

China General Plastics Corporation

**Financial Statements for the
Years Ended December 31, 2018 and 2017 and
Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
China General Plastics Corporation

Opinion

We have audited the accompanying financial statements of China General Plastics Corporation (the Company), which comprise the balance sheets as of December 31, 2018 and 2017, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2018. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

Validity of Specific Revenue

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

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

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

1. We obtained an understanding and tested the internal control design and operating effectiveness of the validity of revenue derived from the above-mentioned customers.
2. We sampled the transaction documents related to revenue derived from the above-mentioned customers, including sales order, shipping, customs and receipt documents, to verify that the revenue was recognized while completing the performance obligation.
3. We sampled sales returns, provisions and cash collections occurred subsequent to the balance sheet date to verify the reasonableness of revenue recognition.

Valuation of Inventory

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

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

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

1. We obtained an understanding of the reasonableness of the Company's policies and methods of the allowance for inventory valuation.
2. By performing a year-end inventory observation, we understood the inventory status and evaluated the reasonableness of the allowance for inventory valuation.
3. We tested the inventory aging and net realizable value report used in valuation, including verification of the completeness, net realizable value and recalculation of the accuracy of the reports. Besides, we also performed the retrospective test to verify the validity of the impairment items and value decline in subsequent period.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including the audit committee, are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2018 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 6, 2019

Notice to Readers

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

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

CHINA GENERAL PLASTICS CORPORATION

BALANCE SHEETS

DECEMBER 31, 2018 AND 2017

(In Thousands of New Taiwan Dollars)

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

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

CHINA GENERAL PLASTICS CORPORATION

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

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

(Continued)

CHINA GENERAL PLASTICS CORPORATION

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

	2018		2017	
	Amount	%	Amount	%
Share of the other comprehensive loss of subsidiaries and associates accounted for using the equity method-unrealized loss on investments in equity instruments at FVTOCI	\$ (20,017)	-	\$ -	-
Share of other comprehensive loss of subsidiaries and associates accounted for using the equity method - remeasurement of defined benefit plans	(3,291)	-	(3,821)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	<u>7,778</u>	-	<u>561</u>	-
	<u>9,129</u>	-	<u>(6,559)</u>	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	7,723	-	(38,607)	-
Unrealized loss on available-for-sale financial assets	-	-	(60)	-
Share of other comprehensive loss of associates accounted for using the equity method - exchange differences on translating foreign operations	(400)	-	(151)	-
Share of other comprehensive income of subsidiaries and associates accounted for using the equity method - unrealized gain on available-for-sale financial assets	-	-	11,884	-
Income tax relating to items that may be reclassified subsequently to profit or loss	<u>(3,565)</u>	-	<u>6,563</u>	-
	<u>3,758</u>	-	<u>(20,371)</u>	-
Other comprehensive income (loss) for the year, net of income tax	<u>12,887</u>	-	<u>(26,930)</u>	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 1,289,043</u>	<u>16</u>	<u>\$ 1,242,878</u>	<u>15</u>
EARNINGS PER SHARE (Note 24)				
Basic	<u>\$ 2.52</u>		<u>\$ 2.51</u>	
Diluted	<u>\$ 2.51</u>		<u>\$ 2.50</u>	

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

(Concluded)

CHINA GENERAL PLASTICS CORPORATION

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

	Share Capital (Note 20)	Capital Surplus (Notes 4 and 20)			Retained Earnings (Notes 4, 19, 20 and 23)				Other Equity (Notes 4, 8, 12, 20 and 23)				
									Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Available-for- sale Financial Assets	Unrealized Gain (Loss) on Investments in Equity Instruments at FVTOCI	Total	Total Equity
		Ordinary Shares	Unpaid Dividend	Others	Total	Legal Reserve	Special Reserve	Unappropriated Earnings	Total				
BALANCE AT JANUARY 1, 2017	\$ 4,776,695	\$ 7,913	\$ 307	\$ 8,220	\$ 241,661	\$ 408,223	\$ 1,899,548	\$ 2,549,432	\$ 12,612	\$ 28,526	\$ -	\$ 41,138	\$ 7,375,485
Appropriation of the 2016 earnings													
Legal reserve	-	-	-	-	144,312	-	(144,312)	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	-	(812,038)	(812,038)	-	-	-	-	(812,038)
Share dividends distributed by the Company	143,301	-	-	-	-	-	(143,301)	(143,301)	-	-	-	-	-
Other changes in capital surplus	-	16	-	16	-	-	-	-	-	-	-	-	16
Net profit for the year ended December 31, 2017	-	-	-	-	-	-	1,269,808	1,269,808	-	-	-	-	1,269,808
Other comprehensive income (loss) for the year ended December 31, 2017, net of income tax	-	-	-	-	-	-	(6,559)	(6,559)	(32,195)	11,824	-	(20,371)	(26,930)
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	-	-	1,263,249	1,263,249	(32,195)	11,824	-	(20,371)	1,242,878
BALANCE AT DECEMBER 31, 2017	4,919,996	7,929	307	8,236	385,973	408,223	2,063,146	2,857,342	(19,583)	40,350	-	20,767	7,806,341
Effect of retrospective restatement	-	-	-	-	-	-	-	-	-	(40,350)	56,912	16,562	16,562
BALANCE AT JANUARY 1, 2018, AS RESTATED	4,919,996	7,929	307	8,236	385,973	408,223	2,063,146	2,857,342	(19,583)	-	56,912	37,329	7,822,903
Appropriation of the 2017 earnings													
Legal reserve	-	-	-	-	126,981	-	(126,981)	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	-	(737,999)	(737,999)	-	-	-	-	(737,999)
Share dividends distributed by the Company	147,600	-	-	-	-	-	(147,600)	(147,600)	-	-	-	-	-
Other changes in capital surplus	-	693	-	693	-	-	-	-	-	-	-	-	693
Net profit for the year ended December 31, 2018	-	-	-	-	-	-	1,276,156	1,276,156	-	-	-	-	1,276,156
Other comprehensive income for the year ended December 31, 2018, net of income tax	-	-	-	-	-	-	8,199	8,199	3,758	-	930	4,688	12,887
Total comprehensive income for the year ended December 31, 2018	-	-	-	-	-	-	1,284,355	1,284,355	3,758	-	930	4,688	1,289,043
BALANCE AT DECEMBER 31, 2018	<u>\$ 5,067,596</u>	<u>\$ 8,622</u>	<u>\$ 307</u>	<u>\$ 8,929</u>	<u>\$ 512,954</u>	<u>\$ 408,223</u>	<u>\$ 2,334,921</u>	<u>\$ 3,256,098</u>	<u>\$ (15,825)</u>	<u>\$ -</u>	<u>\$ 57,842</u>	<u>\$ 42,017</u>	<u>\$ 8,374,640</u>

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

CHINA GENERAL PLASTICS CORPORATION

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(In Thousands of New Taiwan Dollars)

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

(Continued)

CHINA GENERAL PLASTICS CORPORATION

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

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

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

(Concluded)

CHINA GENERAL PLASTICS CORPORATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

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

1. GENERAL INFORMATION

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

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

The financial statements are presented in the Company’s functional currency, the New Taiwan dollar (NT\$).

