current tax liabilities		
Income tax payable	<u>\$374,688</u>	<u>\$ 99,734</u>

(4) Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2020

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Allowance for inventory valuation	\$ 16,311	\$ 1,345	\$ -	\$ 17,656
Investments using Equity Method	73,424	( 3,486)	2,423	72,361
Unrealized losses on property, plant and equipment	31	( 9)	-	22
Deferred revenue	9,137	( 143)	-	8,994
FVTPL financial assets	241	114	-	355
Refund liabilities	4,169	( 2,246)	-	1,923
Defined benefit plans	115,125	( 7,462)	( 3,475)	104,188
Payables for annual leave	8,219	757	-	8,976
Differences on depreciation period between finance and tax	1,114	-	-	1,114
Others	3,225	( 2,515)	-	710
	<u>\$ 230,996</u>	<u>(\$ 13,645)</u>	<u>(\$ 1,052)</u>	<u>\$ 216,299</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
FVTPL financial assets	\$ 1,484	(\$ 1,352)	\$ -	\$ 132
Unrealized foreign exchange gains	740	230	-	970
Differences on depreciation period between finance and tax	1,002	( 154)	-	848
Revaluation increments of land	592,084	-	-	592,084
Others	-	528	-	528
	<u>\$ 595,310</u>	<u>(\$ 748)</u>	<u>\$ -</u>	<u>\$ 594,562</u>

For the year ended December 31, 2019

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Allowance for inventory valuation	\$ 16,768	(\$ 457)	\$ -	\$ 16,311
Investments using 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
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	<u>3,291</u>	<u>( 66)</u>	<u>-</u>	<u>3,225</u>
	<u>\$ 261,613</u>	<u>( \$ 33,389)</u>	<u>\$ 2,772</u>	<u>\$ 230,996</u>
<u>Deferred tax liabilities</u>				
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	<u>592,084</u>	<u>-</u>	<u>-</u>	<u>592,084</u>
	<u>\$ 593,964</u>	<u>\$ 1,346</u>	<u>\$ -</u>	<u>\$ 595,310</u>

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

	December 31, 2020	December 31, 2019
Loss carryforwards	<u>\$ 300,680</u>	<u>\$ 550,980</u>
Deductible temporary differences		
Investment loss using foreign equity method	\$ 194,414	\$ 206,932
Defined benefit plans	( 965)	10,200
Allowance for inventory valuation	12,808	8,229
Differences on depreciation period between finance and tax	11,719	16,690
Others	<u>17,877</u>	<u>15,769</u>
	<u>\$ 235,853</u>	<u>\$ 257,820</u>

As of December 31, 2020, the Group's unused loss carryforwards are \$300,680 thousand which will expire in succession before 2028.

(6) Income tax assessments

The income tax returns of the Company, CGPCPOL and TVCM through 2018 have been assessed by the tax authorities.

(7) Income tax related to subsidiaries

CGPC (BVI) had no income tax expense for the years ended December 31, 2020 and 2019 due to relevant tax exemptions in compliance with the regulations of the location where the entities were established. CGPC-America's applicable state tax rate is 9% and the federal rate is 21%.

**26. EARNINGS PER SHARE**

	Unit: NT\$ Per Share	
	For the Years Ended December 31	
	2020	2019
Basic earnings per share		
From continuing operations and discontinued operations	\$ 2.95	\$ 1.16
From discontinued operations	( 0.01)	( 0.01)
From continuing operations	<u>\$ 2.94</u>	<u>\$ 1.15</u>
Diluted earnings per share		
From continuing operations and discontinued operations	\$ 2.95	\$ 1.16
From discontinued operations	( 0.01)	( 0.01)
From continuing operations	<u>\$ 2.94</u>	<u>\$ 1.15</u>

The weighted average number of shares outstanding used for the earnings per share computation was adjusted retroactively for the issuance of bonus shares on July 29, 2020. The basic and diluted earnings per share adjusted retrospectively for 2019 were as follows:

	Unit: NT\$ Per Share	
	Before Retrospective Adjustment	After Retrospective Adjustment
Basic earnings per share		
From continuing and discontinued operations	\$ 1.22	\$ 1.16
From discontinued operations	( 0.01)	( 0.01)
From continuing operations	<u>\$ 1.21</u>	<u>\$ 1.15</u>
		(Continued)

	Before Retrospective Adjustment	After Retrospective Adjustment
Diluted earnings per share		
From continuing and discontinued operations	\$ 1.22	\$ 1.16
From discontinued operations	( 0.01)	( 0.01)
From continuing operations	<u>\$ 1.21</u>	<u>\$ 1.15</u>
		(Concluded)

The earnings and weighted average number of ordinary shares outstanding in the computation of earnings per share from continuing operations were as follows:

#### Net Profit for the Year

	For the Years Ended December 31	
	2020	2019
Profit for the period attributable to owners of the Company (earnings used in computation of basic and diluted earnings per share)	\$ 1,634,184	\$ 642,677
Less: Profit for the period from discontinued operations	( 4,273)	( 4,175)
Earnings used in the computation of basic and diluted earnings per share from continuing operations	<u>\$ 1,629,911</u>	<u>\$ 638,502</u>

#### Ordinary shares outstanding

Unit: thousands of shares

	For the Years Ended December 31	
	2020	2019
Weighted average number of ordinary shares used in computation of basic earnings per share	553,381	553,381
Effect of potentially dilutive ordinary shares:		
Employees' compensation	<u>732</u>	<u>449</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>554,113</u>	<u>553,830</u>

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.

## 27. 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.

## 28. FINANCIAL INSTRUMENTS

### (1) 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.

### (2) Fair value of financial instruments measured at fair value on a recurring basis

#### 1) Fair value hierarchy

December 31, 2020

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at FVTPL</u>				
Derivative financial assets	\$ -	\$ 3,443	\$ -	\$ 3,443
Mutual funds	1,471,300	-	-	1,471,300
Beneficiary securities	49,918	-	-	49,918
Investments in equity instruments				
— Overseas unlisted equity investments	-	-	-	-
	<u>\$ 1,521,218</u>	<u>\$ 3,443</u>	<u>\$ -</u>	<u>\$ 1,524,661</u>
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments				
— Domestic listed equity investments	\$ 2,746	\$ -	\$ -	\$ 2,746
— Domestic unlisted equity investments	-	-	137,731	137,731
	<u>\$ 2,746</u>	<u>\$ -</u>	<u>\$ 137,731</u>	<u>\$ 140,477</u>
<u>Financial liabilities at FVTPL</u>				
Derivative financial liabilities	<u>\$ -</u>	<u>\$ 4,556</u>	<u>\$ -</u>	<u>\$ 4,556</u>

December 31, 2019

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at FVTPL</u>				
Derivative financial assets	\$ -	\$ 7,446	\$ -	\$ 7,446
Mutual funds	528,164	-	-	528,164
Beneficiary securities	240,467	-	-	240,467
Investments in equity instruments				
– Overseas unlisted equity investments	-	-	-	-
	<u>\$ 768,631</u>	<u>\$ 7,446</u>	<u>\$ -</u>	<u>\$ 776,077</u>
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments				
– Domestic listed equity investments	\$ 1,921	\$ -	\$ -	\$ 1,921
– Domestic unlisted equity investments	-	-	117,882	117,882
	<u>\$ 1,921</u>	<u>\$ -</u>	<u>\$ 117,882</u>	<u>\$ 119,803</u>
<u>Financial liabilities at FVTPL</u>				
Derivative financial liabilities	<u>\$ -</u>	<u>\$ 1,227</u>	<u>\$ -</u>	<u>\$ 1,227</u>

There were no transfers between Levels 1 and 2 for the year ended December 31 of 2020 and 2019.

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

For the Year Ended December 31, 2020

	<u>Financial Assets at FVTOCI</u>
Balance at January 1, 2020	\$117,882
Recognized in other comprehensive income (included in unrealized gain on financial assets at FVTOCI)	36,272
Refund of capital reduction	( 16,423 )
Balance at December 31, 2020	<u>\$137,731</u>

For the Year Ended December 31, 2019

	<u>Financial Assets at FVTOCI</u>
Balance at January 1, 2019	\$121,047
Recognized in other comprehensive income (included in unrealized gain on financial assets at FVTOCI)	3,726
Refund of capital reduction	( 6,891 )
Balance at December 30, 2019	<u>\$117,882</u>

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, 2020 and 2019. When other inputs remain unchanged, the fair value will decrease by \$1,620 thousand, and \$1,387 thousand, respectively if the discount for lack of marketability increases by 1%.

(3) Categories of financial instruments

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Financial assets</u>		
Financial assets at FVTPL		
Mandatorily classified at FVTPL	\$ 1,524,661	\$ 776,077
Financial assets at amortized cost		
Cash and cash equivalents	777,101	653,347
Pledge time deposits	269,224	269,103
Notes receivable	200,777	209,990
Trade receivables (including related parties)	1,703,390	1,268,810
Other receivables (including related parties and excluding tax refund receivable)	35,740	19,196
Refundable deposits	25,785	26,636
Financial assets at FVTOCI—Equity instruments	140,477	119,803

(Continued)

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Financial liabilities</u>		
Financial liabilities at FVTPL - Held for trading	\$ 4,556	\$ 1,227
Financial liabilities measured at amortized cost		
Trade payables (including related parties)	893,771	838,312
Other payables (Note 1)	432,656	406,998
Long-term borrowings	50,000	500,000
Guarantee deposits	4,185	4,240
		(Concluded)

Note 1: Other payables (including related parties) do not include the amount of salary payable and business tax payable.

#### (4) 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 32.

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, 2020 and 2019 would have decreased/increased by \$43,491 thousand and \$26,998 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 amounts of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Fair value interest rate risk		
– Financial assets	\$ 723,227	\$ 724,184
– Financial liabilities	183,218	217,541
Cash flow interest rate risk		
– Financial assets	300,025	187,120
– Financial liabilities	50,000	500,000

### Sensitivity analysis

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

If interest rates had been 50 points higher/lower and all other variables were held constant, the Group's pre-tax profit for the year ended December 31, 2020 and 2019 would have decreased/increased by \$1,250 thousand and \$1,564 thousand, respectively.

#### (c) Other price risk

The Group was exposed to the 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.

### Sensitivity analysis

The sensitivity analysis below was determined based on the exposure to securities 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, 2020 and 2019 would have increased/decreased by \$76,061 thousand and \$38,432 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, 2020 and 2019 would have increased/decreased by \$7,024 thousand and \$5,990 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 maximum amount the Group would have to pay if the financial guarantee is called upon, irrespective of the likelihood of the guarantee being exercised.

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. As of the end of the reporting period, the Group's largest exposure to credit risk is approximately that of 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, 2020

	Weighted Average Interest Rate (%)	On Demand or Less than 1 Year	1-5 Years	5+ Years
<u>Non-derivative financial liabilities</u>				
Non-interest bearing liabilities		\$ 1,330,612	\$ -	\$ -
Lease liabilities	0.82%-1.04%	36,270	80,908	73,891
Floating interest rate liabilities	0.82%	<u>412</u>	<u>50,721</u>	<u>-</u>
		<u>\$ 1,367,294</u>	<u>\$ 131,629</u>	<u>\$ 73,891</u>

Additional information about the maturity analysis for lease liabilities:

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years
Lease liabilities	<u>\$ 36,270</u>	<u>\$ 80,908</u>	<u>\$ 73,410</u>	<u>\$ 481</u>

December 31, 2019

	Weighted Average Interest Rate (%)	On Demand or Less than 1 Year	1-5 Years	5+ Years
<u>Non-derivative financial liabilities</u>				
Non-interest bearing liabilities		\$ 1,249,549	\$ -	\$ -
Lease liabilities	1.04%	36,318	102,707	88,573
Floating interest rate liabilities	1.05%	<u>5,228</u>	<u>505,228</u>	<u>-</u>
		<u>\$ 1,291,095</u>	<u>\$ 607,935</u>	<u>\$ 88,573</u>

Additional information about the maturity analysis for lease liabilities:

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

b) Financing facilities

The Group relies on bank loans as a significant source of liquidity. As of December 31, 2020, and 2019, the unused amounts of bank loan facilities were as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Bank loan facilities		
— Amount unused	<u>\$ 6,664,900</u>	<u>\$ 7,024,081</u>

## 29. TRANSACTIONS WITH RELATED PARTIES

As of December 31, 2020, and 2019, 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.

### (1) Names of related parties and categories

<u>Name of Related Party</u>	<u>Related Party Category</u>
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 ("SPC")	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
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

### (2) Sales of goods

<u>Related Party Category</u>	<u>For the Years Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Investor with significant influence	\$ 2,370	\$ 2,964
Fellow subsidiary	<u>661</u>	<u>334</u>
	<u>\$ 3,031</u>	<u>\$ 3,298</u>

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

(3) Purchase of goods

<u>Related Party Category/Name</u>	<u>For the Years Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Fellow subsidiary	\$ 35,817	\$ 6,520
Parent company		
USI	143	111
Investor with significant influence	<u>24</u>	<u>-</u>
	<u>\$ 35,984</u>	<u>\$ 6,631</u>

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

(4) Trade receivables

<u>Related Party Category</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Investor with significant influence	<u>\$ 511</u>	<u>\$ 822</u>

The outstanding trade receivables from related parties were unsecured. For the years ended December 31, 2020 and 2019, no impairment loss was recognized for trade receivables from related parties.

(5) Trade payables to related parties

<u>Related Party Category/Name</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Parent company		
USI	\$ 95,761	\$155,788
Fellow subsidiary	<u>11,274</u>	<u>551</u>
	<u>\$107,035</u>	<u>\$156,339</u>

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.

(6) Other receivables from related parties

<u>Related Party Category/Name</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Investor with significant influence		
APC	\$ 1,041	\$ 13,019
Others	923	537
Parent company		
USI	783	727
Fellow subsidiary	59	28
Associate	4	3
Subsidiary of investor with significant influence	<u>1</u>	<u>1</u>
	<u>\$ 2,811</u>	<u>\$ 14,315</u>

(7) Other payables to related parties

<u>Related Party Category/Name</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Associate		
CGTD	\$ 8,440	\$ 12,550
Parent company		
USI	4,567	1,993
Investor with significant influence	236	376
Fellow subsidiary	210	128
Subsidiary of investor with significant influence	18	37
	<u>\$ 13,471</u>	<u>\$ 15,084</u>

(8) Acquisitions of property, plant and equipment

<u>Related Party Category/Name</u>	<u>Purchase Price</u>	
	<u>For the Years Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Parent Company		
USI	\$ -	\$ 2,925
Fellow subsidiary	-	743
INOMA	<u>\$ -</u>	<u>\$ 3,668</u>

(9) Lease arrangements

<u>Related Party Category/Name</u>	<u>December 31,</u>	<u>December 31,</u>
	<u>2020</u>	<u>2019</u>
<u>Lease liabilities</u>		
Investor with significant influence		
APC	\$136,780	\$149,693
TTC	21,560	30,918
Associate		
CGTD	<u>15,607</u>	<u>23,289</u>
	<u>\$173,947</u>	<u>\$203,900</u>
<u>Related Party Category/Name</u>	<u>For the Years Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Interest expense</u>		
Investor with significant influence		
APC	\$ 1,494	\$ 1,627
TTC	277	374
Associate		
CGTD	<u>206</u>	<u>285</u>
	<u>\$ 1,977</u>	<u>\$ 2,286</u>

<u>Related Party Category/Name</u>	<u>For the Years Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Lease expense</u>		
Parent company		
USI	\$ 7,880	\$ 7,116
Investor with significant influence	<u>3,192</u>	<u>3,441</u>
	<u>\$ 11,072</u>	<u>\$ 10,557</u>

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.

(10) Storage tank operating expenses

<u>Related Party Category/Name</u>	<u>For the Years Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Associate		
CGTD	<u>\$ 74,062</u>	<u>\$100,832</u>

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

(11) Management service revenue

<u>Related Party Category/Name</u>	<u>For the Years Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Parent company		
USI	\$ 3,038	\$ 2,514
Investor with significant influence	<u>75</u>	<u>-</u>
	<u>\$ 3,113</u>	<u>\$ 2,514</u>



(12) Management service expenses

<u>Related Party Category/Name</u>	<u>For the Years Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Fellow subsidiary		
UM	\$ 74,028	\$ 86,501
Others	29	114
Parent company		
USI	<u>4,316</u>	<u>4,892</u>
	<u>\$ 78,373</u>	<u>\$ 91,507</u>

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.

(13) Donations

<u>Related Party Category/Name</u>	<u>For the Years Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Related party in substance		
USIF	<u>\$ 1,250</u>	<u>\$ 2,500</u>

(14) Rental income

<u>Related Party Category/Name</u>	<u>For the Years Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Fellow subsidiary		
USIO	\$ 3,379	\$ 5,909
Investor with significant influence	<u>266</u>	<u>216</u>
	<u>\$ 3,645</u>	<u>\$ 6,125</u>

USIO signed a factory lease contract with the Company with lease term until April 15, 2021. 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.

(15) Other income

<u>Related Party Category/Name</u>	<u>For the Years Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Investor with significant influence	<u>\$ 1,482</u>	<u>\$ 1,925</u>

(16) Compensation of key management personnel

The compensation of directors and key executives for the years ended December 31, 2020 and 2019 were as follows:

	For the Years Ended December 31	
	2020	2019
Salaries and others	\$ 27,416	\$ 25,139
Post-employment benefits	<u>289</u>	<u>329</u>
	<u>\$ 27,705</u>	<u>\$ 25,468</u>

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

### **30. 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, 2020	December 31, 2019
Pledge deposits (classified as debt investments with no active market or other non-current assets)	\$ 288,558	\$ 288,275
Property, plant and equipment		
Land	-	1,650,957
Buildings and improvements, net	-	486,815
Machinery and equipment, net	-	511,933
	<u>\$ 288,558</u>	<u>\$ 2,937,980</u>

By setting the land and plants as collateral, the Company signed a medium and long term secured loan contract with a credit limit of \$1,000,000 thousand with a bank to enrich working capital. The total credit amount will be revolved to utilize within the validity period; however, the Company has cancelled related credit line and pledge rights of related lands and plants in November, 2020.