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Company’s board of directors on March 6, 2019.

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

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

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

- 1) IFRS 9 “Financial Instruments” and related amendments

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

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

Classification, measurement and impairment of financial assets

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

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

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

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

- a) Cash and cash equivalents, notes receivable, trade receivables, other receivables and refundable deposits previously classified as loans and receivables under IAS 39 were classified as at amortized cost with an assessment of expected credit losses under IFRS 9.
- b) As equity securities previously classified as available-for-sale financial assets under IAS 39 were not held for trading, the Company elected to designate these securities as at FVTOCI and FVTPL under IFRS 9. As a result, the related other equity - unrealized gain (loss) on available-for-sale financial assets of \$40,350 thousand was reclassified to other equity - unrealized gain (loss) on financial assets at FVTOCI.

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

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

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

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

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

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

New, Amended or Revised Standards and Interpretations (the “New IFRSs”)	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 “Prepayment Features with Negative Compensation”	January 1, 2019 (Note 2)
IFRS 16 “Leases”	January 1, 2019
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019 (Note 3)
Amendments to IAS 28 “Long-term Interests in Associates and Joint Ventures”	January 1, 2019
IFRIC 23 “Uncertainty over Income Tax Treatments”	January 1, 2019

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

Note 2: The FSC permits the election for early adoption of the amendments starting from January 1, 2018.

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

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

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

New IFRSs	Effective Date Announced by IASB (Note)
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020 (Note 2)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020 (Note 3)

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

Note 2: The Company shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

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

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

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- 3) Level 3 inputs are unobservable inputs for an asset or liability.

When preparing these parent company only financial statements, the Company used the equity method to account for its investments in subsidiaries and associates. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same with the amounts attributable to the owners of the Company in its consolidated financial statements, adjustments arising from the differences in accounting treatments between the parent company only basis and the consolidated basis were made to “investments accounted for using the equity method”, “share of profit or loss of subsidiaries and associates”, “share of other comprehensive income of subsidiaries and associates” and the related equity items, as appropriate, in these parent company only financial statements.

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

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the reporting period; and

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

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period; and
- 3) Liabilities for which the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

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

d. Foreign currencies

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

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

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

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

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

e. Inventories

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

f. Investments in subsidiaries

The Company uses the equity method to account for its investments in subsidiaries.

A subsidiary is an entity that is controlled by the Company.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary. The Company also recognizes the changes in the Company's share of equity of subsidiaries attributable to the Company.

When the Company's share of losses of a subsidiary exceeds its interest in that subsidiary (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company continues recognizing its share of further losses.

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the entire financial statements of the investee. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes the reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

When the Company loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Company had directly disposed of the related assets or liabilities.

Profits or losses resulting from downstream transactions are eliminated in full only in these parent company only financial statements. Profits and losses resulting from upstream transactions and transactions between subsidiaries are recognized only in the parent company only financial statements only to the extent of interests in the subsidiaries that are not related to the Company.

g. Investments in associates

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

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

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

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

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

The entire carrying amount of an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

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

When the Company transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Company's financial statements only to the extent that interests in the associate are not related to the Company.

h. Property, plant and equipment

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

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

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

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

i. Investment properties

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

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

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

j. Intangible assets

1) Intangible assets acquired separately

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

2) Derecognition of intangible assets

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

k. Impairment of tangible and intangible assets other than goodwill

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

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

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

l. Financial instruments

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

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

1) Financial assets

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

a) Measurement categories

2018

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

i. Financial assets at FVTPL

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

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 27.

ii. Financial assets at amortized cost

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

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

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

iii. Investments in equity instruments at FVTOCI

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

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

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

2017

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

i. Financial assets at FVTPL

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

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividends or interest earned on the financial asset. Fair value is determined in the manner described in Note 27.

ii. Available-for-sale financial assets

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

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

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

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

iii. Loans and receivables

Loans and receivables (including cash and cash equivalents, notes receivable, trade receivables and other receivables) are measured using the effective interest method at amortized cost less any impairment, except for short-term receivables when the effect of discounting is immaterial.

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

b) Impairment of financial assets

2018

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

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

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

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

2017

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

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

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

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

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

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

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

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

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

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

c) Derecognition of financial assets

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

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

2) Financial liabilities

a) Subsequent measurement

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

b) Derecognition of financial liabilities

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

3) Derivative financial instruments

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

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

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

m. Provisions

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

n. Revenue recognition

2018

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

- Revenue from the sale of goods

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

2017

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

1) Sale of goods

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

- a) The Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- b) The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- c) The amount of revenue can be measured reliably;
- d) It is probable that the economic benefits associated with the transaction will flow to the Company; and
- e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

2) Dividend and interest income

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

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

o. Leasing

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

1) The Company as lessor

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

2) The Company as lessee

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

p. Borrowing costs

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

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

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

q. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

r. Taxation

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

1) Current tax

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

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

2) Deferred tax

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

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

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

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

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

3) Current and deferred taxes for the year

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Write-down of Inventories

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

Associate's Estimated Damage Compensation for Kaohsiung Gas Explosions

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

6. CASH AND CASH EQUIVALENTS

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

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

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

7. FINANCIAL INSTRUMENTS AT FVTPL - CURRENT

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

(Continued)

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

At the end of the reporting period, outstanding foreign exchange forward contracts not under hedge accounting were as follows:

	Currency	Maturity Date	Contract Amount (In Thousands)
<u>December 31, 2018</u>			
Sell	USD/NTD	2019.01.03-2019.03.15	USD12,360/NTD379,620
<u>December 31, 2017</u>			
Sell	USD/NTD	2018.01.03-2018.03.30	USD10,830/NTD323,535
	JPY/USD	2018.01.19-2018.01.26	JPY40,000/USD354
	EUR/USD	2018.01.26-2018.02.26	EUR340/USD405
	AUD/USD	2018.01.26-2018.03.23	AUD600/USD461

The Company entered into foreign exchange forward contracts to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities. These contracts did not meet the criteria for hedge accounting. Therefore, the Company did not apply a hedge accounting treatment for these contracts.

8. FINANCIAL ASSETS AT FVTOCI - 2018

Investments in Equity Instruments at FVTOCI

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

In order to adjust its capital structure, KHL returned part of its capital to shareholders pursuant to the resolution made in the shareholders meeting in June 2018. The return was made by reducing 8.2% of the capital, in aggregation of 12,536 thousand shares (proportionately reducing 82 shares per 1,000 shares) and refunding \$820 per 1,000 shares to shareholders. The capital reduction was officially registered on August 16, 2018, and the Company received the capital refund of \$7,462 thousand in August 2018.

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

9. FINANCIAL ASSETS MEASURED AT COST - NON-CURRENT

**December 31,
2017**

Domestic equity investments

KHL IB Venture Capital Co., Ltd. ("KHL")

\$ 91,000

Management believes that the above unlisted equity investments held by the Company have fair values which cannot be reliably measured, because the range of reasonable fair value estimates are so significant. Therefore, they are measured at cost less impairment at the end of each reporting period.

In order to adjust its capital structure, KHL returned part of its capital to shareholders pursuant to the resolution made in the shareholders meeting in June 2017. The return was made by reducing 9% capital, in aggregation to 15,120 thousand shares (proportionately reducing 90 shares per 1,000 shares) and refunding to shareholders at \$900 per 1,000 shares. The capital reduction was officially registered on August 15, 2017, and the Company received the capital refund of \$9,000 thousand in September 2017.

10. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	December 31	
	2018	2017
<u>Notes receivable</u>		
Notes receivable-operating	<u>\$ 190,380</u>	<u>\$ 175,609</u>
<u>Trade receivables</u>		
At amortized cost		
Gross carrying amount	\$ 843,349	\$ 703,220
Less: Allowance for impairment loss	<u>(10,652)</u>	<u>(10,652)</u>
	<u>\$ 832,697</u>	<u>\$ 692,568</u>
Trade receivables from related parties (Note 28)	<u>\$ 101,570</u>	<u>\$ 118,613</u>

(Continued)

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

a. Trade receivables

2018

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

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

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

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

December 31, 2018

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

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

	December 31, 2018
Not past due	\$ 1,118,061
Less than and including 60 days	17,238
Over 60 days	<u>-</u>
	<u>\$ 1,135,299</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 Year Ended December 31, 2018
Balance at January 1, 2018 per IAS 39	\$ 10,652
Adjustment on initial application of IFRS 9	<u>-</u>
Balance at January 1, 2018 per IFRS 9	10,652
Add: Net remeasurement of loss allowance	-
Less: Amounts written off	-
Foreign exchange gains and losses	<u>-</u>
Balance at December 31, 2018	<u>\$ 10,652</u>

2017

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

For the balance of trade receivables that were past due at the end of the reporting period, the Company did not recognize an allowance for impairment loss, because there was no significant change in credit quality and the Company's management still considered such receivables to be recoverable. For part of the trade receivables, the Company entered into credit insurance contracts to enhance its guarantee. Therefore, the Company considered the recoverable amount of the insurance contracts when determining the amount of allowance for impairment loss. In addition, the Company did not have the legal right to offset any amounts owed by the Company against those payables to the respective counterparties.

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

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

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

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

	December 31, 2017
Less than and including 60 days	\$ 14,148
Over 60 days	<u>806</u>
	<u>\$ 14,954</u>

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

The movements of the allowance for doubtful notes receivable and trade receivables were as follows:

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at January 1, 2017	\$ -	\$ 10,652	\$ 10,652
Less: Amounts written off during the period	-	-	-
Foreign exchange translation gains or losses	<u>-</u>	<u>-</u>	<u>-</u>
Balance at December 31, 2017	<u>\$ -</u>	<u>\$ 10,652</u>	<u>\$ 10,652</u>

b. Other receivables

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

11. INVENTORIES

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

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

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

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

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

a. Investments in subsidiaries

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

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

	December 31	
Name of Subsidiaries	2018	2017
TVCM	87.22%	87.22%
CGPCPOL	100.00%	100.00%
CGPC (BVI)	100.00%	100.00%
CGPC America	100.00%	100.00%
Krystal Star	100.00%	100.00%

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

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

As of December 31, 2018, CGPC (BVI) remitted a total amount of US\$33,606 thousand to invest mainly in Teratech Corporation, SOHOWare, Inc., Continental General Plastics (Zhong Shan) Co., Ltd. (“CGPC (ZS)”) and CGPC Consumer Products Corporation (“CGPC (CP)”). The board of directors of the Company resolved to dissolve CGPC (ZS) and CGPC (CP) in October 2011. As of December 31, 2018, the dissolution procedures have not yet been completed.

The investment accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2018 and 2017 were based on the subsidiaries’ financial statements which have been audited for the same years.

b. Investments in associates

1) Associates that are not individually material

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

2) Aggregate information of associates that are not individually material

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

	December 31	
Name of Associates	2018	2017
ACME	1.74%	1.74%
CGTD	33.33%	33.33%
TMC	10.00%	10.00%

The Company with its affiliates jointly held more than 20% of the shareholdings of ACME and TMC and had significant influence over each entity. Therefore, the Company adopted the equity method to evaluate the above investments.

Fair values (Level 1) of investments in associates with available published price quotations are summarized as follows:

	December 31	
Name of Associate	2018	2017
ACME	<u>\$ 42,241</u>	<u>\$ 58,439</u>

All associates are accounted for using the equity method.

The investments accounted for using the equity method and the share of profit or loss and other comprehensive income or loss of those investments for the years ended December 31, 2018 and 2017 were based on the associates’ financial statements which have been audited for the same years.

13. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings and Improvements	Machinery and Equipment	Transportation Equipment	Miscellaneous Equipment	Construction in Progress and Machinery in Transit	Total
Cost							
Balance at January 1, 2017	\$ 1,629,671	\$ 735,204	\$ 4,489,273	\$ 48,423	\$ 171,965	\$ 314,603	\$ 7,389,139
Additions	-	-	-	-	-	638,642	638,642
Disposals	-	(1,618)	(62,927)	(1,546)	(5,209)	-	(71,300)
Reclassification	14,511	212,949	266,218	6,752	3,267	(618,733)	(115,036)
Balance at December 31, 2017	<u>\$ 1,644,182</u>	<u>\$ 946,535</u>	<u>\$ 4,692,564</u>	<u>\$ 53,629</u>	<u>\$ 170,023</u>	<u>\$ 334,512</u>	<u>\$ 7,841,445</u>
Accumulated depreciation and impairment							
Balance at January 1, 2017	\$ -	\$ 587,636	\$ 4,070,236	\$ 35,180	\$ 161,091	\$ -	\$ 4,854,143
Depreciation expenses	-	28,447	107,147	4,389	4,487	-	144,470
Disposals	-	(1,532)	(62,756)	(1,545)	(5,208)	-	(71,041)
Impairment losses reversed	-	-	(951)	-	-	-	(951)
Balance at December 31, 2017	<u>\$ -</u>	<u>\$ 614,551</u>	<u>\$ 4,113,676</u>	<u>\$ 38,024</u>	<u>\$ 160,370</u>	<u>\$ -</u>	<u>\$ 4,926,621</u>
Carrying amounts at December 31, 2017	<u>\$ 1,644,182</u>	<u>\$ 331,984</u>	<u>\$ 578,888</u>	<u>\$ 15,605</u>	<u>\$ 9,653</u>	<u>\$ 334,512</u>	<u>\$ 2,914,824</u>
Cost							
Balance at January 1, 2018	\$ 1,644,182	\$ 946,535	\$ 4,692,564	\$ 53,629	\$ 170,023	\$ 334,512	\$ 7,841,445
Additions	-	-	-	-	-	303,570	303,570
Disposals	-	(7,572)	(61,445)	(2,281)	(2,847)	-	(74,145)
Reclassification	-	22,362	310,523	4,602	3,197	(340,684)	-
Balance at December 31, 2018	<u>\$ 1,644,182</u>	<u>\$ 961,325</u>	<u>\$ 4,941,642</u>	<u>\$ 55,950</u>	<u>\$ 170,373</u>	<u>\$ 297,398</u>	<u>\$ 8,070,870</u>
Accumulated depreciation and impairment							
Balance at January 1, 2018	\$ -	\$ 614,551	\$ 4,113,676	\$ 38,024	\$ 160,370	\$ -	\$ 4,926,621
Depreciation expenses	-	32,498	130,051	4,817	3,849	-	171,215
Disposals	-	(7,190)	(61,218)	(2,280)	(2,701)	-	(73,389)
Balance at December 31, 2018	<u>\$ -</u>	<u>\$ 639,859</u>	<u>\$ 4,182,509</u>	<u>\$ 40,561</u>	<u>\$ 161,518</u>	<u>\$ -</u>	<u>\$ 5,024,447</u>
Carrying amounts at December 31, 2018	<u>\$ 1,644,182</u>	<u>\$ 321,466</u>	<u>\$ 759,133</u>	<u>\$ 15,389</u>	<u>\$ 8,855</u>	<u>\$ 297,398</u>	<u>\$ 3,046,423</u>

In order to expand storage capacity, the board of directors of the Company passed a resolution on February 22, 2017 to acquire the plant and electricity equipment attached to the plant located in Toufen at \$290,000 thousand from its land lessee, USI Optronics Corporation ("USIO"). The title of the plant purchased by the Company was transferred in June 2017. Some of the facilities were then leased to USIO, with the rest used as storage.

The above items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings and improvements		
Dormitories, restaurants and office buildings		26 to 60 years
Cell room and improvements		5 to 21 years
General plants and improvements		3 to 45 years
Machinery and equipment		
Chemical industry equipment		5 to 8 years
Machinery manufacturing equipment		5 to 8 years
Electrical equipment and tanks		10 to 26 years
Other equipment		2 to 15 years
		(Continued)

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

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

14. INVESTMENT PROPERTIES

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

The Company's investment properties are located in Toufen Industrial District. Due to the characteristics of the district, the market for comparable properties is inactive and alternative reliable measurements of fair value were not available. Therefore, the Company determined that the fair value of its investment properties is not reliably measurable. The Company entered into a mutual lease agreement with USIO after the Company acquired the plant located at Toufen and its attached equipment in June 2017.

As the Company leased portion of the facilities acquired from USIO, the leased facilities were reclassified as investment property in proportion to the acres leased.

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

15. INTANGIBLE ASSETS

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

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

16. NOTES PAYABLE AND TRADE PAYABLES

	December 31	
	2018	2017
<u>Notes payable</u>		
Operating	<u>\$ 288</u>	<u>\$ 183</u>
<u>Trade payables (including related parties)</u>		
Operating	<u>\$ 1,003,850</u>	<u>\$ 922,816</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.

17. OTHER PAYABLES

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

18. PROVISIONS-CURRENT

	December 31	
	2018	2017
Provision for customer returns and rebates	\$ <u>-</u>	\$ <u>27,849</u>

For contracts with customers in 2017, the provision for customer returns and rebates was based on historical experience, management's judgments and other known reasons for which estimated product returns and rebates may occur in the year. The provision was recognized as a reduction of operating income in the periods of the sales of the related goods. Starting from January 1, 2018, the Company applied IFRS 15 and recognized estimated sales returns and rebates as refund liabilities (presented in other current liabilities).

19. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Company adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

b. Defined benefit plans

The defined benefit plans adopted by the Company in accordance with the Labor Standards Law is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of a specific period before retirement. The Company contribute amounts equal to 9% (the percentage increased to 10% since February 2017) of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Company has no right to influence the investment policy and strategy.

The amounts included in the balance sheets in respect of the Company's defined benefit plans were as follows:

	December 31	
	2018	2017
Present value of defined benefit obligation	\$ 1,337,890	\$ 1,355,238
Fair value of plan assets	<u>(710,455)</u>	<u>(492,108)</u>
Net defined benefit liabilities	<u>\$ 627,435</u>	<u>\$ 863,130</u>

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

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Balance at January 1, 2017	<u>\$ 1,376,635</u>	<u>\$ (160,264)</u>	<u>\$ 1,216,371</u>
Service cost			
Current service cost	14,996	-	14,996
Net interest expense (income)	<u>15,234</u>	<u>(1,841)</u>	<u>13,393</u>
Recognized in profit or loss	<u>30,230</u>	<u>(1,841)</u>	<u>28,389</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(1,062)	(1,062)
Actuarial loss - changes in demographic assumptions	26	-	26
Actuarial loss - changes in financial assumptions	28,515	-	28,515
Actuarial gain - experience adjustments	<u>(24,180)</u>	<u>-</u>	<u>(24,180)</u>
Recognized in other comprehensive income	<u>4,361</u>	<u>(1,062)</u>	<u>3,299</u>
Contributions from the employer	-	(384,929)	(384,929)
Benefits paid	<u>(55,988)</u>	<u>55,988</u>	<u>-</u>
Balance at December 31, 2017	<u>1,355,238</u>	<u>(492,108)</u>	<u>863,130</u>
Service cost			
Current service cost	12,521	-	12,521
Net interest expense (income)	<u>14,977</u>	<u>(6,656)</u>	<u>8,321</u>
Recognized in profit or loss	<u>27,498</u>	<u>(6,656)</u>	<u>20,842</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(10,330)	(10,330)
Actuarial loss - changes in financial assumptions	27,133	-	27,133
Actuarial gain - experience adjustments	<u>(20,515)</u>	<u>-</u>	<u>(20,515)</u>
Recognized in other comprehensive income	<u>6,618</u>	<u>(10,330)</u>	<u>(3,712)</u>
Contributions from the employer	-	(252,825)	(252,825)
Benefits paid	<u>(51,464)</u>	<u>51,464</u>	<u>-</u>
Balance at December 31, 2018	<u>\$ 1,337,890</u>	<u>\$ (710,455)</u>	<u>\$ 627,435</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 Year Ended December 31	
	2018	2017
Operating costs	\$ 16,481	\$ 22,509
Selling and marketing expenses	2,017	2,694
General and administrative expenses	1,551	2,184
Research and development expenses	<u>793</u>	<u>1,002</u>
	<u>\$ 20,842</u>	<u>\$ 28,389</u>

The Company accumulated net losses after taxes of the remeasurement of the defined benefit plans in other comprehensive loss, which were \$115,000 thousand and \$126,490 thousand as of December 31, 2018 and 2017, respectively.