The Company's subsidiary, CGPCPOL, pledged its land, plants, machinery and equipment as collateral for a medium and long term credit contract with a Bank; however, CGPCPOL has cancelled related credit line and pledge rights of related lands, plants and machinery equipment in November, 2020.

### **31. 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:

(1) As of December 31, 2020, and 2019, the Group's unused letters of credit amounted to \$623,494 thousand and \$380,618 thousand, respectively.

(2) Description of Kaohsiung gas 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 second instance of the criminal procedures reached a judgment on April 24, 2020, whereby three employees of CGTD were all sentenced not guilty.

CGTD arrived at an agreement with the Kaohsiung City Government on February 12, 2015, pledging certificates of bank deposits of \$227,458 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. CGTD had deposited \$99,207 thousand in cash to the court to be exempted from provisional attachment. Taiwan Water Corporation also applied for provisional attachment against CGTD's property on February 3 and March 2, 2017. As of February 26, 2021, the provisionally attached property was worth \$9,581 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, agreeing to provide preliminary assistance in the compensation to all heirs and parties with claiming rights of 32 victims (hereinafter referred to as "Victim's Families"). Each victim's family received \$12,000 thousand, and the compensation was \$384,000 thousand in total, which was paid 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 26, 2021, 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 \$46,677 thousand, and the amount of the settlement was \$4,519 thousand. Along with the case still under litigation and the above-mentioned compensation, the accumulated amount of compensation is \$3,856,447 thousand. The first-instance judgments of some of the above-mentioned civil cases (with a total amount of compensation of approximately \$1,341,128 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 \$401,979 thousand. In particular, CGTD was exempted to pay \$6,194 thousand according to the court's judgment. CGTD has appealed some civil cases which were announced but were not yet settled and gradually entered into the second-instance trials. CGTD has signed settlement agreements with insurance companies, and has estimated the amount of settlement and civil litigation compensation for the victims of casualties and serious injuries according to the proportion of fault liability announced in the first-instance judgment, after deducting the upper limit of insurance claims (including settled cases). The total amount that CGTD estimated and recognized is \$136,375 thousand. However, the actual payment still depends on the judgments of the remaining civil cases in the future.

- (3) TVCM signed a dichloroethane purchase contract with CPC Corporation, Formosa Plastics Corporation and Mitsui Corp. The purchase price was negotiated by both parties according to a pricing formula.

### **32.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: Except for the exchange rate, all in thousands

December 31, 2020

	Foreign Currencies	Exchange Rate (In Single Dollars)	Functional Currencies	NT\$
<u>Financial Assets</u>				
<u>Monetary items</u>				
USD	\$ 62,580	28.480 (USD : NTD)	\$ 1,782,265	\$1,782,265
AUD	853	21.950 (AUD : NTD)	18,716	18,716
EUR	392	35.020 (EUR : NTD)	13,731	13,731
USD	293	6.5249 (USD : CNY)	1,909	8,331
GBP	73	38.900 (GBP : NTD)	2,834	2,834
<u>Financial Liabilities</u>				
<u>Monetary items</u>				
USD	11,970	28.480 (USD : NTD)	340,904	340,904
GBP	67	38.900 (GBP : NTD)	2,623	2,623

December 31, 2019

	Foreign Currencies	Exchange Rate (In Single Dollars)	Functional Currencies	NT\$
<u>Financial Assets</u>				
<u>Monetary items</u>				
USD	\$ 41,131	29.980 (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	39.360 (GBP : NTD)	2,371	2,371
<u>Financial Liabilities</u>				
<u>Monetary items</u>				
USD	11,406	29.980 (USD : NTD)	341,947	341,947

For the years ended December 31, 2020 and 2019, net foreign exchange losses were \$51,723 thousand, and \$17,900 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.

### **33. SEPARATELY DISCLOSED ITEMS**

(1) Information about significant transactions

- 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 \$300 million or 20% of the paid-in capital: See Table 3 attached;
  - 5) Acquisitions of individual real estate at costs of at least \$300 million or 20% of the paid-in capital: None;
  - 6) Disposals of individual real estate at prices of at least \$300 million or 20% of the paid-in capital: None;
  - 7) Total purchases from or sales to related parties amounting to at least \$100 million or 20% of the paid-in capital: See Table 4 attached;
  - 8) Receivables from related parties amounting to at least \$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
- (2) Information on investees: See Table 7 attached.
- (3) 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.
- (4) Information of major shareholders: List of all shareholders with ownership of 5% or greater showing the names and the number shares and percentage of ownership held by each shareholder: See Table 9 attached.

### **34. 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:

#### **(1) 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, 2020**

	<u>VCM Products</u>	<u>PVC Products</u>	<u>Total</u>
Revenue from external customers	\$ 304,482	\$ 13,428,666	\$ 13,733,148
Inter-segment revenue	<u>8,160,549</u>	<u>450,212</u>	<u>8,610,761</u>
Segment revenue	<u>\$ 8,465,031</u>	<u>\$ 13,878,878</u>	22,343,909
Eliminations			( <u>8,610,761</u> )
Consolidated revenue			<u>\$ 13,733,148</u>
Segment income	<u>\$ 54,213</u>	<u>\$ 2,099,339</u>	\$ 2,153,552
Interest income			3,621
Other income			36,181
Other gains and losses			( 48,610 )
Share of gain of associates accounted for using the equity method			23,708
Interest expense			( <u>7,387</u> )
Profit before tax from continuing operations			<u>\$ 2,161,065</u>

For the Year Ended December 31, 2019

	<u>VCM Products</u>	<u>PVC Products</u>	<u>Total</u>
Revenue from external customers	\$ 884,054	\$ 14,233,801	\$ 15,117,855
Inter-segment revenue	<u>8,947,977</u>	<u>439,166</u>	<u>9,387,143</u>
Segment revenue	<u>\$ 9,832,031</u>	<u>\$ 14,672,967</u>	24,504,998
Eliminations			( <u>9,387,143</u> )
Consolidated revenue			<u>\$ 15,117,855</u>
Segment income	<u>\$ 45,711</u>	<u>\$ 728,188</u>	\$ 773,899
Interest income			15,780
Other income			48,764
Other gains and losses			3,028
Share of gain of associates accounted for using the equity method			24,740
Interest expense			( <u>12,203</u> )
Profit before tax from continuing operations			<u>\$ 854,008</u>

Segment profit represented the profit before tax earned by each segment without the share of profit (loss) of associates, interest income, rental income, gain(loss) on disposal of property, plant and equipment, foreign exchange gains(losses), gain(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 assets and liabilities from each operating department were not included in the provision to the chief operating decision maker, hence, their measure were excluded in the segment financial information.

(2) 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

(3) Region information

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



	Revenue from external customers		Non-current assets	
	For the Year Ended December 31, 2020	For the Year Ended December 31, 2019	December 31, 2020	December 31, 2019
Asia	\$ 10,996,729	\$ 12,496,081	\$ 7,286,849	\$ 6,779,050
Americas	2,149,161	1,926,492	11,402	17,113
Middle East	261,751	116,140	-	-
Oceania	159,894	333,361	-	-
Africa	83,629	101,798	-	-
Europe	81,984	143,983	-	-
	<u>\$ 13,733,148</u>	<u>\$ 15,117,855</u>	<u>\$ 7,298,251</u>	<u>\$ 6,796,163</u>

Non-current assets exclude those which were classified as financial instruments, deferred tax assets, and guarantee deposits

#### (4) Information about major customers

Included in revenue arising from direct sales of VCM products of \$304,482 thousand and \$884,054 thousand in the years ended December 31, 2020 and 2019, respectively, is revenue of approximately \$208,33 thousand and \$880,312 thousand arising from sales to the Group's largest customer.

**CHINA GENERAL PLASTICS CORPORATION AND SUBSIDIARIES**  
**ENDORSEMENTS/GUARANTEES PROVIDED**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

Table 1

Unit: 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	\$ 5,822,109	\$ 2,450,000	\$ 2,450,000	\$ 14,240	None	25.25%	\$ 9,703,515	Yes	No	No

Note 1: The ratio is calculated using the ending balance of equity of the Company as of December 31, 2020.

Note 2: The total amount of guarantee that may be provided by the Company shall not exceed 100% of the Company's net worth in the latest financial statements; the amount of guarantee that may be provided by the Company to any individual entity shall not exceed 60% of the Company's net worth in the latest financial statements.

**CHINA GENERAL PLASTICS CORPORATION AND SUBSIDIARIES**  
**MARKETABLE SECURITIES HELD**  
**DECEMBER 31, 2020**

Table 2

Unit: 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, 2020				Maximum shares/Units Held During the Year	Note	
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value			
China General Plastics Corporation	<u>Beneficiary security</u>									
	Cathay No. 1 Real Estate Investment Trust	—	Financial assets at FVTPL - current	2,668,000	\$ 49,918	-	\$ 49,918	4,268,000	1	
	<u>Mutual Funds</u>									
	Shin Kong Chi-Shin Money Market Fund	—	Financial assets at FVTPL - current	6,407,463	100,000	-	100,000	6,407,463	1	
	Taishin 1699 Money Market Fund	—	Financial assets at FVTPL - current	7,255,248	99,005	-	99,005	10,995,912	1	
	Taishin Ta-Chong Money Market Fund	—	Financial assets at FVTPL - current	4,190,295	60,007	-	60,007	4,190,295	1	
	CTBC Hua Win Money Market Fund	—	Financial assets at FVTPL - current	4,501,666	50,002	-	50,002	5,409,686	1	
	<u>Ordinary shares</u>									
	KHL IB Venture Capital Co., Ltd.	—	Financial assets at FVTOCI - non-current	6,022,353	137,731	5.95%	137,731	7,664,611	1	
Taiwan VCM Corporation	<u>Mutual Funds</u>									
	Taishin Ta-Chong Money Market Fund	—	Financial assets at FVTPL - current	6,983,874	100,012	-	100,012	13,979,073	1	
	Capital Money Market Fund	—	Financial assets at FVTPL - current	4,611,100	75,001	-	75,001	4,611,100	1	
	Taishin 1699 Money Market Fund	—	Financial assets at FVTPL - current	3,664,588	50,006	-	50,006	13,738,244	1	
	FSITC Taiwan Money Market Fund	—	Financial assets at FVTPL - current	3,240,147	50,007	-	50,007	12,972,782	1	
	FSITC Money Market Fund	—	Financial assets at FVTPL - current	278,042	50,006	-	50,006	446,087	1	
	Jih Sun Money Market Fund	—	Financial assets at FVTPL - current	669,954	10,016	-	10,016	6,699,539	1	
	Hua Nan Phoenix Money Market Fund	—	Financial assets at FVTPL - current	610,344	10,001	-	10,001	9,155,162	1	
		<u>Ordinary shares</u>								
	Asia Polymer Corporation	The major shareholders are the same as the those of the Company		Financial assets at FVTOCI - non-current	127,691	2,746	0.02%	2,746	127,691	1

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2020				Maximum shares/Units Held During the Year	Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value		
CGPC Polymer Corporation	<u>Mutual Funds</u>								
	Taishin 1699 Money Market Fund	—	Financial assets at FVTPL - current	15,393,455	\$ 210,058	-	\$ 210,058	16,213,040	1
	Capital Money Market Fund	—	Financial assets at FVTPL - current	11,991,180	195,041	-	195,041	11,991,180	1
	Taishin Ta-Chong Money Market Fund	—	Financial assets at FVTPL - current	8,941,582	128,047	-	128,047	11,386,536	1
	Hua Nan Phoenix Money Market Fund	—	Financial assets at FVTPL - current	7,629,121	125,009	-	125,009	8,247,993	1
	FSITC Taiwan Money Market Fund	—	Financial assets at FVTPL – current	3,178,916	49,062	-	49,062	3,251,715	1
	FSITC Money Market Fund	—	Financial assets at FVTPL – current	250,312	45,018	-	45,018	334,346	1
	Hua Nan Kirin Money Market Fund	—	Financial assets at FVTPL – current	3,315,451	40,002	-	40,002	5,807,222	1
	Shin Kong Chi-Shin Money-Market Fund	—	Financial assets at FVTPL – current	1,601,866	25,000	-	25,000	6,095,008	1
CGPC ( BVI ) Holding Co., Ltd.	<u>Ordinary shares</u>								
	Teratech Corporation	—	Financial assets at FVTPL - non-current	112,000	-	0.67%	-	112,000	1, 3
	SOHWARE Inc. - preference shares	—	Financial assets at FVTPL - non-current	100,000	-	-	-	100,000	1, 2, and 3

(Concluded)

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, 2020, the Group evaluates the fair value of the equity instrument as \$0.

**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, 2020**

Table 3

Unit: 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	<b>Mutual Funds</b>													
	Jih Sun Money Market Fund	Financial assets at FVTPL – current	—	—	6,722,102	\$ 100,000	18,056,905	\$ 269,000	24,779,007	\$ 369,113	\$ 369,000	\$ 113	-	\$ -
	Taishin 1699 Money Market Fund	Financial assets at FVTPL – current	—	—	-	-	72,435,348	987,000	65,180,100	888,173	888,000	173	7,255,248	99,000
Taiwan VCM Corporation	<b>Mutual Funds</b>													
	Taishin 1699 Money Market Fund	Financial assets at FVTPL – current	—	—	-	-	32,094,334	437,000	28,429,746	387,319	387,000	319	3,664,588	50,000
	FSITC Taiwan Money Market Fund	Financial assets at FVTPL – current	—	—	-	-	26,931,036	415,000	23,690,889	365,200	365,000	200	3,240,147	50,000
	Taishin Ta-Chong Money Market Fund	Financial assets at FVTPL – current	—	—	-	-	27,828,581	398,000	20,844,707	298,168	298,000	168	6,983,874	100,000
	Hua Nan Phoenix Money Market Fund	Financial assets at FVTPL – current	—	—	-	-	19,927,441	326,000	19,317,097	316,119	316,000	119	610,344	10,000
	Hua Nan Kirin Money Market Fund	Financial assets at FVTPL – current	—	—	-	-	26,573,708	320,000	26,573,708	320,136	320,000	136	-	-
GPC Polymer Corporation	<b>Mutual Funds</b>													
	Jih Sun Money Market Fund	Financial assets at FVTPL – current	—	—	12,751,358	189,601	24,108,007	359,000	36,859,365	548,936	548,601	335	-	-
	Taishin 1699 Money Market Fund	Financial assets at FVTPL – current	—	—	8,813,848	119,700	52,289,292	712,400	45,709,685	622,428	622,100	328	15,393,455	210,000
	Capital Money Market Fund	Financial assets at FVTPL – current	—	—	2,574,758	41,700	21,415,980	348,000	11,999,558	194,753	194,700	53	11,991,180	195,000
	Hua Nan Phoenix Money Market Fund	Financial assets at FVTPL – current	—	—	-	-	27,420,678	449,000	19,791,557	324,050	324,000	50	7,629,121	125,000

Note: The amounts as of January 1 and December 31, 2020 were accounted for as the original investment 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, 2020**

Table 4

Unit: 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	\$ 4,290,414	74%	45 days	No major difference	No major difference	Trade payables to related parties	(\$1,069,615)	( 79%)
	CGPC America Corporation	Subsidiary	Sale	( 389,006)	( 5%)	90 days	No major difference	No major difference	Trade receivables from related parties	110,613	8%
Taiwan VCM Corporation	China General Plastics Corporation	Parent company	Sale	( 4,290,414)	( 51%)	45 days	No major difference	No major difference	Trade receivables from related parties	1,069,615	42%
	CGPC Polymer Corporation	Fellow subsidiary	Sale	( 3,869,633)	( 46%)	75 days	No major difference	No major difference	Trade receivables from related parties	1,437,900	57%
CGPC Polymer Corporation	Taiwan VCM Corporation	Fellow subsidiary	Purchase	3,869,633	96%	75 days	No major difference	No major difference	Trade payables to related parties	(1,437,900)	( 98%)
CGPC America Corporation	China General Plastics Corporation	Parent company	Purchase	389,006	85%	90 days	No major difference	No major difference	Trade payables to related parties	( 110,613)	( 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, 2020**

Table 5

Unit: 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 company	Trade receivables from related parties <u>\$ 110,613</u>	3.55	\$ -	—	\$ 36,022	(Note 1)
Taiwan VCM Corporation	China General Plastics Corporation	Parent company	Trade receivables from related parties <u>\$ 1,069,615</u>	4.43	-	—	1,069,615	(Note 1)
	CGPC Polymer Corporation	Fellow subsidiary	Trade receivables from related parties <u>\$ 1,437,900</u>	3.55	-	—	920,851	(Note 1)

Note 1: There is no allowance for impairment loss after an impairment assessment.

Note 2: The subsequent period is between January 1 and February 17, 2021.