Through the defined benefit plans under the Labor Standards Law, the Company is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic or foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate of a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in government and corporate bond interest rates will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plans' debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated with reference to the future salaries of plan participants. As such, an increase in the salaries of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2018	2017
Discount rate	0.875%	1.125%
Expected rate of salary increase	2.500%	2.500%

If possible reasonable changes in each of the significant actuarial assumptions were to occur and all other assumptions were to remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	December 31	
	2018	2017
Discount rates		
0.25% increase	<u>\$ (27,133)</u>	<u>\$ (29,269)</u>
0.25% decrease	<u>\$ 28,017</u>	<u>\$ 30,255</u>
Expected rates of salary increase		
0.25% increase	<u>\$ 27,084</u>	<u>\$ 29,318</u>
0.25% decrease	<u>\$ (26,370)</u>	<u>\$ (28,515)</u>

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that changes in the assumptions would occur in isolation of one another as some of the assumptions may be correlated.

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

20. EQUITY

a. Ordinary shares

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

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

b. Capital surplus

The capital surplus generated from donations and the excess of the issuance price over the par value of share capital (including the shares issued from new capital) may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or share dividends up to a certain percentage of the Company's paid-in capital.

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

c. Retained earnings and dividends policy

Under the dividends policy as set forth in the Company's Articles of Incorporation, where the Company made a net income in a fiscal year, the profit shall be used first for offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. The industry that the Company operates in is in the maturity stage. Consequently, in order to take R&D needs and diversification into consideration, shareholders' dividends shall not be less than 10% of the distributable earnings in the current year, of which the cash dividends shall not be less than 10% of the total dividends. However, if the distributable earnings of the year is less than \$0.1 per share, it shall not be distributed. For the policies on the distribution of employees' compensation and remuneration of directors after amendment, refer to "Employees' compensation and remuneration of directors" in Note 22-e.

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

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

The appropriations of earnings for 2017 and 2016 approved in the shareholders’ meetings on June 22, 2018 and June 8, 2017, respectively, were as follows:

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

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

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

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

d. Special reserve

The Company appropriated a special reserve in the amount of \$408,223 thousand after offsetting a deficit of \$428,727 thousand, which was from the net increase of retained earnings arising from the initial adoption of IFRSs. As of December 31, 2018, there was no change.

e. Other equity items

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

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

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

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

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

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

21. REVENUE

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

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

22. NET PROFIT FROM CONTINUING OPERATIONS

a. Other income

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

b. Other gains and losses

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

c. Depreciation and amortization

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

d. Employee benefits expense

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

Refer to Schedule 12 for information related to employee benefits expense.

e. Employees' compensation and remuneration of directors

The Company accrued employees' compensation and remuneration of directors at rates of no less than 1% and no higher than 1%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. The employees' compensation and remuneration of directors for the years ended December 31, 2018 and 2017, which have been approved by the Company's board of directors on March 6, 2019 and March 12, 2018, respectively, were as follows:

Accrual rate

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

Amount

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

If there is a change in the amounts after the annual financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

There was no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the financial statements for the years ended December 31, 2017 and 2016.

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

23. INCOME TAXES RELATING TO CONTINUING OPERATIONS

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

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

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

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

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

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

b. Income tax recognized in other comprehensive income

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

c. Current tax liabilities

	December 31	
	2018	2017
Current tax liabilities		
Income tax payable	<u>\$ 63,552</u>	<u>\$ 88,007</u>

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2018

	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	\$ 7,173	\$ 1,439	\$ -	\$ 8,612
Share of profit of subsidiaries and associates accounted for using the equity method	78,351	16,644	(3,565)	91,430
Unrealized losses on property, plant and equipment	188	(157)	-	31
Deferred revenue	15,578	(2,444)	-	13,134
Provisions	4,898	(4,898)	-	-
Refund liabilities	-	4,666	-	4,666
Defined benefit plans	145,157	\$ (29,300)	7,778	\$ 123,635
Payables for annual leave	5,644	943	-	6,587
Unrealized foreign exchange losses	532	(196)	-	336
Others	<u>2,775</u>	<u>(117)</u>	<u>-</u>	<u>2,658</u>
	<u>\$ 260,296</u>	<u>\$ (13,420)</u>	<u>\$ 4,213</u>	<u>\$ 251,089</u>

(Continued)

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

For the year ended December 31, 2017

	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	\$ 6,801	\$ 372	\$ -	\$ 7,173
Share of profit of subsidiaries and associates accounted for using the equity method	71,480	308	6,563	78,351
Unrealized losses on property, plant and equipment	510	(322)	-	188
Deferred revenue	17,679	(2,101)	-	15,578
FVTPL financial assets	453	(453)	-	-
Provisions	2,990	1,908	-	4,898
Defined benefit plans	205,208	(60,612)	561	145,157
Payables for annual leave	4,616	1,028	-	5,644
Unrealized foreign exchange losses	-	532	-	532
Others	<u>322</u>	<u>2,453</u>	<u>-</u>	<u>2,775</u>
	<u>\$ 310,059</u>	<u>\$ (56,887)</u>	<u>\$ 7,124</u>	<u>\$ 260,296</u> (Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax liabilities</u>				
Temporary differences				
Unrealized foreign exchange gains	\$ 1,230	\$ (1,230)	\$ -	\$ -
Differences on depreciation period between finance and tax	2,308	(791)	-	1,517
FVTPL financial assets	-	160	-	160
Revaluation increments of land	<u>483,213</u>	<u>-</u>	<u>-</u>	<u>483,213</u>
	<u>\$ 486,751</u>	<u>\$ (1,861)</u>	<u>\$ -</u>	<u>\$ 484,890</u> (Concluded)

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

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

- f. Income tax assessments

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

24. EARNINGS PER SHARE

	Unit: NT\$ Per Share	
	<u>For the Year Ended December 31</u>	
	2018	2017
Basic earnings per share	<u>\$ 2.52</u>	<u>\$ 2.51</u>
Diluted earnings per share	<u>\$ 2.51</u>	<u>\$ 2.50</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 August 3, 2018. The basic and diluted earnings per share adjusted retrospectively for the year ended December 31, 2017 were as follows:

	Unit: NT\$ Per Share	
	Before Retrospective Adjustment	After Retrospective Adjustment
Basic and diluted earnings per share	<u>\$ 2.58</u>	<u>\$ 2.51</u>
Diluted earnings per share	<u>\$ 2.58</u>	<u>\$ 2.50</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	
	2018	2017
Earnings used in the computation of basic and diluted earnings per share	<u>\$ 1,276,156</u>	<u>\$ 1,269,808</u>

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

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

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

25. OPERATING LEASE AGREEMENTS

The Company's board of directors passed a resolution to pledge the right of superficies for the land leased to USIO as collateral in order to assist USIO to make borrowings from Chang Hwa Commercial Bank, Nankang Science Industrial Park Branch ("CHCB") in March 2012. The Company also promised CHCB that the Company shall not transfer or concede the land nor set the land as a trust asset to others. Additionally, the Company shall not provide a creation of mortgage, a lien or other rights of securities to other creditors, and the Company shall not terminate the lease contract. The Company leased the land in Toufen to USIO with a lease term from October 1, 2010 to June 30, 2027. USIO does not have a bargain purchase option to acquire the leased land at the expiry of the lease period.