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, 2020**

Table 6

Unit: 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	\$ 1,069,615	No major difference	8%
			1	Purchases	4,290,414	No major difference	31%
			1	Other Expenses	503	No major difference	-
		CGPC America Corporation	1	Trade receivables from related parties	110,613	No major difference	1%
			1	Sales revenue	389,006	No major difference	3%
			CGPC Polymer Corporation	1	Other receivables from related parties	1,545	No major difference
		1		Trade payables to related parties	19,827	No major difference	-
		1		Purchases	61,206	No major difference	-
		1	CGPC Polymer Corporation	Taiwan VCM Corporation	3	Trade payables to related parties	1,437,900
3	Other payables to related parties				20,798	No major difference	-
3	Purchases				3,869,633	No major difference	28%
3	Rent incomes				1,168	No major difference	-

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 INVESTEEES**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

Table 7

Unit: In Thousands of New Taiwan Dollars

Investor Company	Investee Company	Location	Business Content	Original Investment Amount		As of December 31, 2020			Net Income (Loss) of Investee	Share of Profit (Loss)	Note
				December 31, 2020	December 31, 2019	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	240,206,420	87.22%	\$ 4,020,390	\$ 1,232,387	\$ 1,024,137	Subsidiary
	CGPC Polymer Corporation	12F., No. 37, Jihu Rd., Neihsu Dist., Taipei City 114, Taiwan (R.O.C.)	Manufacturing & marketing of PVC resins	800,000	800,000	80,000,000	100%	1,177,835	283,408	283,408	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%	351,935	4,943	4,943	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	19,918,185	33.33%	315,711	69,385	23,128	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%	208,312	25,001	25,001	Subsidiary
	Acme Electronics Corporation	8F., No. 39, Jihu Rd., Neihsu Dist., Taipei City 114, Taiwan (R.O.C.)	Manufacturing & marketing of Mn-Zn and Ni-Zn ferrite cores.	33,995	33,995	3,176,019	1.74%	22,517	33,393	579	Associate accounted for using the equity method
	Thintec Materials Corporation	12F., No. 37, Jihu Rd., Neihsu Dist., Taipei City 114, Taiwan (R.O.C.)	Manufacturing & marketing of reinforced plastic products	-	15,000	-	-	-	15	1	Associate accounted for using the equity method (Note 1)

Note 1: On April 12, 2019, the board of directors of Thintec Materials Corporation (TMC) resolved to dissolve the company from May 25, 2019. TMC has been completed dissolution procedures on July 22, 2020. The Company retrieved the residual assets of \$1,274 thousand in May 2020 and recognized a loss of \$173 thousand on disposal of investment.

Note 2: 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, 2020**

Table 8

Unit: 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, 2020 (Note 1)	Investment Flows		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2020 (Note 1)	Net Income (Loss) of Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Notes 5)	Carrying Amount as of December 31, 2020 (Notes 1 and 5)	Accumulated Repatriation of Investment Income as of December 31, 2020
					Outflow	Inflow						
Continental General Plastics (Zhong Shan) Co., Ltd. ("CGPC (ZS)") (Note 4)	Manufacturing & marketing of PVC film and consumer products	\$ 569,600 (US\$20,000 thousand)	Investment through CGPC (BVI) Holding Co., Ltd. ("CGPC (BVI)")	\$ 569,600 ( US\$20,000 thousand)	\$ -	\$ -	\$ 569,600 ( US\$20,000 thousand)	\$ 4,270 ( US\$146 thousand)	100%	\$ 4,270 ( US\$146 thousand)	\$ 266,359 ( US\$9,352 thousand)	\$ -
CGPC Consumer Products Corporation ("CGPC (CP)") (Note 4)	Manufacturing & marketing of PVC consumer products	42,720 (US\$1,500 thousand)	Investment through CGPC (BVI) Holding Co., Ltd. ("CGPC (BVI)")	42,720 ( US\$1,500 thousand)	-	-	42,720 ( US\$1,500 thousand)	3 ( US\$ - thousand)	100%	3 ( US\$ - thousand)	13,519 ( US\$475 thousand)	-

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2020 (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
\$ 771,295 ( US\$ 27,082 thousand )	\$ 894,272 ( US\$ 31,400 thousand )	(Note2)

Note 1: The calculation was based on the spot exchange rate of December 31, 2020.

Note 2: As the Company has obtained the certificate of qualification for operating headquarters issued by the Industrial Development Bureau, MOEA No. 10920426850 on September 08, 2020, 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 \$19,480 thousand (US\$684 thousand), the investment amount of Union (ZS) of \$25,575 thousand (US\$898 thousand) and the investment amount of CGPC (SH) of \$113,920 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, 2020, the dissolution procedures have not yet been completed.

Note 5: The investment income recognition in 2020 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.

**CHINA GENERAL PLASTICS CORPORATION AND SUBSIDIARIES**  
**INFORMATION OF MAJOR SHAREHOLDERS**  
**DECEMBER 31, 2020**

Table 9

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership
Union Polymer Int'l Investment Corporation	138,170,701	24.97%
Asia Polymer Corporation	44,653,510	8.06%

Note 1:

The information in this table refers to a total of holding shares of more than 5 percent of the Company's non-physical shares of common stock and preferred stock that have completed registration and delivery (including treasury shares), in accordance with the last business day of the end of the quarter of the Taiwan Depository & Clearing Corporation. The share capital recorded in the Company's consolidated financial report and the actual number of non-physical shares that have been registered and delivered may be different due to the different calculation basis.

## **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, 2020 and 2019, 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, 2020 and 2019, 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.

### **Base of Opinion**

We conducted our audit of the financial statements for the year ended December 31, 2020 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. 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. 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, 2020. 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, 2020 are stated as follows:

#### Valuation of Inventory

As of December 31, 2020, the carrying amount of the Company's inventory was NT\$626,446 thousand (i.e., the gross amount of inventory of NT\$668,534 thousand with a deduction of the allowance for inventory valuation and obsolescence losses of NT\$42,088 thousand), representing 5% 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. We have conducted tests with the inventory cost and net realizable value evaluation statements prepared by the management, including but not limited to validation of logic in the statement, bases adopted for inventory cost carried down and net realizable value, also recalculated and validated related statements.
3. We have obtained inventory aging for evaluation data prepared by the management, spot checked on inventory aging and evaluated the management's base for obsolescence loss of inventory estimates and whether it is reasonable.
4. 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, 2020 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.

Deloitte & Touche  
Taipei, Taiwan, Republic of China

CPA Huang, Hsiu-Chun

Financial Supervisory Commission  
Approved Document No. Tai Cai  
Zheng Liu Zi No. 0920123784

CPA Chiu, Cheng-Chun

Financial Supervisory Commission  
Approved Document No. Jin Guan  
Zheng Liu Zi No. 0930160267

March 05, 2021

**Notice to Readers:**

The financial statement (Chinese version) of our company is audited by the CPA HUANG, HSIU-CHUN and CPA CHIU, CHENG-CHUN of Deloitte Taiwan. For the convenience of reading, the statement has been translated from Chinese to English. If there is any difference regarding the context or interpretation in the English version, the Chinese version shall prevail.



**CHINA GENERAL PLASTICS CORPORATION**  
**BALANCE SHEETS**  
**DECEMBER 31, 2020 AND 2019**

Unit: NT\$ thousand

CODE	ASSETS	December 31, 2020		December 31, 2019	
		Amount	%	Amount	%
	<b>CURRENT ASSETS</b>				
1100	Cash and cash equivalents (Note 4 and 6)	\$ 245,740	2	\$ 196,834	2
1110	Financial assets at fair value through profit or loss (FVTPL) - current (Note 4 and 7)	362,101	3	391,585	4
1150	Notes receivable (Notes 4 & 9)	162,639	1	133,133	1
1170	Trade receivables (Notes 4 and 9)	1,044,989	8	629,762	6
1180	Trade receivables from related parties (Note 4, 9 and 24)	111,124	1	109,470	1
1200	Other receivables (Note 4, 9)	46,206	1	34,716	-
1210	Other receivables from related parties (Notes 4, 9 and 24)	2,265	-	2,298	-
1220	Current tax assets (Note 4, 5 and 20)	15,941	-	5,905	-
1310	Inventories (Note 4, 5 and 10)	626,446	5	711,140	7
1410	Prepayments	13,895	-	27,833	-
1470	Other current assets	1,176	-	1,193	-
11XX	Total current assets	<u>2,632,522</u>	<u>21</u>	<u>2,243,869</u>	<u>21</u>
	<b>NON-CURRENT ASSETS</b>				
1517	Financial assets at fair value through other comprehensive income (FVTOCI) - non-current (Notes 4 and 8)	137,731	1	117,882	1
1550	Investments accounted for using the equity method (Notes 4, 5, and 11)	6,096,700	48	4,879,875	45
1600	Property, plant and equipment (Notes 4, 12 and 25)	3,248,517	26	3,082,693	28
1760	Investment properties (Note 4 and 13)	271,158	2	285,298	3
1780	Intangible assets (Note 4)	46	-	137	-
1840	Deferred tax assets (Note 4, 5 and 20)	204,427	2	218,937	2
1990	Other non-current assets (Note 25)	11,166	-	12,115	-
15XX	Total non-current assets	<u>9,969,745</u>	<u>79</u>	<u>8,596,937</u>	<u>79</u>
1XXX	TOTAL	<u>\$12,602,267</u>	<u>100</u>	<u>\$10,840,806</u>	<u>100</u>
	<b>LIABILITIES AND EQUITY</b>				
	<b>CURRENT LIABILITIES</b>				
2120	Financial liabilities at fair value through profit or loss (FVTPL) - current (Note 4 and 7)	\$ 2,507	-	\$ -	-
2170	Trade payables (Note 14)	256,825	2	249,970	2
2180	Trade payables to related parties (Notes 14 and 24)	1,100,365	9	874,579	8
2200	Other payables (Note 15)	420,564	3	323,197	3
2220	Other payables to related parties (Note 24)	4,779	-	2,166	-
2230	Current tax liabilities (Note 4, 5 and 20)	48,917	1	-	-
2399	Other current liabilities (Notes 18)	45,589	-	66,004	1
21XX	Total current liabilities	<u>1,879,546</u>	<u>15</u>	<u>1,515,916</u>	<u>14</u>
	<b>NON-CURRENT LIABILITIES</b>				
2570	Deferred tax liabilities (Note 4,5 and 20)	484,721	4	485,035	5
2640	Net defined benefit liabilities - non-current (Notes 4 and 16)	530,197	4	584,884	5
2670	Other non-current liabilities	4,288	-	4,159	-
25XX	Total non-current liabilities	<u>1,019,206</u>	<u>8</u>	<u>1,074,078</u>	<u>10</u>
2XXX	Total liabilities	<u>2,898,752</u>	<u>23</u>	<u>2,589,994</u>	<u>24</u>
	<b>EQUITY (Notes 4, 8, 11, 16, 17 and 20)</b>				
3110	Ordinary shares	5,533,814	44	5,270,299	49
3200	Capital surplus	10,338	-	10,060	-
	Retained earnings				
3310	Legal reserve	704,963	6	640,570	6
3320	Special reserve	408,223	3	408,223	4
3350	Unappropriated earnings	2,950,662	23	1,888,394	17
3300	Total retained earnings	<u>4,063,848</u>	<u>32</u>	<u>2,937,187</u>	<u>27</u>
3400	Other equity	95,515	1	33,266	-
3XXX	Total equity	<u>9,703,515</u>	<u>77</u>	<u>8,250,812</u>	<u>76</u>
	TOTAL	<u>\$12,602,267</u>	<u>100</u>	<u>\$10,840,806</u>	<u>100</u>

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

**Notice to Readers:**

The financial statement (Chinese version) of our company is audited by the CPA HUANG, HSIU-CHUN and CPA CHIU, CHENG-CHUN of Deloitte Taiwan. For the convenience of reading, the statement has been translated from Chinese to English. If there is any difference regarding the context or interpretation in the English version, the Chinese version shall prevail.

**CHINA GENERAL PLASTICS CORPORATION**  
**STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

Unit: NT\$ Thousand, except Earnings Per Share

Code		2020		2019	
		Amount	%	Amount	%
4100	NET REVENUE (Notes 4, 18 and 24)	\$ 8,268,069	100	\$ 8,391,693	100
5110	COST OF REVENUE (Notes 4, 5, 10, 19 and 24)	7,389,155	89	7,676,217	92
5900	GROSS PROFIT	878,914	11	715,476	8
5920	REALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES (Note 4)	681	-	270	-
5950	REALIZED GROSS PROFIT	879,595	11	715,746	8
	OPERATING EXPENSES (Notes 19 and 24)				
6100	Selling and marketing expenses	382,926	5	352,696	4
6200	General and administrative expenses	135,053	2	154,476	2
6300	Research and development expenses	31,014	-	31,263	-
6000	Total operating expenses	548,993	7	538,435	6
6900	NET PROFIT FROM OPERATIONS	330,602	4	177,311	2
	NON-OPERATING INCOME AND EXPENSES (Notes 4, 5, 7, 11, 13, 19 and 24)				
7100	Interest income	1,434	-	6,843	-
7010	Other income	27,917	-	19,034	-
7020	Other gains and losses	( 33,826)	-	4,645	-
7510	Interest expense	( 986)	-	( 788)	-
7060	Share of profit of subsidiaries and associates	1,361,197	17	482,646	6
7000	Total non-operating income and expenses	1,355,736	17	512,380	6
7900	PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS	1,686,338	21	689,691	8
7950	INCOME TAX EXPENSE (Notes 4, 5 and 20)	52,154	1	47,014	-
8200	NET PROFIT FOR THE YEAR	1,634,184	20	642,677	8
	OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4, 8, 11, 16, 17 and 20)				
	Items that will not be reclassified subsequently to profit or loss:				
8311	Remeasurement of defined benefit plans	17,376	-	4,309	-
8316	Unrealized gain on investments in equity instruments at FVTOCI	36,272	1	3,726	-
8326	Share of the other comprehensive income of subsidiaries and associates accounted for using the equity method-unrealized loss on investments in equity instruments at FVTOCI	35,473	-	5,461	-
8330	Share of other comprehensive income of subsidiaries and associates accounted for using the equity method - remeasurement of defined benefit plans	5,606	-	2,539	-
8349	Income tax relating to items that will not be reclassified subsequently to profit or loss	( 3,475)	-	( 862)	-
8310		91,252	1	15,173	-
	Items that may be reclassified subsequently to profit or loss:				
8361	Exchange differences on translating the financial statements of foreign operations	( 12,122)	-	( 20,861)	-
8371	Share of other comprehensive income(loss)of associates accounted for using the equity method - exchange differences on translating the financial statements of foreign operations	203	-	( 711)	-
8399	Income tax relating to items that may be reclassified subsequently to profit or loss	2,423	-	3,634	-
8360		( 9,496)	-	( 17,938)	-
8300	Income tax relating to items that may be reclassified subsequently to profit or loss	81,756	1	( 2,765)	-
8500	TOTAL COMPREHENSIVE INCOME FOR THE YEAR	\$ 1,715,940	21	\$ 639,912	8
	EARNINGS PER SHARE (Note 21)				
9750	Basic	\$ 2.95		\$ 1.16	
9850	Diluted	\$ 2.95		\$ 1.16	

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

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**CHINA GENERAL PLASTICS CORPORATION**  
**STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

Unit: NT\$ thousand

Code		Other Equity (Note 4, 8, 11, 17 and 20)													
		Share Capital (Note 17)	Capital Surplus (Note 4 and 17)			Retained Earnings (Note 4, 16, 17 and 20)				Exchange Differences on Translating the financial statements of Foreign Operations		Unrealized Gain on Investments in Equity Instruments at FVTOCI		Total	Total Equity
		Ordinary Shares	Unpaid Dividends	Others	Total	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Total	Total	Total	Total		
A1	BALANCE AT JANUARY 1, 2019	\$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		
A3	Effect of retrospective restatement	-	-	-	-	-	-	( 4,731)	( 4,731)	-	-	-	( 4,731)		
A5	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														
B1	Legal reserve	-	-	-	-	127,616	-	( 127,616)	-	-	-	-	-		
B5	Cash dividends distributed by the Company	-	-	-	-	-	-	( 760,140)	( 760,140)	-	-	-	( 760,140)		
B9	Share dividends distributed by the Company	202,703	-	-	-	-	-	( 202,703)	( 202,703)	-	-	-	-		
C17	Other changes in capital surplus	-	1,124	7	1,131	-	-	-	-	-	-	-	1,131		
D1	Net profit for the year ended December 31, 2019	-	-	-	-	-	-	642,677	642,677	-	-	-	642,677		
D3	Other comprehensive income for the year ended December 31, 2019, net of income tax	-	-	-	-	-	-	5,986	5,986	( 17,938)	9,187	( 8,751)	( 2,765)		
D5	Total comprehensive income for the year ended December 31, 2019	-	-	-	-	-	-	648,663	648,663	( 17,938)	9,187	( 8,751)	639,912		
Z1	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		
	Appropriation of 2019 earnings														
B1	Legal reserve	-	-	-	-	64,393	-	( 64,393)	-	-	-	-	-		
B5	Cash dividends distributed by the Company	-	-	-	-	-	-	( 263,515)	( 263,515)	-	-	-	( 263,515)		
B9	Share dividends distributed by the Company	263,515	-	-	-	-	-	( 263,515)	( 263,515)	-	-	-	-		
C17	Other changes in capital surplus	-	278	-	278	-	-	-	-	-	-	-	278		
D1	Net profit for the year ended December 31, 2020	-	-	-	-	-	-	1,634,184	1,634,184	-	-	-	1,634,184		
D3	Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	-	-	19,507	19,507	( 9,496)	71,745	62,249	81,756		
D5	Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	-	-	1,653,691	1,653,691	( 9,496)	71,745	62,249	1,715,940		
Z1	BALANCE AT DECEMBER 31, 2020	\$5,533,814	\$ 10,024	\$ 314	\$ 10,338	\$ 704,963	\$ 408,223	\$2,950,662	\$4,063,848	(\$ 43,259)	\$ 138,774	\$ 95,515	\$9,703,515		

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**CHINA GENERAL PLASTICS CORPORATION**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

Unit: NT\$ thousand

Code		2020	2019
	<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
A10000	Income before income tax	\$ 1,686,338	\$ 689,691
A20010	Adjustments for:		
A20100	Depreciation expenses	209,482	184,536
A20200	Amortization expenses	91	1,503
A20400	Net loss (gain) on fair value change on financial assets carried at FVTPL	68,860	( 35,516)
A20900	Interest expense	986	788
A21200	Interest income	( 1,434)	( 6,843)
A21300	Dividend income	( 9,192)	( 3,983)
A22400	Share of profit of subsidiaries and associates	( 1,361,197)	( 482,646)
A22500	Net (gain) loss on disposal of property, plant and equipment	( 2,027)	73
A23200	Loss (gain) on disposal of investments accounted for using the equity method	173	( 2,549)
A23700	Write-down (reversal) of inventories	3,798	( 4,770)
A24000	Realized gain on the transactions with subsidiaries	( 681)	( 270)
A30000	Changes in operating assets and liabilities		
A31115	Financial assets mandatorily classified as at FVTPL	( 36,869)	49,327
A31130	Notes receivable	( 29,506)	57,247
A31150	Trade receivables	( 415,227)	202,935
A31160	Trade receivables from related parties	( 1,654)	( 7,900)
A31180	Other receivables	( 11,500)	( 7,750)
A31190	Other receivables from related parties	33	109
A31200	Inventories	80,896	114,451
A31230	Prepayments	13,938	( 10,485)
A31240	Other current assets	17	( 153)
A32130	Notes payable	-	( 288)
A32150	Trade payables	6,925	23,507
A32160	Trade payables to related parties	225,786	97,192
A32180	Other payables	125,368	( 57,663)
A32190	Other payables to related parties	2,613	( 1,996)

(Continued)

Code		2020	2019
A32230	Other current liabilities	(\$ 20,415)	\$ 4,641
A32240	Net defined benefit liabilities	( 37,311)	( 38,242)
A33000	Cash generated from operations	498,291	764,946
A33100	Interest received	1,444	6,862
A33300	Interest paid	( 986)	( 788)
A33500	Income tax paid	( 129)	( 81,178)
AAAA	Net cash generated from operating activities	498,620	689,842
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
B00030	Proceeds from capital reduction of financial assets at FVTOCI	16,423	6,891
B02300	Purchase of financial assets at amortized cost	-	78,556
B02700	Payments for property, plant and equipment	( 392,253)	( 389,412)
B02800	Proceeds from disposal of property, plant and equipment	2,952	3,750
B03700	Increase in refundable deposits	( 39,029)	( 12,026)
B03800	Decrease in refundable deposits	39,978	2,385
B09900	Proceeds from liquidation of investments accounted for using equity method	1,274	-
B07600	Dividends received	181,958	422,912
BBBB	Net cash (used in) generated from investing activities	( 188,697)	113,056
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
C03000	Proceeds from guarantee deposits received	461	2,988
C03100	Refunds of guarantee deposits received	( 330)	( 1,844)
C04400	Decrease in other non-current liabilities	( 2)	( 4)
C04500	Dividends paid	( 261,146)	( 757,933)
CCCC	Net cash used in financing activities	( 261,017)	( 756,793)
EEEE	NET INCREASE IN CASH AND CASH EQUIVALENTS	48,906	46,105
E00100	CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	196,834	150,729
E00200	CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	\$ 245,740	\$ 196,834

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

(Concluded)

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## **CHINA GENERAL PLASTICS CORPORATION**

### **NOTES TO FINANCIAL STATEMENTS**

#### **FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

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

### **1. GENERAL INFORMATION**

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

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

The financial statements of the Company and its subsidiaries (collectively referred to “the Company”) 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 05, 2021.

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

- (1) Initial application of 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).

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.

(2) IFRSs certified by applicable FSC in 2021

New IFRSs/Amendments/Amendment Guidelines and Interpretations	Effective Date Announced by IASB
Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”	Effective immediately upon promulgation by the IASB
Amendment to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”	Effective during the annual reporting period starting from January 1, 2021
Amendment to IFRS 16 "COVID-19 Related Rent Concession"	Effective during the annual reporting period starting from June 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 consolidated financial position and financial performance and will disclose the relevant impact when the assessment is completed.

(3) New IFRSs in issue but not yet endorsed and issued into effect by the FSC:

New IFRSs/Amendments/Amendment Guidelines and Interpretations	Effective Date Announced by IASB (Note 1)
“Annual Improvements to IFRS Standards 2018–2020”	January 1, 2022 (Note 2)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 3)
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, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 4)
Amendments to IAS 37 “Onerous Contracts–Cost of Fulfilling a Contract”	January 1, 2022 (Note 5)
Amendments to IAS1 "Disclosure of Accounting Policy"	January 1, 2023 (Note 6)
Amendments to IAS8 "Definition of Accounting Estimates"	January 1, 2023 (Note 7)

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

Note 2: The amendments to IFRS 9 are applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” are applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The

amendments to IFRS 1 “First-time Adoptions of IFRSs” are applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 3: The amendments are applicable 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, 2022.

Note 4: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 5: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

Note 6: The amendments are deferred to be applicable to the annual reporting period starting after January 1, 2023.

Note 7: The amendments are applicable to changes on accounting estimates and policies happened during the annual reporting period starting after January 1, 2023.

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 consolidated financial position and financial performance and will disclose the relevant impact when the assessment is completed.

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### (1) Statement of compliance

The 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.

##### (2) 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.

(3) Classification of current and non-current assets and liabilities

Current assets include:

1. Assets held primarily for the trading purpose;
2. Assets expected to be realized within 12 months after the reporting period;  
and
3. Cash and cash equivalents (but excluded restricted assets from exchange or use to repay liability for more than 12 months after the balance sheet day).

Current liabilities include:

1. Liabilities held primarily for the trading purpose;
2. Liabilities which are due for repayment within 12 months after the balance sheet day; and
3. Liabilities for which the Company does not have an unconditional right to

defer repayment deadline to at least 12 months after the balance sheet day.

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

(4) 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 balance sheet day, monetary items denominated in foreign currencies are retranslated at the rates prevailing on 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, no longer translation anymore.

In the preparation of financial statements, the functional currencies for assets and liabilities of foreign operations (including subsidiaries or affiliates 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 on every balance sheet day. Gains and expense items are translated at the average exchange rates for the period and the resulting currency translation differences are recognized in other comprehensive profit/loss.

On the disposal of all equity of 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.

(5) Inventories

Inventories consist of raw materials, materials, finished goods and work in progress, which 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.

(6) Investments in Subsidiary

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.

(7) 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.

#### (8) 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 audited 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.

#### (9) 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.

(10) 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 audited 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.

(11) Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Company audit 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.

#### (12) 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.

##### I) 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. 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 23.

**B. Financial assets at amortized cost**

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

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

- a. 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
- b. 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.

C. 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.

II ) 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):

- A. Internal or external information show that the debtor is unlikely to pay its creditors.
- B. 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.

### III) 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). Equity Tool

The debt and equity tool was issued by the Company pursuant to the agreement and financial liability and equity tool are defined and classified as financial liability or equity.

It recognizes the amount after acquired prices deducting costs of direct issuance.

#### 3). Financial liabilities

##### I) Subsequent measurement

Except the derivative instruments, all financial liabilities are measured at amortized cost using the effective interest method.

##### Financial liabilities at fair value through profit or loss (FVTPL)

Financial liabilities are classified as at fair value through profit or loss when the financial liability is held for trading.

Financial liabilities held for trading are stated as at fair value with any gains or loss arising on remeasurement recognized in other gain or loss. For the way of fair price determination, please refer to Note 23.

## II) 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.

### 4). 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 re-measured 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.

### (13) 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 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.

### (14) Leasing

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.

(15) 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 rereasurement) 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.

(16) Income Tax

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

1) Current income tax

The Company determines proceeds (loss) of current period pursuant to the Law and Regulation prescribed in every income tax declaration region and calculates tax payable (recoverable).

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 income 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 audited 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 audited at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3). Current and deferred taxes for the year

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

## 5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The estimates and underlying assumptions are audited 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**

(1) Impairment 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.

(2) Income taxes

As of December 31, 2020 and 2019, the carrying amounts of deferred tax assets in relation to unused tax losses were \$204,427 thousand and \$218,937 thousand, respectively. As of December 31, 2020 and 2019, no deferred tax assets have been recognized on tax losses and deductible temporary differences of \$194,452 thousand and \$206,969 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.

(3) 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, 2020	December 31, 2019
Cash on hand and petty cash	\$ 96	\$ 219
Checking accounts and demand deposits	157,356	93,184
Cash equivalents		
Time deposits	<u>88,288</u>	<u>103,431</u>
	<u>\$ 245,740</u>	<u>\$ 196,834</u>

The market rate intervals of time deposits in bank at the end of the balance sheet day were as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Bank time deposits	0.10%	1.40%-1.50%

**7. FINANCIAL INSTRUMENTS AT FVTPL - CURRENT**

	December 31, 2020	December 31, 2019
<u>Financial assets mandatorily classified as at FVTPL</u>		
Derivative financial assets (not under hedge accounting)		
– Foreign exchange forward contracts	\$ 3,169	\$ 4,104
Non-derivative financial assets		
– Mutual funds	309,014	147,014
– Beneficiary securities	<u>49,918</u>	<u>240,467</u>
	<u>\$ 362,101</u>	<u>\$ 391,585</u>

Financial liabilities held for trading

Derivative financial liabilities (not under hedge accounting)		
– Foreign exchange forward contracts	<u>\$ 2,507</u>	<u>\$ -</u>

At the end of the balance sheet day, outstanding foreign exchange forward contracts not under hedge accounting were as follows:

	<u>Currency</u>	<u>Maturity Date</u>	<u>Contract Amount (In Thousands)</u>
<u>December 31, 2020</u>			
Sell	USD/NTD	2021.01.04-2021.03.12	USD 22,780/NTD 646,453
<u>December 31, 2019</u>			
Sell	USD/NTD	2020.01.03-2020.03.24	USD 14,100/NTD 427,298

The Company entered into foreign exchange forward contracts to avoid risk of exchange rate fluctuations in foreign currency denominated assets and liabilities. These contracts did not meet the conditions pertinent to hedging effect, hence, not applying to a hedge accounting treatment.

## **8. FINANCIAL ASSETS AT FVTOCI – NON CURRENT**

### Investments in Equity Instruments at FVTOCI

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Domestic equity investments		
Unlisted ordinary shares		
KHL IB Venture Capital Co., Ltd.	<u>\$ 137,731</u>	<u>\$ 117,882</u>

In order to adjust its capital structure, KHL IB Venture Capital Co., Ltd. resolved at the shareholders' meeting in November 2020, May 2020 and April 2019 to reduce its capital per thousand shares by 59, 165 and 82.5 shares and refund \$590, \$1,650 and \$825 per thousand shares. The Company received capital refunds of \$16,423 thousand and \$6,891 thousand for the years ended December 31, 2020 and 2019, respectively.

These investments in ordinary shares are held for medium to long-term strategic purposes with expectation of profit through long-term investment. Accordingly, the Management chose to designate these investments as at FVTOCI as it believes that recognizing short-term fluctuations in fair value in profit or loss would not be consistent with the Company's plan of investments for long-term purposes.



## 9. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	December 31, 2020	December 31, 2019
<u>Notes receivable</u>		
Notes receivable - operating	\$ 162,639	\$ 133,133
 <u>Trade receivables</u>		
At amortized cost		
Gross carrying amount	\$ 1,055,641	\$ 640,414
Less: Allowance for impairment loss	( 10,652)	( 10,652)
	<u>\$ 1,044,989</u>	<u>\$ 629,762</u>
 <u>Trade receivables from related parties (Note 24)</u>	 <u>\$ 111,124</u>	 <u>\$ 109,470</u>
 <u>Other receivables</u>		
Tax refund receivables	\$ 46,166	\$ 34,623
Others	40	93
	<u>\$ 46,206</u>	<u>\$ 34,716</u>
 Other receivables from related parties (Note 24)	 <u>\$ 2,265</u>	 <u>\$ 2,298</u>

### (1) 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 audited annually. In addition, the Company audit 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 receivables based on the Company's allowance matrix.

December 31, 2020

	<u>Credit Rating A</u>	<u>Credit Rating B</u>	<u>Credit Rating C</u>	<u>Others</u>	<u>Total</u>
Gross carrying amount	\$ 22,697	\$ 311,901	\$ 154,374	\$ 840,432	\$1,329,404
Loss allowance (lifetime ECLs)	-	( 4,281)	( 3,547)	( 2,824)	( 10,652)
Amortized cost	<u>\$ 22,697</u>	<u>\$ 307,620</u>	<u>\$ 150,827</u>	<u>\$ 837,608</u>	<u>\$1,318,752</u>

December 31, 2019

	<u>Credit Rating A</u>	<u>Credit Rating B</u>	<u>Credit Rating C</u>	<u>Others</u>	<u>Total</u>
Gross carrying amount	\$ 5,507	\$ 340,756	\$ 154,602	\$ 382,152	\$ 883,017
Loss allowance (lifetime ECLs)	-	( 4,445)	( 3,322)	( 2,885)	( 10,652)
Amortized cost	<u>\$ 5,507</u>	<u>\$ 336,311</u>	<u>\$ 151,280</u>	<u>\$ 379,267</u>	<u>\$ 872,365</u>

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Not overdue	\$ 1,278,454	\$ 880,057
Less than and including 60 days	50,886	2,960
Over 60 days	64	-
	<u>\$ 1,329,404</u>	<u>\$ 883,017</u>

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

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

	<u>For the Years Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Balance at January 1 and December 31	\$ <u>10,652</u>	\$ <u>10,652</u>

(2) Other receivables

As of December 31, 2020 and 2019, the Company assessed the impairment loss of other receivables using expected credit losses.

## 10. INVENTORIES

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Finished goods	\$ 305,894	\$ 412,590
Work in progress	48,411	36,751
Raw materials	<u>272,141</u>	<u>261,799</u>
	<u>\$ 626,446</u>	<u>\$ 711,140</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2020 and 2019 were \$7,389,155 thousand, \$7,676,217 thousand respectively. The cost of goods sold for the years ended December 31, 2020 and 2019 included allowance for inventory valuation and obsolescence losses of \$3,798 thousand and allowance for reversal inventory valuation and obsolescence losses of \$4,770 thousand, respectively. Allowance for reversal inventory valuation and obsolescence losses are caused by destocking.

## 11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Investment to subsidiary	\$ 5,758,472	\$ 4,599,106
Investment to associates	<u>338,228</u>	<u>280,769</u>
	<u>\$ 6,096,700</u>	<u>\$ 4,879,875</u>

### (1) Investments in subsidiaries

<u>Name of Subsidiaries</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Unlisted company		
Taiwan VCM Corporation	\$ 4,020,390	\$ 3,126,135
CGPC Polymer Corporation	1,177,835	931,227
CGPC (BVI) Holding Co., Ltd.	351,935	346,472
CGPC America Corporation	<u>208,312</u>	<u>195,272</u>
	<u>\$ 5,758,472</u>	<u>\$ 4,599,106</u>

At the balance sheet day, the percentage of ownership and voting rights held by the Company in the subsidiary was as follows:

<u>Name of Subsidiaries</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Taiwan VCM Corporation	87.22%	87.22%
CGPC Polymer Corporation	100%	100%
CGPC (BVI) Holding Co., Ltd.	100%	100%
CGPC America Corporation	100%	100%

On May 6, 2020 and May 6, 2019, the TVCM shareholders in their meeting passed a resolution to increase TVCM's capital by declaring a share dividend of \$155,892 thousand and \$236,200 thousand, representing 15,589 thousand shares and 23,620 thousand shares, respectively. The record date of the capital increase was July 3, 2020 and July 5, 2019 respectively.

On May 24, 2019, 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, representing 1,141 thousand shares. The record date of the capital increase was July 5, 2019.

CGPC (BVI) invests mainly in Teratech Corporation, SOHOfare, 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, 2020, 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

(2) Investments in associates

Associates that are not individually material

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Listed company		
Acme Electronics Corporation ("ACME")	\$ 22,517	\$ 21,739
Unlisted company		
China General Terminal & Distribution Corporation (CGTD)	315,711	257,584
Thintec Materials Corporation (TMC)	-	1,446
	<u>\$ 338,228</u>	<u>\$ 280,769</u>

Aggregate information of associates that are not individually material

	<u>For the Year Ended December 31, 2020</u>	<u>For the Year Ended December 31, 2019</u>
The Company's share of:		
Gain from continuing operations	\$ 23,708	\$ 24,740
Other comprehensive income	<u>35,198</u>	<u>4,053</u>
Total comprehensive income for the year	<u>\$ 58,906</u>	<u>\$ 28,793</u>

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

<u>Company</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
ACME	1.74%	1.74%
CGTD	33.33%	33.33%
TMC	-	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 approved the proposal for dissolution and liquidation of the Company starting from the dissolution date of May 25, 2019. TMC have been completed dissolution procedures on July 22, 2020. The Company retrieved the residual assets of \$1,274 thousand in May 2020 and recognized a loss of \$173 thousand on disposal of investment.

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:

<u>Company</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
ACME	<u>\$ 60,027</u>	<u>\$ 38,906</u>

All associates are accounted for using the equity method.

Except ACME's financial statement as of and for the year ended December 31, 2020, the Group's investments accounted for using the equity method and its share of profit or loss and other comprehensive income or loss as of and for the years ended December 31, 2020 and 2019 were based on the associates' financial statements which have been audited for the same years; The management considered ACME's Financial Statements not yet be audited by CPA might not generate material effect.