The Company acquired the plant and some electricity equipment located on the leased land from USIO in June 2017, and also agreed to terminate the lease contract. In the meantime, USIO canceled the right of superficies and the creation of mortgage mentioned above. The two parties entered into a new lease wherein the Company leased part of the plant to USIO with a lease term from June 16, 2017 to June 15, 2018. After the lease contract expired, it was resigned with a new lease term from June 16, 2018 to June 15, 2020. USIO does not have a bargain purchase option to acquire the leased factory at the expiry of the lease period.

26. CAPITAL MANAGEMENT

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

27. FINANCIAL INSTRUMENTS

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

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

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

1) Fair value hierarchy

December 31, 2018

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

December 31, 2017

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Derivative financial assets	\$ -	\$ 1,450	\$ -	\$ 1,450
Non-derivative financial assets held for trading	<u>967,549</u>	<u>-</u>	<u>-</u>	<u>967,549</u>
	<u>\$ 967,549</u>	<u>\$ 1,450</u>	<u>\$ -</u>	<u>\$ 968,999</u>

Financial liabilities at FVTPL

Derivatives financial liabilities	<u>\$ -</u>	<u>\$ 508</u>	<u>\$ -</u>	<u>\$ 508</u>
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There were no transfers between Levels 1 and 2 for the years ended December 31, 2018 and 2017.

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

For the year ended December 31, 2018

Financial Assets	Financial Assets at FVTOCI
Balance at January 1, 2018	\$ 107,562
Recognized in other comprehensive income (included in unrealized gain on financial assets at FVTOCI)	20,947
Return of capital	<u>(7,462)</u>
Balance at December 31, 2018	<u>\$ 121,047</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 Company's financial department conducts independent fair value verification using independent resources so as to better reflect the market conditions, as well as periodically reviewing the valuation results in order to guarantee the rationality of the measurement. For unlisted domestic equity investments, the Company utilizes the asset approach and takes into account the most recent net asset value, observable financial status as well as the financing activities of investees in order to determine their net asset value. The unobservable input used was a discount for the lack of marketability of 15% on December 31, 2018. When other inputs remain unchanged, the fair value will decrease by \$1,424 thousand if the discount for lack of marketability increases by 1%.

c. Categories of financial instruments

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

d. Financial risk management objectives and policies

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

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

1) Market risk

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

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

a) Foreign currency risk

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

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are set out in Note 31.

Sensitivity analysis

The Company's sensitivity analysis mainly focuses on the foreign currency risk of U.S. dollars at the end of the reporting period. Assuming a 3% strengthening/weakening of the functional currency against U.S. dollars, the net income before tax for the years ended December 31, 2018 and 2017 would have decreased/increased by \$21,236 thousand and \$13,205 thousand, respectively.

In management's opinion, the sensitivity analysis was unrepresentative of the inherent foreign currency risk because the exposure at the end of the reporting period did not reflect the exposure during the period.

b) Interest rate risk

The Company was exposed to the fair value risk of interest rate fluctuations for the fixed interest rate bearing financial assets; the Company was exposed to the cash flow risk of interest rate fluctuations for the floating interest rate bearing financial assets. The Company's management regularly monitors the fluctuations on market rates and then adjusted its balance of floating rate bearing financial liabilities to make the Company's interest rates more closely approach market rates in response to the interest rate risk.

The carrying amount of the Company's financial assets with exposure to interest rates at the end of the reporting period were as follows:

	December 31	
	2018	2017
Fair value interest rate risk		
Financial assets	\$ 71,263	\$ 14,058
Cash flow interest rate risk		
Financial assets	65,649	59,394

Sensitivity analysis

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

If interest rates had been 50 points higher/lower and all other variables were held constant, the Company's pre-tax profit for the years ended December 31, 2018 and 2017 would have increased/decreased by \$328 thousand and \$297 thousand, respectively.

c) Other price risk

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

Sensitivity analysis

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

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

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

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. As at the end of the reporting period, the Company's maximum exposure to credit risk, which would cause a financial loss to the Company due to the failure of counterparties to discharge an obligation and financial guarantees provided by the Company, could arise from:

- a) The carrying amount of the respective recognized financial assets as stated in the balance sheets; and
- b) The amount of contingent liabilities in relation to financial guarantees issued by the Company.

The Company adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The Company's exposure and the credit ratings of its counterparties are continuously monitored.

The counterparties of the Company's trade receivable included numerous clients distributed over a variety of areas, and were not centered on a single client or location. Furthermore, the Company continuously assesses the financial condition of its clients, and then the Company's credit risk was limited. At the end of the reporting period, the Company's largest exposure on credit risk approximates to the carrying amounts of its financial assets.

3) Liquidity risk

The Company managers mitigate liquidity risk by maintaining a level of cash and cash equivalents and financing facilities deemed adequate.

a) Liquidity and interest rate risk tables

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The table was drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

December 31, 2018

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

December 31, 2017

	On Demand or Less than 1 Year	1-5 Years	5+ Years
<u>Non-derivative financial liabilities</u>			
Non-interest bearing liabilities	\$ <u>1,038,014</u>	\$ <u>-</u>	\$ <u>-</u>

b) Financing facilities

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

	December 31	
	2018	2017
Bank loan facilities		
Amount unused	\$ <u>2,491,134</u>	\$ <u>2,186,877</u>

28. TRANSACTIONS WITH RELATED PARTIES

As of December 31, 2018 and 2017, USI Corporation held through its subsidiary, Union Polymer Int'l Investment Corporation 24.97% of the Company's outstanding ordinary shares.