## **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
<b><u>Cost</u></b>							
Balance at January 1, 2020	\$ 1,629,671	\$ 860,050	\$ 4,967,934	\$ 50,551	\$ 164,103	\$ 438,936	\$ 8,111,245
Additions	-	-	-	-	-	362,091	362,091
Disposals	-	( 14,056 )	( 47,428 )	( 3,666 )	( 4,351 )	-	( 69,501 )
Reclassification	-	47,764	249,946	11,939	8,498	( 318,147 )	-
Balance at December 31, 2020	<u>\$ 1,629,671</u>	<u>\$ 893,758</u>	<u>\$ 5,170,452</u>	<u>\$ 58,824</u>	<u>\$ 168,250</u>	<u>\$ 482,880</u>	<u>\$ 8,403,835</u>
<b><u>Accumulated depreciation and impairment</u></b>							
Balance at January 1, 2020	\$ -	\$ 624,768	\$ 4,212,782	\$ 37,095	\$ 153,907	\$ -	\$ 5,028,552
Depreciation expenses	-	35,409	150,067	5,095	4,771	-	195,342
Disposals	-	( 14,023 )	( 46,536 )	( 3,666 )	( 4,351 )	-	( 68,576 )
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ 646,154</u>	<u>\$ 4,316,313</u>	<u>\$ 38,524</u>	<u>\$ 154,327</u>	<u>\$ -</u>	<u>\$ 5,155,318</u>
Carrying amount at December 31, 2020	<u>\$ 1,629,671</u>	<u>\$ 247,604</u>	<u>\$ 854,139</u>	<u>\$ 20,300</u>	<u>\$ 13,923</u>	<u>\$ 482,880</u>	<u>\$ 3,248,517</u>
<b><u>Cost</u></b>							
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	<u>\$ 1,629,671</u>	<u>\$ 860,050</u>	<u>\$ 4,967,934</u>	<u>\$ 50,551</u>	<u>\$ 164,103</u>	<u>\$ 438,936</u>	<u>\$ 8,111,245</u>
<b><u>Accumulated depreciation and impairment</u></b>							
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	<u>\$ -</u>	<u>\$ 624,768</u>	<u>\$ 4,212,782</u>	<u>\$ 37,095</u>	<u>\$ 153,907</u>	<u>\$ -</u>	<u>\$ 5,028,552</u>
Carrying amounts at December 31, 2019	<u>\$ 1,629,671</u>	<u>\$ 235,282</u>	<u>\$ 755,152</u>	<u>\$ 13,456</u>	<u>\$ 10,196</u>	<u>\$ 438,936</u>	<u>\$ 3,082,693</u>

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 25.

### 13. INVESTMENT PROPERTIES

	<u>Land</u>	<u>Building &amp; Improvements</u>	<u>Total</u>
<u>Cost</u>			
Balance at January 1 and December 31, 2020	<u>\$ 27,715</u>	<u>\$ 292,932</u>	<u>\$ 320,647</u>
<u>Accumulated Depreciation</u>			
Balance at January 1, 2020	\$ -	\$ 35,349	\$ 35,349
Depreciation Expense	<u>-</u>	<u>14,140</u>	<u>14,140</u>
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ 49,489</u>	<u>\$ 49,489</u>
Carrying amount at December 31, 2020	<u>\$ 27,715</u>	<u>\$ 243,443</u>	<u>\$ 271,158</u>
<u>Cost</u>			
Balance at January 1, 2019	\$ 13,204	\$ 129,547	\$ 142,751
Reclassification from properties, plant and equipment	<u>14,511</u>	<u>163,385</u>	<u>177,896</u>
Balance at December 31, 2019	<u>\$ 27,715</u>	<u>\$ 292,932</u>	<u>\$ 320,647</u>
<u>Accumulated Depreciation</u>			
Balance at January 1, 2019	\$ -	\$ 7,474	\$ 7,474
Depreciation Expense	-	14,140	14,140
Reclassification from properties, plant and equipment	<u>-</u>	<u>13,735</u>	<u>13,735</u>
Balance at December 31, 2019	<u>\$ -</u>	<u>\$ 35,349</u>	<u>\$ 35,349</u>
Carrying amount at December 31, 2019	<u>\$ 27,715</u>	<u>\$ 257,583</u>	<u>\$ 285,298</u>

The Company's investment properties are located in Toufeng 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 lease payments receivable under operating leases of investment properties on December 31, 2020 and 2019 were as follows:

	December 31, 2020	December 31, 2019
Year 1	\$ 10,336	\$ 7,567
Year 2	10,776	6,622
Year 3	10,776	6,622
Year 4	10,776	6,622
Year 5	10,776	6,623
Year 6 onwards	<u>37,716</u>	<u>29,800</u>
	<u>\$ 91,156</u>	<u>\$ 63,856</u>

The investment properties are depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings and improvements	5 to 26 years
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#### **14. TRADE PAYABLES**

	December 31, 2020	December 31, 2020
<u>Trade payables (including related parties)</u>		
Operating	<u>\$ 1,357,190</u>	<u>\$ 1,124,549</u>

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.

#### **15. OTHER PAYABLES – CURRENT**

	December 31, 2020	December 31, 2019
Payables for salaries or bonuses	\$ 219,403	\$ 162,743
Payables for freight	71,037	38,450
Payables for purchases of equipment	36,837	30,106
Payables for utilities and fuel fees	36,016	37,055
Others	<u>57,271</u>	<u>54,843</u>
	<u>\$ 420,564</u>	<u>\$ 323,197</u>

#### **16. RETIREMENT BENEFIT PLANS**

##### (1) Defined Contribution Plans

Under the defined benefit plans adopted by the Company and its subsidiary, TVCM, the Company and TVCM contribute amounts equal to



6% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee.

(2) 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 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:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Present value of defined benefit obligation	\$ 1,186,411	\$ 1,295,857
Fair value of plan assets	( <u>656,214</u> )	( <u>710,973</u> )
Net defined benefit liabilities	<u>\$ 530,197</u>	<u>\$ 584,884</u>

Movements in net defined benefit liabilities (assets) were as follows:

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities (Assets)
Balance at January 1, 2019	\$ 1,337,890	(\$ 710,455)	\$ 627,435
Service cost			
Current service cost	11,479	-	11,479
Net interest expense (income)	<u>11,460</u>	( <u>6,234</u> )	<u>5,226</u>
Recognized in profit or loss	<u>22,939</u>	( <u>6,234</u> )	<u>16,705</u>
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	( <u>4,228</u> )	-	( <u>4,228</u> )

(Continued)

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities (Assets)
Recognized in other comprehensive income	\$ <u>20,985</u>	(\$ <u>25,294</u> )	(\$ <u>4,309</u> )
Contributions from the employer	-	( 54,947)	( 54,947)
Benefits paid	( <u>85,957</u> )	<u>85,957</u>	<u>-</u>
Balance at December 31, 2019	1,295,857	( 710,973)	584,884
Service cost			
Current service cost	11,152	-	11,152
Net interest expense (income)	<u>7,763</u>	( <u>4,284</u> )	<u>3,479</u>
Recognized in profit or loss	<u>18,915</u>	( <u>4,284</u> )	<u>14,631</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	( 24,832)	( 24,832)
Actuarial loss - changes in financial assumptions	22,703	-	22,703
Actuarial gain - experience adjustments	( <u>15,247</u> )	<u>-</u>	( <u>15,247</u> )
Recognized in other comprehensive income	<u>7,456</u>	( <u>24,832</u> )	( <u>17,376</u> )
Contributions from the employer	-	( 51,942)	( 51,942)
Benefits paid	( <u>135,817</u> )	<u>135,817</u>	<u>-</u>
Balance at December 31, 2020	<u>\$ 1,186,411</u>	( <u>\$ 656,214</u> )	<u>\$ 530,197</u> (Concluded)

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans is as follows:

	For the Year Ended December 31 2020	For the Year Ended December 31 2019
Operating cost	\$ 11,280	\$ 12,995
Selling and marketing expenses	1,546	1,682
General and administrative expenses	1,208	1,333
Research and development expenses	<u>597</u>	<u>695</u>
	<u>\$ 14,631</u>	<u>\$ 16,705</u>

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:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Discount rate	0.375%	0.625%
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:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Discount rates		
0.25% increase	( <u>\$ 22,703</u> )	( <u>\$ 25,212</u> )
0.25% decrease	<u>\$ 23,409</u>	<u>\$ 26,012</u>
Expected rates of salary increase		
0.25% increase	<u>\$ 22,520</u>	<u>\$ 25,086</u>
0.25% decrease	( <u>\$ 21,961</u> )	( <u>\$ 24,448</u> )

It is unlikely that changes in the assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Expected contribution amounts in the next year	<u>\$ 53,502</u>	<u>\$ 56,576</u>
Weighted average duration of defined benefit obligation	7.8 years	8 years

## 17. EQUITY

### (1) Ordinary shares

	December 31, 2020	December 31, 2019
Number of shares authorized (in thousands)	<u>650,000</u>	<u>650,000</u>
Shares authorized	<u>\$ 6,500,000</u>	<u>\$ 6,500,000</u>
Number of shares issued and fully paid (in thousands)	<u>553,381</u>	<u>527,030</u>
Shares issued	<u>\$ 5,533,814</u>	<u>\$ 5,270,299</u>

The holders of issued ordinary shares with a par value of \$10 are entitled to the right to vote and to receive dividends.

### (2) Capital surplus

The overdue cash dividends or share dividends that not yet been received in capital surplus is only used to offset a deficit.

The capital surplus arising from investments in associates accounted for using the equity method may not be used for any purpose.

### (3) 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 are 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 19-(6).

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 2019 and 2018 as approved in the Company's shareholders' meeting on May 28, 2020 and June 21, 2019, respectively, was as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For the Years Ended		For the Years Ended	
	December 31		December 31	
	2019	2018	2019	2018
Legal reserve	\$ 64,393	\$ 127,616		
Cash dividends	263,515	760,140	\$ 0.5	\$ 1.5
Share dividends	263,515	202,703	0.5	0.4

The proposed appropriation of earnings for 2020 in the Board of Directors Meeting on March 5, 2021 was as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 165,369	
Cash dividends	996,086	\$ 1.8
Share dividends	276,691	0.5

The appropriation of earnings for 2020 is submitted to the Shareholders' Meeting for resolution on May 28, 2021.

#### (4) 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, 2020, there was no change.

(5) Other equity items

1) Exchange differences on translating the financial statements of foreign operations

	For the Years Ended December 31	
	2020	2019
Balance at January 1	(\$ 33,763)	(\$ 15,825)
Recognized for the year		
Exchange differences on translating the financial statements of foreign operations	( 12,122)	( 18,312)
Related income tax	2,423	3,634
Share of exchange differences of associates accounted for using the equity method	( 203)	( 711)
Reclassification adjustments		
Disposition of foreign operations	-	( 2,549)
Balance at December 31	<u>(\$ 43,259)</u>	<u>(\$ 33,763)</u>

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

	For the Years Ended December 31	
	2020	2019
Balance at January 1	\$ 67,029	\$ 57,842
Recognized during the year		
Unrealized gain(loss) on equity instruments	36,272	3,726
Share of gain (loss) of associates accounted for using the equity method	<u>35,473</u>	<u>5,461</u>
Balance at December 31	<u>\$138,774</u>	<u>\$ 67,029</u>

**18. REVENUE**

(1) Revenue from contracts with customers

	For the Years Ended December 31	
	2020	2019
Revenue from the sale of goods		
PVC products	<u>\$ 8,268,069</u>	<u>\$ 8,391,693</u>

Please refer to Schedule 8 for detailed information about revenue from the sale of goods.

(2) Contract balances

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>	<u>January 1, 2019</u>
Contract liabilities (presented in other current liabilities)	<u>\$ 20,041</u>	<u>\$ 28,507</u>	<u>\$ 21,118</u>

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

(3) Refund Liabilities

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Refundable liabilities (presented in other current liabilities)	<u>\$ 8,941</u>	<u>\$ 20,389</u>

The refund liability for product returns and discounts is based on the historical experience, the judgment made by the management and other known reasons, and is recognized as a deduction from the operating income in the year the product is sold.

**19. NET PROFIT FROM CONTINUING OPERATIONS**

(1) Interest income

	<u>For the Year Ended December 31, 2020</u>	<u>For the Year Ended December 31, 2019</u>
Bank deposits	\$ 350	\$ 941
Financial assets at FVTPL	1,077	5,826
Others	<u>7</u>	<u>76</u>
	<u>\$ 1,434</u>	<u>\$ 6,843</u>

(2) Other income

	<u>For the Year Ended December 31, 2020</u>	<u>For the Year Ended December 31, 2019</u>
Rental income	\$ 11,386	\$ 8,919
Others	<u>16,531</u>	<u>10,115</u>
	<u>\$ 27,917</u>	<u>\$ 19,034</u>

(3) Other gains and losses

	<u>For the Year Ended December 31, 2020</u>	<u>For the Year Ended December 31, 2019</u>
Gain (Loss) on disposal of property, plant and equipment	\$ 2,027	(\$ 73)
Gross foreign exchange gains	19,937	21,757
Gross foreign exchange losses	( 62,943)	( 40,449)
Loss on financial liabilities held for trading (see Note 7)	( 4,310)	( 10,030)
Gain on financial assets mandatorily classified as at FVTPL (see Note 7)	32,710	49,497
Depreciation expenses from investment properties	( 14,140)	( 14,140)
Loss on disposal of investments accounted for using equity method (Note 11)	( 173)	2,549
Others	( 6,934)	( 4,466)
	<u>\$ 33,826</u>	<u>\$ 4,645</u>

(4) Depreciation and amortization

	<u>For the Year Ended December 31, 2020</u>	<u>For the Year Ended December 31, 2019</u>
Property, plant and equipment	\$ 195,342	\$ 170,396
Investment properties	14,140	14,140
Intangible assets	91	1,503
	<u>\$ 209,573</u>	<u>\$ 186,039</u>
An analysis of depreciation by function		
Operating costs	\$ 193,359	\$ 168,028
Operating expenses	1,983	2,368
Non-operating expenses	14,140	14,140
	<u>\$ 209,482</u>	<u>\$ 184,536</u>
An analysis of amortization by function		
Operating expense	<u>\$ 91</u>	<u>\$ 1,503</u>

(5) Employee benefits expense

	<u>For the Year Ended December 31, 2020</u>	<u>For the Year Ended December 31, 2019</u>
Post-retirement benefits (see Note 16)		
Defined contribution plans	\$ 17,062	\$ 15,938
Defined benefit plans	14,631	16,705
	31,693	32,643
Other employee benefits	851,117	812,572
Total employee benefits expense	<u>\$ 882,810</u>	<u>\$ 845,215</u>

(Continued)



	<u>For the Year Ended December 31, 2020</u>	<u>For the Year Ended December 31, 2019</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 712,129	\$ 678,856
Operating expenses	<u>170,681</u>	<u>166,359</u>
	<u>\$ 882,810</u>	<u>\$ 845,215</u>

(Concluded)

Please refer to Schedule 12 for related details of employee benefits.

(6) 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. For the year ended December 31, 2020 and 2019, the employees' compensation and remuneration of directors were determined in the Resolution of the Board of Directors Meeting on March 5, 2021 and 2020 as follows:

Accrual rate

	<u>For the Year Ended December 31, 2020</u>	<u>For the Year Ended December 31, 2019</u>
Employees' compensation	1%	1%
Remuneration of directors	-	-

Amount in cash

	<u>For the Year Ended December 31, 2020</u>	<u>For the Year Ended December 31, 2019</u>
Employees' compensation	\$ 17,034	\$ 6,967

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 consolidated financial statements for the years ended December 31, 2019 and 2018.

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

## 20. INCOME TAX RELATING TO CONTINUING OPERATIONS

### (1) Income tax recognized as profit/loss

Major components of income tax expense are as follows:

	<u>For the Year Ended December 31, 2020</u>	<u>For the Year Ended December 31, 2019</u>
<u>Current tax</u>		
In respect of the current year	\$ 49,046	\$ 1,325
Income tax on unappropriated earnings	-	9,695
Adjustments for prior years	<u>( 10,036)</u>	<u>701</u>
	<u>39,010</u>	<u>11,721</u>
<u>Deferred tax</u>		
In respect of the current year	16,030	33,780
Effect of different tax rates	7	3,943
Unrecognized deductible provisional difference	<u>( 2,503)</u>	<u>( 1,729)</u>
Adjustments for prior years	<u>( 390)</u>	<u>( 701)</u>
	<u>13,144</u>	<u>35,293</u>
Income tax expense recognized in profit or loss	<u>\$ 52,154</u>	<u>\$ 47,014</u>

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

	<u>For the Year Ended December 31, 2020</u>	<u>For the Year Ended December 31, 2019</u>
Profit before tax from continuing operations	<u>\$ 1,686,338</u>	<u>\$ 689,691</u>
Income tax expense calculated at the statutory rate	\$ 337,267	\$ 137,937
Domestic investment gains accounted for using the equity method	<u>( 266,251)</u>	<u>( 95,582)</u>
Domestic disposed loss recognized using Equity method	<u>( 910)</u>	-
Unrecognized deductible of investments	<u>( 1,636)</u>	-
Others	<u>( 3,394)</u>	<u>( 7,260)</u>
Taxable difference with basic tax deductible	-	10
Additional income tax on unappropriated earnings	-	9,695
Unrecognized deductible temporary differences	<u>( 2,503)</u>	<u>( 1,729)</u>
Effect of different tax rates	7	3,943
Adjustments for prior years of tax	<u>( 10,426)</u>	<u>-</u>
Income tax expense recognized in profit or loss	<u>\$ 52,154</u>	<u>\$ 47,014</u>

In accordance with the revised Statute for Industrial Innovation announced in July 2019, it provided that undistributed earnings for construction or procurement of specified assets or technology shall be recognized as deductible for calculation of undistributed earnings starting from 2018. When calculating the additional income tax leviable on undistributed earnings, the Company has only deducted the amount of undistributed earnings that has actually used for reinvestment.