Besides information disclosed elsewhere in the other notes, details of transactions between the Company and other related parties are disclosed below.

a. Related party names and categories

Related Party Name	Related Party Category
USI Corporation ("USI")	Parent company
Taiwan VCM Corporation ("TVCM")	Subsidiary
CGPC Polymer Corporation ("CGPCPOL")	Subsidiary
Krystal Star International Corporation ("Krystal Star")	Subsidiary

(Continued)

Related Party Name	Related Party Category
CGPC America Corporation (“CGPC America”)	Subsidiary
CGPC (BVI) Holding Co., Ltd.	Subsidiary
Taita Chemical Company, Limited (“TTC”)	Investor with significant influence
Asia Polymer Corporation (“APC”)	Investor with significant influence
China General Terminal & Distribution Corporation	Associate
Acme Electronics Corporation	Associate
Thintec Materials Corporation	Associate
USI Optronics Corporation (“USIO”)	Fellow subsidiary
USI Management Consulting Corporation (“UM”)	Fellow subsidiary
Swanson Plastics Corporation	Fellow subsidiary
Taiwan United Venture Management Corporation	Fellow subsidiary
Chong Loong Trading Co., Ltd.	Fellow subsidiary
Dynamic Ever Investments Limited	Fellow subsidiary
USIFE Investment Co., Ltd.	Fellow subsidiary
INOMA Corporation (“INOMA”)	Fellow subsidiary
APC Investment Corporation	Subsidiary of investor with significant influence
USI Educational Foundation (“USIF”)	Related party in substance

(Concluded)

b. Sales of goods

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

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

c. Purchases of goods

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

The Company signed a VCM purchase contract with TVCM. The purchase price was negotiated by both parties according to the current domestic price of PVC, the spot price of VCM, EDC and ethylene in Asia.

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

d. Trade receivables from related parties

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

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

e. Trade payables to related parties

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

The outstanding trade payables to related parties were unsecured.

f. Other receivables from related parties

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

g. Other payables to related parties

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

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

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

i. Endorsements and guarantees

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

j. Rental expenses

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

The Company leases offices in Neihu from USI and APC. The leases will expire in April 2019 and December 2018, respectively, and the rentals are paid on a monthly basis.

k. Management service expenses

Related Party Category/Name	For the Year Ended December 31	
	2018	2017
Fellow subsidiary		
UM	\$ 46,226	\$ 41,530
Others	114	114
Parent company		
USI	<u>3,786</u>	<u>3,981</u>
	<u>\$ 50,126</u>	<u>\$ 45,625</u>

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

l. Donations (classified as general and administrative expenses)

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

m. Rental income

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

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

n. Other revenue

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

- o. Other expense

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

- p. Compensation of key management personnel

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

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

29. ASSETS PLEDGED AS COLLATERAL

The following assets were provided as collaterals for bank borrowings, endorsement guarantees and the tariffs of imported raw materials:

	December 31	
	2018	2017
Pledge deposits (classified as refundable deposits)	\$ 2,154	\$ 2,154
Property, plant and equipment		
Land	1,517,928	1,517,928
Buildings and improvements, net	<u>64,987</u>	<u>72,678</u>
	<u>\$ 1,585,069</u>	<u>\$ 1,592,760</u>

The Company signed a long-term secured loan contract with a revolving credit limit of \$1,000,000 thousand for 5 years with Chang Hwa Commercial Bank to enrich working capital. The Company set the land and plants which is owned by the Company as collateral. As of December 31, 2018 and 2017, the Company has not used its revolving credit.

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

30. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

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

- a. As of December 31, 2018 and 2017, the Company's unused letters of credit amounted to \$18,866 thousand and \$23,123 thousand, respectively.

b. Description of Kaohsiung explosions:

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

CGTD arrived at an agreement with the Kaohsiung City Government on February 12, 2015, pledging certificates of bank deposits of \$227,167 thousand, interests included, to the Kaohsiung City Government as collateral for the loss caused by the gas explosion. The Kaohsiung City Government also filed civil procedure requests in succession against LCY Chemical Corp., CGTD and CPC Corporation, Taiwan (“CPC”). Taiwan Power Company applied for provisional attachment against CGTD’s property on August 27 and November 26, 2015. Taiwan Water Corporation also applied for provisional attachment against CGTD’s property on February 3 and March 2, 2017. At the end of February 2019, the provisionally attached property was worth \$141,255 thousand.

As for the victims, CGTD, LCY Chemical Corp. and the Kaohsiung City Government signed a tripartite agreement for the compensation of the 32 victims’ families on July 17, 2015. Each victim’s family received \$12,000 thousand, and the compensation was \$384,000 thousand in total, which was paid in four annual payments by LCY Chemical Corp. LCY Chemical Corp. was in charge of negotiating the compensation with the victims’ families and signing the settlement agreement on behalf of the three parties.

As for the seriously injured, CGTD, LCY Chemical Corp. and the Kaohsiung City Government signed a tripartite agreement for the compensation of the 65 seriously injured victims’ families on October 25, 2017. Compensation was paid by CGTD and the Kaohsiung City Government, and CGTD was in charge of negotiating the compensation with the seriously injured victims’ families and signing the settlement agreement on behalf of the three parties with the 64 seriously injured victims’ families.

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

31. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

Unit: Foreign Currencies and Carry Amounts in Thousands

December 31, 2018

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

December 31, 2017

	December 31, 2017		
	Foreign Currencies	Exchange Rate (In Single Dollars)	NT\$ (Carry Amount)
<u>Financial assets</u>			
Monetary items			
USD	\$ 15,158	29.760 (USD:NTD)	\$ 451,104
EUR	663	35.570 (EUR:NTD)	23,567
JPY	86,158	0.2642 (JPY:NTD)	22,763
AUD	754	23.185 (AUD:NTD)	17,492
Non-monetary items			
Subsidiaries accounted for using the equity method			
USD	20,785	29.760 (USD:NTD)	618,549
<u>Financial liabilities</u>			
Monetary items			
USD	367	29.760 (USD:NTD)	10,930

For the years ended December 31, 2018 and 2017, net foreign exchange gain (losses) were \$18,351 thousand and \$(41,783) thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the entities.

32. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others: See Table 1 attached;
- 2) Endorsements/guarantees provided: See Notes 28 and Table 2 attached;
- 3) Marketable securities held (not included investment subsidiary and affiliated companies): See Table 3 attached;
- 4) Marketable securities acquired and disposed of costs or prices of at least NT\$300 million or 20% of the paid-in capital: See Table 4 attached;
- 5) Acquisitions of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None;
- 6) Disposals of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None;
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: See Table 5 attached;
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: See Table 6 attached;
- 9) Trading in derivative instruments: See Note 7 attached; and
- 10) Information on investees: See Table 7 attached.

b. Information on investments in mainland China

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area: See Table 8 attached; and
- 2) The following information on any of the significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: See Table 1 attached.
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
 - c) The amount of property transactions and the amount of the resultant gains or losses.

- d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.
- e) The highest balance during the period, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.
- f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services.