(2) Income tax recognized in other comprehensive income

	<u>For the Year Ended December 31, 2020</u>	<u>For the Year Ended December 31, 2019</u>
<u>Deferred tax</u>		
In respect of the current year		
Translation of foreign operations	\$ 2,423	\$ 3,634
Remeasurement in the Defined benefit plans	( 3,475)	( 862)
Income tax recognized in other comprehensive income	<u>(\$ 1,052)</u>	<u>\$ 2,772</u>

(3) Current tax assets and liabilities

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Current tax assets		
Tax refund receivable	<u>\$ 15,941</u>	<u>\$ 5,905</u>
Current tax liabilities		
Income tax payable	<u>\$ 48,917</u>	<u>\$ -</u>

(4) Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the years ended December 31, 2020

	<u>Opening Balance</u>	<u>Recognized in Profit or Loss</u>	<u>Recognized in Other Comprehen- sive Income</u>	<u>Closing Balance</u>
<u>Deferred tax assets</u>				
Temporary differences				
Allowance for inventory valuation	\$ 7,658	\$ 760	\$ -	\$ 8,418
Investments using equity method	73,424	( 3,486)	2,423	72,361
Unrealized losses on property, plant and equipment	31	( 9)	-	22

(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensi ve Income	Closing Balance
<u>Deferred tax assets</u>				
Deferred revenue	\$ 9,137	(\$ 143)	\$ -	\$ 8,994
Refund liabilities	3,965	( 2,176)	-	1,789
Defined benefit plans	115,125	( 7,462)	( 3,475)	104,188
Payables for annual leave	7,522	795	-	8,317
Unrealized foreign exchange losses	1,740	( 1,712)	-	28
Others	335	( 25)	-	310
	<u>\$218,937</u>	<u>(\$ 13,458)</u>	<u>(\$ 1,052)</u>	<u>\$204,427</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Differences on				
depreciation period				
between finance and tax	\$ 1,002	(\$ 154)	\$ -	\$ 848
Financial instruments at FVTPL	820	( 688)	-	132
Revaluation increments of land	483,213	-	-	483,213
Others	-	528	-	528
	<u>\$485,035</u>	<u>(\$ 314)</u>	<u>\$ -</u>	<u>\$484,721</u>

(Concluded)

For the years ended December 31, 2019

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensi ve Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Allowance for inventory valuation	\$ 8,612	(\$ 954)	\$ -	\$ 7,658
Investments using 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
Payables for annual leave	6,587	935	-	7,522
Unrealized foreign exchange losses	336	1,404	-	1,740
Others	2,658	( 2,323)	-	335
	<u>\$251,089</u>	<u>(\$ 34,924)</u>	<u>\$ 2,772</u>	<u>\$218,937</u>

(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehens ive Income	Closing Balance
<u>Deferred tax liabilities</u>				
Temporary differences				
Differences on depreciation period between finance and tax	\$ 1,328	(\$ 326)	\$ -	\$ 1,002
FVTPL Financial instruments	125	695	-	820
Revaluation increments of land	<u>483,213</u>	<u>-</u>	<u>-</u>	<u>483,213</u>
	<u>\$484,666</u>	<u>\$ 369</u>	<u>\$ -</u>	<u>\$485,035</u>
				(Concluded)

- (5) Deductible temporary differences for which no deferred tax assets have been recognized in the balance sheets

As of December 31, 2020 and 2019, the Company's deductible temporary differences for which no deferred income tax assets have been recognized in the balance sheets were NT\$194,452 thousand and NT\$206,969 thousand respectively.

- (6) Income tax assessments

The income tax returns of the Company, as of 2018 has been assessed by the tax authorities.

## 21. EARNINGS PER SHARE

	Unit: NT\$ Per Share	
	For the Year Ended December 31, 2020	For the Year Ended December 31, 2019
Basic earnings per share	<u>\$ 2.95</u>	<u>\$ 1.16</u>
Diluted earnings per share	<u>\$ 2.95</u>	<u>\$ 1.16</u>

The weighted average number of shares outstanding used for the earnings per share computation was adjusted retroactively for the issuance of bonus shares

on July 29, 2020. The basic and diluted earnings per share adjusted retrospectively for the year ended December 31 2019 were as follows:

	Unit: NT\$ Per Share	
	Before Retrospective Adjustment	After Retrospective Adjustment
Basic earnings per share	<u>\$ 1.22</u>	<u>\$ 1.16</u>
Diluted earnings per share	<u>\$ 1.22</u>	<u>\$ 1.16</u>

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, 2020	For the Year Ended December 31, 2019
Net profit used in the computation of basic and diluted earnings per share	<u>\$ 1,634,184</u>	<u>\$ 642,677</u>

Ordinary shares outstanding

	Unit: thousands of shares	
	For the Year Ended December 31, 2020	For the Year Ended December 31, 2019
Weighted average number of ordinary shares used in computation of basic earnings per share	553,381	553,381
Effect of potentially dilutive ordinary shares:		
Employees' compensation	<u>732</u>	<u>449</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>554,113</u>	<u>553,830</u>

If the Company has to choose 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.

## 22. CAPITAL MANAGEMENT

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

## 23. FINANCIAL INSTRUMENTS

### (1) 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 not measured by fair price all approximated their fair value or their fair value cannot be reliably measured.

### (2) Fair value of financial instruments measured at fair value on a recurring basis

#### 1) Fair value hierarchy

December 31, 2020

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at FVTPL</u>				
Derivative financial assets	\$ -	\$ 3,169	\$ -	\$ 3,169
Mutual funds	309,014	-	-	309,014
Beneficiary securities	<u>49,918</u>	<u>-</u>	<u>-</u>	<u>49,918</u>
	<u>\$ 358,932</u>	<u>\$ 3,169</u>	<u>\$ -</u>	<u>\$ 362,101</u>
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments				
Domestic unlisted equity investments	<u>\$ -</u>	<u>\$ -</u>	<u>137,731</u>	<u>137,731</u>
<u>Financial liabilities at FVTPL</u>				
Derivatives	<u>\$ -</u>	<u>\$ 2,507</u>	<u>\$ -</u>	<u>\$ 2,507</u>

December 31, 2019

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at FVTPL</u>				
Derivatives	\$ -	\$ 4,104	\$ -	\$ 4,104
Mutual funds	147,014	-	-	147,014
Beneficiary securities	<u>240,467</u>	<u>-</u>	<u>-</u>	<u>240,467</u>
	<u>\$ 387,481</u>	<u>\$ 4,104</u>	<u>\$ -</u>	<u>\$ 391,585</u>
 <u>Financial assets at FVTOCI</u>				
Investments in equity instruments				
Domestic unlisted equity investments	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 117,882</u>	<u>\$ 117,882</u>

There were no transfers between Levels 1 and 2 for the years ended December 31 of 2020 and 2019.

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

For the Year Ended December 31, 2020

	<u>Financial Assets at FVTOCI</u>
Balance at January 1, 2020	\$117,882
Recognized in other comprehensive income (included in unrealized gain on financial assets at FVTOCI)	36,272
Refund of capital reduction	( <u>16,423</u> )
Balance at December 31, 2020	<u>\$137,731</u>

For the Year Ended December 31, 2019

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

3) Valuation techniques and inputs applied for Level 2 fair value measurement

<u>Financial Instruments</u>	<u>Valuation Techniques and Inputs</u>
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 (over-the-counter) 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, 2020 and 2019. When other inputs remain unchanged, the fair value will decrease by \$1,620 thousand, and \$1,387 thousand, respectively if the discount for lack of marketability increases by 1%.

(3) Categories of financial instruments

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Financial assets</u>		
Financial assets at FVTPL		
Mandatorily classified at FVTPL	\$ 362,101	\$ 391,585
Financial assets at amortized cost		
Cash and cash equivalents	245,740	196,834
Notes receivable	162,639	133,133
Trade receivables (including related parties)	1,156,113	739,232
Other receivables (including related parties and excluding tax refund receivable)	2,305	2,391
Refundable deposits	11,166	12,115
Financial assets at FVTOCI—		
Equity instruments	137,731	117,882
<u>Financial liabilities</u>		
Financial liabilities at FVTPL -		
Held for trading	2,507	-
Financial liabilities measured at amortized cost		
Trade payables (including related parties)	1,357,190	1,124,549
Other payables (Note 1)	205,940	162,620
Refundable deposits	3,963	3,832

Note 1: Other payables (including related parties) do not include the amount of salary payable and business tax payable.

(4) 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 27.

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, 2020 and 2019

would have decreased/increased by \$29,873 thousand and \$16,606 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 and financial liabilities; the Company was exposed to the cash flow risk of interest rate fluctuations for the floating interest rate bearing financial assets and financial liabilities. The Company's management regularly monitors the fluctuations on market rates and then adjusted its balance of floating rate bearing financial liabilities to make the Company's interest rates more closely approach market rates in response to the interest rate risk.

The carrying amounts of the Company's financial assets and financial liabilities with exposure to interest rates on the balance sheet day were as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Fair value interest rate risk		
– Financial assets	\$ 96,635	\$ 111,727
Cash flow interest rate risk		
– Financial assets	122,657	71,477

The Company didn't have the financial liabilities of fair value interest rate risk and cash flow interest rate risk, on December 31, 2020 and 2021.

Sensitivity analysis

The fixed-rate financial assets and liabilities held by the Company 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 Company's pre-tax profit for the years ended December 31, 2020 and 2019 would have decreased/increased by \$613 thousand and \$357 thousand, respectively.

### (3) Other price risk

The Company was exposed to the equity price risk through its investments in domestic listed shares, domestic unlisted 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 securities 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, 2020 and 2019 would have increased/decreased by \$17,947 thousand and \$19,374 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, 2020 and 2019 would have increased/decreased by \$6,887 thousand and \$5,894 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. As at the end of the reporting period, the Company's maximum exposure to credit risk, which would cause a financial loss to the Company due to the failure of counterparties to discharge an obligation and financial guarantees provided by the Company, could arise from:

- a) The carrying amount of the respective recognized financial assets as stated in the consolidated balance sheets; and
- b) The maximum amount the Company 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. As of the end of the reporting period, the Company's largest exposure to credit risk is approximately that of 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, 2020

	On Demand or Less than 1 Year	1-5 Years	5+ Years
<u>Non-derivative financial liabilities</u>			
Non-interest bearing liabilities	<u>\$1,563,130</u>	<u>\$ -</u>	<u>\$ -</u>

#### December 31, 2019

	On Demand or Less than 1 Year	1-5 Years	5+ Years
<u>Non-derivative financial liabilities</u>			
Non-interest bearing liabilities	<u>\$1,287,169</u>	<u>\$ -</u>	<u>\$ -</u>

b) Financing facilities

The Company relies on bank loans as a significant source of liquidity. The unused amounts of bank loan facilities on the balance sheet day were as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Bank loan facilities		
– Amount unused	<u>\$ 1,778,160</u>	<u>\$ 2,071,315</u>

## **24. TRANSACTIONS WITH RELATED PARTIES**

As of December 31, 2020, and 2019, USI Corporation held through its subsidiary, Union Polymer Int’l Investment Corporation, 24.97% of the Company’s outstanding ordinary shares.

(1) Names of related parties and relationship

<u>Related Party Name</u>	<u>Related Party Category</u>
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

(2) Sales of goods

<u>Related Party Category</u>	<u>For the Year Ended December 31, 2020</u>	<u>For the Year Ended December 31, 2019</u>
Subsidiary	\$ 389,006	\$ 407,159
Investor with significant influence	2,369	2,964
Fellow subsidiary	<u>661</u>	<u>334</u>
	<u>\$ 392,036</u>	<u>\$ 410,457</u>

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

(3) Purchase of goods

<u>Related Party Category/Name</u>	<u>For the Year Ended December 31, 2020</u>	<u>For the Year Ended December 31, 2019</u>
Subsidiary		
TVCM	\$ 4,290,414	\$ 4,551,682
Others	61,206	32,007
Fellow subsidiary	32,770	2,218
Parent company		
USI	143	111
Investor with significant influence	<u>24</u>	<u>-</u>
	<u>\$ 4,384,557</u>	<u>\$ 4,586,018</u>

The Company has entered into Supply Contract for Vinyl Chloride Monomer and for price of purchase, please refer to its sales price for the month, Asia Spot Reported Vinyl Chloride Monomer price and Asia prices of Dichloroethane and ethylene.

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

(4) Trade receivables to related parties

<u>Related Party Category/Name</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Subsidiary		
CGPC America	\$ 110,613	\$ 108,648
Investor with significant influence	<u>511</u>	<u>822</u>
	<u>\$ 111,124</u>	<u>\$ 109,470</u>

The outstanding trade receivables from related parties were unsecured. For the years ended December 31, 2020 and 2019, no impairment loss was recognized for trade receivables from related parties.

(5) Trade payables to related parties

<u>Related Party Category/Name</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Subsidiary		
TVCM	\$ 1,069,615	\$ 866,364
Others	19,827	8,215
Fellow subsidiary	10,847	-
Parent company		
USI	76	-
	<u>\$1,100,365</u>	<u>\$ 874,579</u>

The outstanding trade payables to related parties were unsecured.

(6) Other receivables from related parties

<u>Related Party Category/Name</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Subsidiary		
CGPCPOL	\$ 1,545	\$ 1,588
Others	41	132
Investor with significant influence		
TTC	637	536
Others	2	2
Fellow subsidiary	28	28
Parent company		
USI	8	8
Associate	3	3
Subsidiary of investor with significant influence	1	1
	<u>\$ 2,265</u>	<u>\$ 2,298</u>

(7) Other payables to related parties

<u>Related Party Category/Name</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Parent company		
USI	\$ 4,028	\$ 1,664
Subsidiary	395	197
Investor with significant influence	197	182
Fellow subsidiary	159	123
	<u>\$ 4,779</u>	<u>\$ 2,166</u>



(8) Endorsements and guarantees

<u>Related Party Category/Name</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Subsidiary CGPCPOL	<u>\$ 2,450,000</u>	<u>\$ 2,200,000</u>

(9) Lease arrangements

<u>Related Party Category/Name</u>	<u>For the year ended December 31, 2020</u>	<u>For the year ended December 31, 2019</u>
<u>Lease expense</u>		
Parent company		
USI	\$ 5,109	\$ 5,258
Investor with significant influence		
APC	<u>2,186</u>	<u>2,005</u>
	<u>\$ 7,295</u>	<u>\$ 7,263</u>

The Company leases offices in Neihu from USI and APC. The rentals are paid on a monthly basis.

(10) Management service expenses

<u>Related Party Category/Name</u>	<u>For the year ended December 31, 2020</u>	<u>For the year ended December 31, 2019</u>
Fellow subsidiary		
UM	\$ 41,811	\$ 51,089
Others	29	114
Parent company		
USI	<u>3,768</u>	<u>4,292</u>
	<u>\$ 45,608</u>	<u>\$ 55,495</u>

UM and USI provide labor support, equipment and other related services to the Company and its subsidiaries. The Agreement governing related subject matters was put into effect since July 1, 2001 and service expenses were based on the actual quarterly expenses which should be paid in the subsequent quarter following the related service.

(11) Donations

<u>Related Party Category/Name</u>	<u>For the year ended December 31, 2020</u>	<u>For the year ended December 31, 2019</u>
Related party in substance		
USIF	<u>\$ 1,000</u>	<u>\$ 2,000</u>

(12) Rental income

<u>Related Party Category/Name</u>	<u>For the year ended December 31, 2020</u>	<u>For the year ended December 31, 2019</u>
Fellow subsidiary		
USIO	\$ 3,379	\$ 5,909
Investor with significant influence	<u>266</u>	<u>216</u>
	<u>\$ 3,645</u>	<u>\$ 6,125</u>

USIO signed a factory lease contract with the Company with lease term until April 15, 2021. 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.

(13) Other income

<u>Related Party Category</u>	<u>For the year ended December 31, 2020</u>	<u>For the year ended December 31, 2019</u>
Investor with significant influence	\$ 1,482	\$ 1,925
Subsidiary	<u>116</u>	<u>344</u>
	<u>\$ 1,598</u>	<u>\$ 2,269</u>

(14) Miscellaneous expense

<u>Related Party Category</u>	<u>For the year ended December 31, 2020</u>	<u>For the year ended December 31, 2019</u>
Subsidiary	<u>\$ 503</u>	<u>\$ 446</u>

(15) Compensation of key management personnel

	<u>For the year ended December 31, 2020</u>	<u>For the year ended December 31, 2019</u>
Salaries and others	\$ 18,240	\$ 18,762
Post-employment benefits	<u>181</u>	<u>221</u>
	<u>\$ 18,421</u>	<u>\$ 18,983</u>

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

## **25. 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:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Pledge deposits (recognized as refund security deposits)	\$ 8,347	\$ 8,296
Property, plant and equipment		
Land	-	1,517,928
Buildings and improvements, net	-	<u>56,578</u>
	<u>\$ 8,347</u>	<u>\$ 1,582,802</u>

By setting the land and plants as collateral, the Company signed a medium and long term secured loan contract with a credit limit of \$1,000,000 thousand with a bank to enrich working capital. The total credit amount will be revolved to utilize within the validity period; however, the Company has cancelled related credit line and pledge rights of related lands, plant and machinery equipment in November of 2020.

## **26. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS**

In addition to those disclosed in other notes, significant commitments and contingencies of the Company on the balance sheet day were as follows:

- (1) As of December 31, 2020, and 2019, the Company's unused letters of credit amounted to \$6,512 thousand and \$2,415 thousand, respectively.
- (2) Description of Kaohsiung gas 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 second instance of the criminal procedures reached a judgment on April 24, 2020, whereby three employees of CGTD were all sentenced not guilty.

CGTD arrived at an agreement with the Kaohsiung City Government on February 12, 2015, pledging certificates of bank deposits of \$227,458 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. CGTD had deposited \$99,207 thousand in cash to the court to be exempted from provisional attachment. Taiwan Water Corporation also applied for

provisional attachment against CGTD's property on February 3 and March 2, 2017. As of February 26, 2021, the provisionally attached property was worth \$9,581 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, agreeing to provide preliminary assistance in the compensation to all heirs and parties with claiming rights of 32 victims (hereinafter referred to as "Victim's Families"). Each victim's family received \$12,000 thousand, and the compensation was \$384,000 thousand in total, which was paid 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 26, 2021, 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 \$46,677 thousand, and the amount of the settlement was \$4,519 thousand. Along with the case still under litigation and the above-mentioned compensation, the accumulated amount of compensation is \$3,856,447 thousand. The first-instance judgments of some of the above-mentioned civil cases (with a total amount of compensation of approximately \$1,341,128 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 \$401,979 thousand. In particular, CGTD was exempted to pay \$6,194 thousand according to the court's judgment. CGTD has appealed some civil cases which were announced but were not yet settled and gradually entered into the second-instance trials. CGTD has signed settlement agreements with insurance companies, and has estimated the amount of settlement and civil litigation compensation for the victims of casualties and serious

injuries according to the proportion of fault liability announced in the first-instance judgment, after deducting the upper limit of insurance claims (including settled cases). The total amount that CGTD estimated and recognized is \$136,375 thousand. However, the actual payment still depends on the judgments of the remaining civil cases in the future.

## **27. 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: Except for the exchange rate, all in thousands

### December 31, 2020

	<u>Foreign Currencies</u>	<u>Exchange Rate (In Single Dollars)</u>	<u>NT\$ Carry Amount</u>
<u>Financial Assets</u>			
Monetary items			
USD	\$ 35,461	28.480 (USD: NTD)	\$1,009,925
AUD	853	21.950 (AUD: NTD)	18,716
EUR	392	35.020 (EUR: NTD)	13,731
Non-Monetary items			
Subsidiaries accounted for using the equity method			
USD	19,672	28.480 (USD: NTD)	560,247
<u>Financial Liabilities</u>			
Monetary items			
USD	497	28.480 (USD: NTD)	14,147

### December 31, 2019

	<u>Foreign Currencies</u>	<u>Exchange Rate (In Single Dollars)</u>	<u>NT\$ Carry Amount</u>
<u>Financial Assets</u>			
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
<u>Financial Liabilities</u>			
Monetary items			
USD	353	29.980(USD: NTD)	10,570

For the years ended December 31, 2020 and 2019, net foreign exchange losses were \$43,006 thousand, and \$18,692 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.

## **28. SEPARATELY DISCLOSED ITEMS**

### (1) Information about significant transactions

- 1) Financing provided to others: None.
- 2) Endorsements/guarantees provided: See Note 24 and Table 1 attached.
- 3) Holding of securities at the end of the period: See Table 2 attached.
- 4) Same security accumulatively purchased or sold at costs or prices of at least \$300 million or 20% of the paid-in capital: See Table 3 attached.
- 5) Acquisitions of individual real estate at costs of at least \$300 million or 20% of the paid-in capital: None.
- 6) Disposals of individual real estate at prices of at least \$300 million or 20% of the paid-in capital: None.
- 7) Total purchases from or sales to related parties amounting to at least \$100 million or 20% of the paid-in capital: See Table 4 attached.
- 8) Receivables from related parties amounting to at least \$100 million or 20% of the paid-in capital: See Table 5 attached.
- 9) Trading in derivative instruments: See Note 7.

### (2) Information on investees: See Table 6 attached.

### (3) 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.

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.
- (4) Information of major shareholders: List of all shareholders with ownership of 5% or greater showing the names and the number shares and percentage of ownership held by each shareholder: See Table 8 attached.

**CHINA GENERAL PLASTICS CORPORATION**  
**ENDORSEMENTS/GUARANTEES PROVIDED**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

Table 1

Unit: 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	\$ 5,822,109	\$ 2,450,000	\$ 2,450,000	\$ 14,240	None	25.25%	\$ 9,703,515	Yes	No	No

Note 1: The ratio is calculated using the ending balance of equity of the Company as of December 31, 2020.

Note 2: The total amount of guarantee that may be provided by the Company shall not exceed 100% of the Company's net worth in the latest financial statements; the amount of guarantee that may be provided by the Company to any individual entity shall not exceed 60% of the Company's net worth in the latest financial statements.



**CHINA GENERAL PLASTICS CORPORATION**  
**MARKETABLE SECURITIES HELD**  
**DECEMBER 31, 2020**

Table 2

Unit: 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, 2020				Maximum shares/Units Held During the Year	Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value		
China General Plastics Corporation	<u>Beneficiary security</u>								
	Cathay No. 1 Real Estate Investment Trust	—	Financial assets at FVTPL - current	2,668,000	\$ 49,918	-	\$ 49,918	4,268,000	1
	<u>Mutual Funds</u>								
	Shin Kong Chi-Shin Money Market Fund	—	Financial assets at FVTPL - current	6,407,463	100,000	-	100,000	6,407,463	1
	Taishin 1699 Money Market Fund	—	Financial assets at FVTPL - current	7,255,248	99,005	-	99,005	10,995,912	1
	Taishin Ta-Chong Money Market Fund	—	Financial assets at FVTPL - current	4,190,295	60,007	-	60,007	4,190,295	1
	CTBC Hua Win Money Market Fund	—	Financial assets at FVTPL - current	4,501,666	50,002	-	50,002	5,409,686	1
	<u>Ordinary shares</u>								
	KHL IB Venture Capital Co., Ltd.	—	Financial assets at FVTOCI - non-current	6,022,353	137,731	5.95%	137,731	7,664,611	1
Taiwan VCM Corporation	<u>Mutual Funds</u>								
	Taishin Ta-Chong Money Market Fund	—	Financial assets at FVTPL - current	6,983,874	100,012	-	100,012	13,979,073	1
	Capital Money Market Fund	—	Financial assets at FVTPL - current	4,611,100	75,001	-	75,001	4,611,100	1
	Taishin 1699 Money Market Fund	—	Financial assets at FVTPL - current	3,664,588	50,006	-	50,006	13,738,244	1
	FSITC Taiwan Money Market Fund	—	Financial assets at FVTPL - current	3,240,147	50,007	-	50,007	12,972,782	1
	FSITC Money Market Fund	—	Financial assets at FVTPL - current	278,042	50,006	-	50,006	446,087	1
	Jih Sun Money Market Fund	—	Financial assets at FVTPL - current	669,954	10,016	-	10,016	6,699,539	1
	Hua Nan Phoenix Money Market Fund	—	Financial assets at FVTPL - current	610,344	10,001	-	10,001	9,155,162	1
	<u>Ordinary shares</u>								
	Asia Polymer Corporation	The major shareholders are the same as the those of the Company		Financial assets at FVTOCI - non-current	127,691	2,746	0.02%	2,746	127,691

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2020				Maximum shares/Units Held During the Year	Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value		
CGPC Polymer Corporation	<u>Mutual Funds</u>								
	Taishin 1699 Money Market Fund	—	Financial assets at FVTPL - current	15,393,455	\$ 210,058	-	\$ 210,058	16,213,040	1
	Capital Money Market Fund	—	Financial assets at FVTPL - current	11,991,180	195,041	-	195,041	11,991,180	1
	Taishin Ta-Chong Money Market Fund	—	Financial assets at FVTPL - current	8,941,582	128,047	-	128,047	11,386,536	1
	Hua Nan Phoenix Money Market Fund	—	Financial assets at FVTPL - current	7,629,121	125,009	-	125,009	8,247,993	1
	FSITC Taiwan Money Market Fund	—	Financial assets at FVTPL – current	3,178,916	49,062	-	49,062	3,251,715	1
	FSITC Money Market Fund	—	Financial assets at FVTPL – current	250,312	45,018	-	45,018	334,346	1
	Hua Nan Kirin Money Market Fund	—	Financial assets at FVTPL – current	3,315,451	40,002	-	40,002	5,807,222	1
	Shin Kong Chi-Shin Money-Market Fund	—	Financial assets at FVTPL – current	1,601,866	25,000	-	25,000	6,095,008	1
CGPC ( BVI ) Holding Co., Ltd.	<u>Ordinary shares</u>								
	Teratech Corporation	—	Financial assets at FVTPL - non-current	112,000	-	0.67%	-	112,000	1, 3
	SOHWARE Inc. - preference shares	—	Financial assets at FVTPL - non-current	100,000	-	-	-	100,000	1, 2, and 3

(Concluded)

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, 2020, the Company evaluates the fair value of the equity instrument as \$0.

**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, 2020**

Table 3

Unit: 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	<b>Mutual Funds</b>													
	Jih Sun Money Market Fund	Financial assets at FVTPL – current	—	—	6,722,102	\$ 100,000	18,056,905	\$ 269,000	24,779,007	\$ 369,113	\$ 369,000	\$ 113	-	\$ -
	Taishin 1699 Money Market Fund	Financial assets at FVTPL – current	—	—	-	-	72,435,348	987,000	65,180,100	888,173	888,000	173	7,255,248	99,000
Taiwan VCM Corporation	<b>Mutual Funds</b>													
	Taishin 1699 Money Market Fund	Financial assets at FVTPL – current	—	—	-	-	32,094,334	437,000	28,429,746	387,319	387,000	319	3,664,588	50,000
	FSITC Taiwan Money Market Fund	Financial assets at FVTPL – current	—	—	-	-	26,931,036	415,000	23,690,889	365,200	365,000	200	3,240,147	50,000
	Taishin Ta-Chong Money Market Fund	Financial assets at FVTPL – current	—	—	-	-	27,828,581	398,000	20,844,707	298,168	298,000	168	6,983,874	100,000
	Hua Nan Phoenix Money Market Fund	Financial assets at FVTPL – current	—	—	-	-	19,927,441	326,000	19,317,097	316,119	316,000	119	610,344	10,000
	Hua Nan Kirin Money Market Fund	Financial assets at FVTPL – current	—	—	-	-	26,573,708	320,000	26,573,708	320,136	320,000	136	-	-
GPC Polymer Corporation	<b>Mutual Funds</b>													
	Jih Sun Money Market Fund	Financial assets at FVTPL – current	—	—	12,751,358	189,601	24,108,007	359,000	36,859,365	548,936	548,601	335	-	-
	Taishin 1699 Money Market Fund	Financial assets at FVTPL – current	—	—	8,813,848	119,700	52,289,292	712,400	45,709,685	622,428	622,100	328	15,393,455	210,000
	Capital Money Market Fund	Financial assets at FVTPL – current	—	—	2,574,758	41,700	21,415,980	348,000	11,999,558	194,753	194,700	53	11,991,180	195,000
	Hua Nan Phoenix Money Market Fund	Financial assets at FVTPL – current	—	—	-	-	27,420,678	449,000	19,791,557	324,050	324,000	50	7,629,121	125,000

Note: The amounts as of January 1 and December 31, 2020 were accounted for as the original investment 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, 2020**

Table 4

Unit: In Thousands of New Taiwan Dollars

Buyer/Seller	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Trade Receivables (Payables)		
			Purchase/ Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Financial Statement Account and Ending Balance		% of Total
China General Plastics Corporation	Taiwan VCM Corporation	Subsidiary	Purchase	\$ 4,290,414	74%	45 days	No major difference	No major difference	Trade payables to related parties	(\$1,069,615)	( 79%)
	CGPC America Corporation	Subsidiary	Sale	( 389,006)	( 5%)	90 days	No major difference	No major difference	Trade receivables from related parties	110,613	8%
Taiwan VCM Corporation	China General Plastics Corporation	Parent company	Sale	( 4,290,414)	( 51%)	45 days	No major difference	No major difference	Trade receivables from related parties	1,069,615	42%
	CGPC Polymer Corporation	Fellow subsidiary	Sale	( 3,869,633)	( 46%)	75 days	No major difference	No major difference	Trade receivables from related parties	1,437,900	57%
CGPC Polymer Corporation	Taiwan VCM Corporation	Fellow subsidiary	Purchase	3,869,633	96%	75 days	No major difference	No major difference	Trade payables to related parties	(1,437,900)	( 98%)
CGPC America Corporation	China General Plastics Corporation	Parent company	Purchase	389,006	85%	90 days	No major difference	No major difference	Trade payables to related parties	( 110,613)	( 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, 2020**

Table 5

Unit: 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 company	Trade receivables from related parties <u>\$ 110,613</u>	3.55	\$ -	—	\$ 36,022	(Note 1)
Taiwan VCM Corporation	China General Plastics Corporation	Parent company	Trade receivables from related parties <u>\$ 1,069,615</u>	4.43	-	—	1,069,615	(Note 1)
	CGPC Polymer Corporation	Fellow subsidiary	Trade receivables from related parties <u>\$ 1,437,900</u>	3.55	-	—	920,851	(Note 1)

Note 1: There is no allowance for impairment loss after an impairment assessment.

Note 2: The subsequent period is between January 1 and February 17, 2021.

**CHINA GENERAL PLASTICS CORPORATION**  
**INFORMATION ON INVESTEES**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

Table 6

Unit: In Thousands of New Taiwan Dollars

Investor Company	Investee Company	Location	Business Content	Original Investment Amount		As of December 31, 2020			Net Income of Investee	Share of Profit	Note
				December 31, 2020	December 31, 2019	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	240,206,420	87.22%	\$ 4,020,390	\$ 1,232,387	\$ 1,024,137	Subsidiary
	CGPC Polymer Corporation	12F., No. 37, Jihu Rd., Neihsu Dist., Taipei City 114, Taiwan (R.O.C.)	Manufacturing & marketing of PVC resins	800,000	800,000	80,000,000	100%	1,177,835	283,408	283,408	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%	351,935	4,943	4,943	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	19,918,185	33.33%	315,711	69,385	23,128	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%	208,312	25,001	25,001	Subsidiary
	Acme Electronics Corporation	8F., No. 39, Jihu Rd., Neihsu Dist., Taipei City 114, Taiwan (R.O.C.)	Manufacturing & marketing of Mn-Zn and Ni-Zn ferrite cores.	33,995	33,995	3,176,019	1.74%	22,517	33,393	579	Associate accounted for using the equity method
	Thintec Materials Corporation	12F., No. 37, Jihu Rd., Neihsu Dist., Taipei City 114, Taiwan (R.O.C.)	Manufacturing & marketing of reinforced plastic products	-	15,000	-	-	-	15	1	Associate accounted for using the equity method (Note 1)

Note 1: On April 12, 2019, the board of directors of Thintec Materials Corporation (TMC) resolved to dissolve the company from May 25, 2019. TMC has been completed dissolution procedures on July 22, 2020. The Company retrieved the residual assets of \$1,274 thousand in May 2020 and recognized a loss of \$173 thousand on disposal of investment.

**CHINA GENERAL PLASTICS CORPORATION**  
**INFORMATION ON INVESTMENTS IN MAINLAND CHINA**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

Table 7

Unit: 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, 2020 (Note 1)	Investment Flows		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2020 (Note 1)	Net Income (Loss) of Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Notes 5)	Carrying Amount as of December 31, 2020 (Notes 1 and 5)	Accumulated Repatriation of Investment Income as of December 31, 2020
					Outflow	Inflow						
Continental General Plastics (Zhong Shan) Co., Ltd. ("CGPC (ZS)") (Note 4)	Manufacturing & marketing of PVC film and consumer products	\$ 569,600 (US\$20,000 thousand)	Investment through CGPC (BVI) Holding Co., Ltd. ("CGPC (BVI)")	\$ 569,600 ( US\$20,000 thousand)	\$ -	\$ -	\$ 569,600 ( US\$20,000 thousand)	\$ 4,270 ( US\$146 thousand)	100%	\$ 4,270 ( US\$146 thousand)	\$ 266,359 ( US\$9,352 thousand)	\$ -
CGPC Consumer Products Corporation ("CGPC (CP)") (Note 4)	Manufacturing & marketing of PVC consumer products	42,720 (US\$1,500 thousand)	Investment through CGPC (BVI) Holding Co., Ltd. ("CGPC (BVI)")	42,720 ( US\$1,500 thousand)	-	-	42,720 ( US\$1,500 thousand)	3 ( US\$ - thousand)	100%	3 ( US\$ - thousand)	13,519 ( US\$475 thousand)	-

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2020 (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
\$ 771,295 ( US\$ 27,082 thousand )	\$ 894,272 ( US\$ 31,400 thousand )	(Note2)

Note 1: The calculation was based on the spot exchange rate of December 31, 2020.

Note 2: As the Company has obtained the certificate of qualification for operating headquarters issued by the Industrial Development Bureau, MOEA No. 10920426850 on September 08, 2020, 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 \$19,480 thousand (US\$684 thousand), the investment amount of Union (ZS) of \$25,575 thousand (US\$898 thousand) and the investment amount of CGPC (SH) of \$113,920 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, 2020, the dissolution procedures have not yet been completed.

Note 5: The investment income recognition in 2020 is based on the financial statements audited by the parent company's CPA.

**CHINA GENERAL PLASTICS CORPORATION**  
**INFORMATION OF MAJOR SHAREHOLDERS**  
**DECEMBER 31, 2020**

Table 8

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership
Union Polymer Int'l Investment Corporation	138,170,701	24.97%
Asia Polymer Corporation	44,653,510	8.06%

Note 1:

The information in this table refers to a total of holding shares of more than 5 percent of the Company's non-physical shares of common stock and preferred stock that have completed registration and delivery (including treasury shares), in accordance with the last business day of the end of the quarter of the Taiwan Depository & Clearing Corporation. The share capital recorded in the Company's consolidated financial report and the actual number of non-physical shares that have been registered and delivered may be different due to the different calculation basis.



**§ THE CONTENTS OF SCHEDULES OF MAJOR ACCOUNTING ITEMS §**

<b>Item</b>	<b>Schedule Index</b>
<b>Major Accounting Items in Assets, Liabilities and Equity</b>	
Schedule of Cash and cash equivalents	1
Schedule of financial assets at FVTPL -current	2
Schedule of notes receivable and trade receivables	3
Schedule of inventories	4
Schedule of financial assets at FVTOCI - non-current	Note 8
Schedule of changes in investments accounted for using the equity method	5
Schedule of changes in property, plant and equipment	Note 12
Schedule of changes in investment properties	Note 13
Schedule of deferred income tax assets	Note 20
Schedule of trade payables	6
Schedule of other payables	Note 15
Schedule of other current liabilities	7
Schedule of deferred income tax liabilities	Note 20
<b>Major Accounting Items in Profit or Loss</b>	
Schedule of net revenue	8
Schedule of cost of revenue	9
Schedule of production overheads	10
Schedule of operating expenses	11
Schedule of other revenue	Note 19
Schedule of other profit and loss	Note 19
Schedule of labor, depreciation and amortization by function	12

# CHINA GENERAL PLASTICS CORPORATION

## SCHEDULE OF CASH AND CASH EQUIVALENTS

DECEMBER 31, 2020

Schedule 1

Unit: In Thousands of New Taiwan Dollars,  
Unless Stated Otherwise

Item	Description	Amount
Cash on hand and petty cash		<u>\$ 96</u>
Cash in bank		
Demand deposits		54,283
Checking accounts		34,699
Foreign currency deposits	US\$2,285,920, US\$1=NT\$28.480 EUR4,090, EUR1=35.020 AUD71,229, AUD1=21.950 GBP34,817, GBP1=NT\$38.900 JPY345,363, JPY1=0.2763 HK\$31,171, HK\$1=3.673	<u>68,374</u>
		<u>157,356</u>
Time deposits		
Foreign time deposits	US\$3,100,000, US\$1=28.480, expired by 2020.12.30~2021.01.04, interest rate at 0.10%	<u>88,288</u>
		<u>\$ 245,740</u>

**CHINA GENERAL PLASTICS CORPORATION**

**SCHEDULE OF FINANCIAL ASSETS AT FVTPL - CURRENT**

DECEMBER 31, 2020

SCHEDULE 2

Unit: In Thousands of New Taiwan Dollars,  
Unless Stated Otherwise

Type and Name of Financial Instruments	Number of Shares	Acquisition Cost	Fair Value	
			Unit Price (Dollar)	Amount
Financial assets mandatorily classified as at FVTPL				
Non-derivative financial assets				
Mutual Funds				
Shin Kong Chi-Shin Money Market Fund	6,407,463	\$100,000	15.61	\$100,000
Taishin 1699 Money Market Fund	7,255,248	99,000	13.65	99,005
Taishin Ta-Chong Money Market Fund	4,190,295	60,000	14.32	60,007
CTBC Hua Win Money Market Fund	4,501,666	<u>50,000</u>	11.11	<u>50,002</u>
		<u>309,000</u>		<u>309,014</u>
Beneficiary security				
Cathay No. 1 Real Estate Investment Trust	2,668,000	<u>27,061</u>	18.71	<u>49,918</u>
		<u>\$336,061</u>		<u>358,932</u>
Derivative financial instruments				
Foreign exchange forward contracts				<u>3,169</u>
				<u>\$362,101</u>
Financial liabilities held for transactions				
Derivative financial instruments				
Foreign exchange forward contracts				<u>\$ 2,507</u>

**CHINA GENERAL PLASTICS CORPORATION**  
**SCHEDULE OF NOTES RECEIVABLE AND TRADE RECEIVABLES**

DECEMBER 31, 2020

SCHEDULE 3

Unit: In Thousands of  
New Taiwan Dollars

Item	Amount
Notes receivable	
Avatack Co., Ltd.	\$ 27,605
Zheng Yi Plastic Co., Ltd.	22,191
Jeng Chi Co., Ltd.	15,126
Globe Industries Corportion	12,355
Yung Hua Te Industry Co., Ltd	9,168
Others (Note)	<u>76,194</u>
	<u>162,639</u>
Trade receivables from unrelated parties	
Tricon Energy UK, Ltd.	157,158
The Supreme Industries Ltd.	102,763
Krona Tubos E Conexoes Ltda.	76,715
Beautiful Window Enterprise (HK) Co., Ltd.	61,446
Jai Gopal International Impex Pvt. Ltd.	59,552
Others (Note)	<u>598,007</u>
	1,055,641
Less: Allowance for impairment loss	( <u>10,652</u> )
	<u>1,044,989</u>
Trade receivables from related parties	
CGPC America Corporation	110,613
Others (Note)	<u>511</u>
	<u>111,124</u>
	<u>\$ 1,318,752</u>

Note: The amount of individual client included in others does not exceed 5% of the account balance.

# CHINA GENERAL PLASTICS CORPORATION

## SCHEDULE OF INVENTORIES

DECEMBER 31, 2020

SCHEDULE 4

Unit: In Thousands of  
New Taiwan Dollar

Item	Amount	
	Cost	Net Realizable Value (Note1)
Finished goods	\$ 329,520	\$ 369,094
Work in progress	51,170	48,830
Raw materials	287,844	277,053
	668,534	<u>\$ 694,977</u>
Less: Allowance for impairment loss (Note 2)	( <u>42,088</u> )	
	<u>\$ 626,446</u>	

Note 1: The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale.

Note 2: The impairment loss on inventory resulted from the obsolete and slow moving items; impairment loss is the excess of cost over net realizable value.

Note 3: The amount of insured inventories is NT\$1,193,103 thousand.

**CHINA GENERAL PLASTICS CORPORATION**  
**SCHEDULE OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD**  
FOR THE YEAR ENDED DECEMBER 31, 2020

SCHEDULE 5

Unit: In Thousands of New Taiwan Dollar

Investee Company	Balance at January 1, 2020		Additions (Decrease)		Balance at December 31, 2020		%	Market Value/ Net Assets Value	Endorsement / Guarantee Collateral	Note
	Shares	Amount	Shares	Amount	Shares	Amount				
<b>Listed Company</b>										
Acme Electronics Corporation	3,176,019	\$ 24,582	-	\$ 575	3,176,019	\$ 25,157	1.74	\$ 60,027	None	Note 2
<b>Unlisted Company</b>										
Taiwan VCM Corporation	226,609,751	3,126,135	13,596,669	894,255	240,206,420	4,020,390	87.22	4,095,701	None	Note 3
CGPC Polymer Corporation	80,000,000	931,227	-	246,608	80,000,000	1,177,835	100	1,177,835	Note 1	Note 4
CGPC (BVI) Holding Co., Ltd.	16,308,258	378,086	-	4,943	16,308,258	383,029	100	351,935	None	Note 5
China General Terminal & Distribution Corporation	18,667,465	257,584	1,250,720	58,127	19,918,185	315,711	33.33	315,711	None	Note 6
CGPC America Corporation	100	198,304	-	25,682	100	223,986	100	251,142	None	Note 7
Thintec Materials Corporation	600,000	<u>1,446</u>	( 600,000)	( <u>1,446</u> )	-	<u>-</u>	-	-	None	Note 8
		4,917,364		1,228,744		6,146,108				
Adjustments resulting from translation of the financial statement of foreign operations		( <u>37,489</u> )		( <u>11,919</u> )		( <u>49,408</u> )				
		<u>\$ 4,879,875</u>		<u>\$ 1,216,825</u>		<u>\$ 6,096,700</u>				

Note 1: Refer to Table 1.

Note 2: The changes included changes in share of gain of associates which amounted to \$579 thousand, and remeasurement of defined benefit plans of \$4 thousand.

Note 3: The increase of shares was due to the appropriation of earnings for distribution of share dividends; the changes mainly included share of profits derived from subsidiaries which amounted to \$1,024,137 thousand, unrealized gain on investments in equity investments at FVTOCI which amounted to \$719 thousand and remeasurement of defined benefit plans of \$5,365 thousand less collection of cash dividends of \$135,966 thousand.

Note 4: The changes mainly included the share of profits derived from subsidiaries of \$283,408 thousand less collection of cash dividends of \$36,800 thousand.

Note 5: The changes resulted from the share of profit of subsidiaries.

Note 6: The changes mainly included share of profits derived from associates which amounted to \$23,128 thousand, unrealized gain on investments in equity investments at FVTOCI which amounted of \$34,754 thousand and remeasurement of defined benefit plans of \$245 thousand

Note 7: The changes mainly included the share of profits derived from subsidiaries of \$25,001 thousand and the realized gain on the transactions with subsidiaries of \$681 thousand

Note 8: The decrease of shares was due to the completed of liquidation procedures; The changes mainly included share of profits derived from associates which amounted to \$1 thousand, less retrieved the residual assets of \$1,274 thousand and recognized a loss of \$173 thousand on disposal of investment.

CHINA GENERAL PLASTICS CORPORATION  
SCHEDULE OF TRADE PAYABLES  
DECEMBER 31, 2020

SCHEDULE 6

Unit: In Thousands of  
New Taiwan Dollar

Item	Amount
Trade payables from unrelated parties	
Nan Ya Plastics Corporation	\$ 31,625
Golden Chemical Corp.	12,902
Others (Note)	<u>212,298</u>
	<u>256,825</u>
 Trade payables from related parties	
Taiwan VCM Corporation	1,069,615
Others (Note)	<u>30,750</u>
	<u>1,100,365</u>
	 <u>\$ 1,357,190</u>

Note: The amount of individual vendor included in others does not exceed 5% of the account balance.

CHINA GENERAL PLASTICS CORPORATION  
SCHEDULE OF OTHER CURRENT LIABILITIES  
DECEMBER 31, 2020

SCHEDULE 7

UNIT: In Thousands of  
New Taiwan Dollar

Item	Amount
Contract Liability	\$ 20,041
Withholding Labor Insurance and National Health Insurance	13,977
Refund Liability	8,941
Others (Note)	2,630
	\$ 45,589

Note: The amount of each item included in others does not exceed 5% of the account balance.



CHINA GENERAL PLASTICS CORPORATION  
SCHEDULE OF NET REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2020

SCHEDULE 8

UNIT: In Thousands of New Taiwan  
Dollar, Unless Stated Otherwise

Item	Unit (PVC Leather Are Stated in Thousands of YD; Others Are Stated in Tone)	Amount
Revenue		
PVC resin/compound	173,586	\$ 4,758,559
PVC film	30,537	1,628,511
Construction products	20,135	752,828
PVC leather	6,667	672,366
Chlor-alkali products	58,400	455,805
		\$ 8,268,069

CHINA GENERAL PLASTICS CORPORATION  
SCHEDULE OF COST OF REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2020

SCHEDULE 9

UNIT: In Thousands of  
New Taiwan Dollars

Item	Amount
Raw materials	
Balance, beginning of year	\$ 274,760
Raw materials purchased	5,758,551
Transferred to other accounts	( 311,836)
Balance, end of year	( 287,844)
Raw materials used in current year	5,433,631
Direct labor	332,822
Production overheads (Schedule 10)	1,543,556
Manufacturing cost	7,310,009
Work in progress, beginning of year	42,207
Other accounts transferred to work in progress	177
Work in progress, end of year	( 51,170)
Cost of finished goods	7,301,223
Finished goods, beginning of year	432,463
Other accounts transferred to finished goods	7,170
Finished goods purchased	12,748
Transferred to other accounts	( 30,860)
Finished goods, end of year	( 329,520)
Cost of revenue before adjustment	7,393,224
Reversals of inventory write-down	3,798
Others	( 7,867)
Cost of revenue	<u>\$ 7,389,155</u>

CHINA GENERAL PLASTICS CORPORATION  
SCHEDULE OF PRODUCTION OVERHEADS  
FOR THE YEAR ENDED DECEMBER 31, 2020

SCHEDULE 10

UNIT: In Thousands of  
New Taiwan Dollars

Item	Amount
Utilities expense	\$ 402,355
Payroll and other personnel expense	379,172
Depreciation expense	193,359
Repair and maintenance expense	181,556
Packaging materials	130,225
Fuel expense	90,153
Others (Note)	<u>166,736</u>
	<u>\$ 1,543,556</u>

Note: The amount of each item included in others does not exceed 5% of the account balance.

CHINA GENERAL PLASTICS CORPORATION  
SCHEDULE OF OPERATING EXPENSE  
FOR THE YEAR ENDED DECEMBER 31, 2020

SCHEDULE 11

UNIT: In Thousands of  
New Taiwan Dollars

Item	Selling and Marketing Expenses	General and Administrative Expenses	Research and Development Expenses
Freight	\$ 265,057	\$ 5	\$ 13
Payroll and personnel expense (Note 1)	77,296	67,062	26,323
Rental expense	1,211	7,097	16
Depreciation expense	115	798	1,070
Management service expense	-	45,580	-
Others (Note 2)	<u>39,247</u>	<u>14,511</u>	<u>3,592</u>
	<u>\$ 382,926</u>	<u>\$ 135,053</u>	<u>\$ 31,014</u>

Note 1: The amount of payroll and personnel expense includes salary, pension, insurance and other personnel expenses.

Note 2: The amount of each item included in others does not exceed 5% of the account balance.

CHINA GENERAL PLASTICS CORPORATION  
SCHEDULE OF EMPLOYEE BENEFITS, DEPRECIATION AND AMORTIZATION BY FUNCTION  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

SCHEDULE 12

UNIT: In Thousands of New Taiwan Dollars, Unless Stated Otherwise

	For the year ended December 31, 2020				For the year ended December 31, 2019			
	Classified as Cost of Revenue	Classified as Operating Expenses	Other gains and losses	Total	Classified as Cost of Revenue	Classified as Operating Expenses	Other gains and losses	Total
Employee benefits expense								
Salary	\$ 613,946	\$ 144,393	\$ -	\$ 758,339	\$ 577,428	\$ 133,106	\$ -	\$ 710,534
Labor and health insurance	47,884	9,468	-	57,352	49,046	9,924	-	58,970
Pension	25,545	6,148	-	31,693	26,209	6,434	-	32,643
Director's remuneration	-	5,052	-	5,052	-	5,572	-	5,572
Other employees' benefit	24,754	5,620	-	30,374	26,173	11,323	-	37,496
	<u>\$ 712,129</u>	<u>\$ 170,681</u>	<u>\$ -</u>	<u>\$ 882,810</u>	<u>\$ 678,856</u>	<u>\$ 166,359</u>	<u>\$ -</u>	<u>\$ 845,215</u>
Depreciation expense	<u>\$ 193,359</u>	<u>\$ 1,983</u>	<u>\$ 14,140</u>	<u>\$ 209,482</u>	<u>\$ 168,028</u>	<u>\$ 2,368</u>	<u>\$ 14,140</u>	<u>\$ 184,536</u>
Amortization expense	<u>\$ -</u>	<u>\$ 91</u>	<u>\$ -</u>	<u>\$ 91</u>	<u>\$ -</u>	<u>\$ 1,503</u>	<u>\$ -</u>	<u>\$ 1,503</u>

Note 1: As of December 31, 2020 and 2019, the Company had 740 and 754 employees, respectively, and the number of directors who did not served concurrently as employees were both 8.

Note 2: The average amount of employee benefits expense of the Company in 2020 was \$1,199 thousand. [(The total amount of employee benefits expense in the current year- director's remuneration in the current year)/( the number of employees in the current year - the number of directors who did not served concurrently as employees in the current year). The average amount of employee benefits expense of the Company in 2019 was \$1,126 thousand. [(The total amount of employee benefits expense in the previous year- director's remuneration in the previous year)/(the number of employees in the previous year - the number of directors who did not served concurrently as employees in the previous year)].

Note 3: The average amount of salary expense of the Company in 2020 was \$1,036 thousand. [(The total amount of salary expense in the current year/(the number of employees in current year - the number of directors who did not served concurrently as employees in the current year)]. The average amount of salary expense of the Company in 2019 was \$952 thousand, respectively. (The total amount of salary expense in the previous year/(the number of employees in the previous year - the number of directors who did not served concurrently as employees in the previous year)).

Note 4: The average of salary expense adjustment of the Company increased at 9% in 2020. [(The average amount of salary expense in the current year - The average amount of salary expense in the previous year)/The average amount of salary expense in the previous year].

Note 5: The Company's Audit Committee exercised duty and power as a supervisor, no need of disclosing the remuneration for supervisors.

Note 6: The Company's Remuneration Policy for Directors and Managers: a. Remuneration payment shall refer to that of median across peer industry, along with consideration of reasonableness related with personal performance, operating achievements of company and future risks. b. Directors and managers should not be guided to behave beyond the risk of company for higher remuneration. c. The proportion of employee remuneration on short-term performance basis and the payment time of partial change on

remuneration shall be determined by considering characteristic of industry and business nature; Employee remuneration & salary policy was formulated by referring to the government laws and regulations, salary price and trend on market across peer industry, overall economy and change of business conditions , as well as organization chart of company, wherein the Company's formulated "Measures on Salary Management", "Measures of Employee Performance Assessment", "Measures of Allowance for Supervisor and Personal Staff" and other regulations as the criteria of issuance and the Company also has formulated "Management Measures of Year-end Bonus" which appropriates year-end bonus to employee depending on profit and reviewing result of employee performance (included employee remuneration).

Description:

1. In this note, the calculation method corresponding to the number of employee should be consistent with that for employee benefits and salary expenses on the average number of employee.
2. In accordance with the regulation No. 19 of International Accounting Guideline, an employee may provide services in full-time, part-time, permanent, irregular or provisional mode, including directors and other managers, hence, the 'employee' referred here includes but not limited to directors, managers, ordinary employee and staffs hired by contract, however, supervisors, assigned labor, personnel contracted for labor and service or business outsourced are excluded.
3. The "Remuneration of Directors" refers to the remuneration paid to all directors, pension, remuneration to directors and for business practices etc., however, except for the salary, labor and healthcare insurance, pension and other benefits for employee who concurrently takes other positions etc.
4. The "remuneration of supervisors" refers to remuneration, salary and business operating expenses etc. that all supervisors received.

China General Plastics Corporation

Chairman: Wu, Yi-gui