TABLE 1

CHINA GENERAL PLASTICS CORPORATION

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period (Note 4)	Ending Balance (Note 4)	Actual Borrowing Amount	Interest Rate	Nature of Financing (Note 3)	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Notes 2 and 4)	Aggregate Financing Limits (Notes 2 and 4)
													Item	Value		
1	CGPC (BVI) Holding Co., Ltd. (“CGPC (BVI)”)	Continental General Plastics (Zhong Shan) Co., Ltd.	Other receivables from related parties	Yes	\$ 122,860 (US\$ 4,000 thousand)	\$ -	\$ -	-	b	\$ -	Operating capital needed	\$ -	-	-	\$ 353,757	\$ 353,757

Note 1: The total amount of financing by the Company to others shall not exceed 40% of the net worth of the Company. The Company has no financing provided to others as of December 31, 2018.

Note 2: The total amount of financing provided by the CGPC (BVI) to others collectively and to any individual entity shall not exceed 40% of its net worth. However, the total amount of financing provided to any subsidiary which is not located in Republic of China wholly-owned by the Company shall not exceed 100% of the net worth of the CGPC (BVI) according to the most recent audit.

Note 3: The alphabetic indications for the nature of financing are described as follows:

a. Existing transactions.

b. Needed short-term operating capital.

Note 4: The amount is calculated using the spot exchange rate as on December 31, 2018.

TABLE 2

CHINA GENERAL PLASTICS CORPORATION

**ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)**

No.	Endorser/Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note 2)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period (Note 3)	Actual Borrowing Amount (Note 3)	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%) (Note 1)	Aggregate Endorsement/ Guarantee Limit (Note 2)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship										
0	China General Plastics Corporation	CGPC Polymer Corporation	Subsidiary	\$ 8,374,640	\$ 3,307,150	\$ 2,907,150	\$ 515,358	None	34.71	\$ 8,374,640	Yes	No	No

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

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

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

TABLE 3

CHINA GENERAL PLASTICS CORPORATION

MARKETABLE SECURITIES HELD

DECEMBER 31, 2018

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

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2018				Maximum Shares/Units Held During the Year	Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value		
China General Plastics Corporation	<u>Closed-end fund beneficiary certificates</u> Cathay No. 1 Real Estate Investment Trust	-	Financial assets at FVTPL - current	4,268,000	\$ 63,422	-	\$ 63,422	4,268,000	1
	Fubon No. 2 Real Estate Investment Trust	-	Financial assets at FVTPL - current	5,000,000	63,000	-	63,000	5,000,000	1
	Shin Kong No. 1 Real Estate Investment Trust	-	Financial assets at FVTPL - current	3,000,000	45,210	-	45,210	3,000,000	1
	Cathay No. 2 Real Estate Investment Trust	-	Financial assets at FVTPL - current	2,500,000	37,575	-	37,575	2,500,000	1
	<u>Open-end fund beneficiary certificates</u> Taishin 1699 Money Market Fund	-	Financial assets at FVTPL - current	3,702,173	50,007	-	50,007	7,418,233	1
	Jih Sun Money Market Fund	-	Financial assets at FVTPL - current	3,143,272	46,500	-	46,500	9,368,793	1
	Hua Nan Phoenix Money Market Fund	-	Financial assets at FVTPL - current	2,466,700	40,041	-	40,041	3,092,509	1
	FSITC Taiwan Money Market Fund	-	Financial assets at FVTPL - current	2,226,387	34,011	-	34,011	9,518,158	1
	Yuanta Wan Tai Money Market Fund	-	Financial assets at FVTPL - current	1,653,002	25,003	-	25,003	3,881,805	1
	<u>Ordinary shares</u> KHL IB Venture Capital Co., Ltd.	-	Financial assets measured at FVTOCI - non-current	8,353,800	121,047	5.95	121,047	9,100,000	1
Taiwan VCM Corporation	<u>Open-end fund beneficiary certificates</u> Jih Sun Money Market Fund	-	Financial assets at FVTPL - current	12,193,440	180,384	-	180,384	12,193,440	1
	FSITC Taiwan Money Market Fund	-	Financial assets at FVTPL - current	8,534,572	130,378	-	130,378	8,534,572	1
	Yuanta De-Li Money Market Fund	-	Financial assets at FVTPL - current	3,081,056	50,162	-	50,162	3,085,429	1
	Prudential Financial Money Market Fund	-	Financial assets at FVTPL - current	3,174,885	50,144	-	50,144	3,180,641	1

(Continued)

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

Note 1: The marketable securities were not pledged as guarantees or collateral for borrowings and are not subject to restrictions.

Note 2: The preference shares are not used in the calculation of the shareholding ratio and net worth.

Note 3: As of December 31, 2018, the Company evaluates the fair value of the equity investment as \$0.

(Concluded)

TABLE 4

CHINA GENERAL PLASTICS CORPORATION

**MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)**

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

Note: The amount as of December 31, 2018 was accounted for as the original cost.

TABLE 5

CHINA GENERAL PLASTICS CORPORATION

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)**

Buyer/Seller	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Trade Receivables (Payables)	
			Purchase/ Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Financial Statement Account and Ending Balance	% of Total
China General Plastics Corporation	Taiwan VCM Corporation	Subsidiary	Purchase	\$ 4,230,003	72	45 days	No major difference	No major difference	Trade payables to related parties \$ (774,140)	(77)
	CGPC America Corporation	Subsidiary	Sale	(374,307)	(5)	90 days	No major difference	No major difference	Trade receivables from related parties 101,245	9
Taiwan VCM Corporation	China General Plastics Corporation	Parent company	Sale	(4,230,003)	(43)	45 days	No major difference	No major difference	Trade receivables from related parties 774,140	45
	CGPC Polymer Corporation	Fellow subsidiary	Sale	(4,410,087)	(45)	45 days	No major difference	No major difference	Trade receivables from related parties 778,034	45
CGPC Polymer Corporation	Taiwan VCM Corporation	Fellow subsidiary	Purchase	4,410,087	96	45 days	No major difference	No major difference	Trade payables to related parties (778,034)	(97)
CGPC America Corporation	China General Plastics Corporation	Parent company	Purchase	374,307	83	90 days	No major difference	No major difference	Trade payables to related parties (101,245)	(97)

TABLE 6

CHINA GENERAL PLASTICS CORPORATION

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)**

Company Name	Related Party	Relationship	Financial Statement Account and Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period (Note 2)	Allowance for Impairment Loss
					Amount	Actions Taken		
China General Plastics Corporation	CGPC America Corporation	Subsidiary	Trade receivables from related parties\$ 101,245	3.41	\$ -	-	\$ 63,311	Note 1
Taiwan VCM Corporation	China General Plastics Corporation CGPC Polymer Corporation	Parent company	Trade receivables from related parties\$ 774,140	5.70	-	-	774,140	Note 1
		Fellow subsidiary	Trade receivables from related parties\$ 778,034	5.87	-	-	778,034	Note 1

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

Note 2: The subsequent period is between January 1 and February 27, 2019.

TABLE 7

CHINA GENERAL PLASTICS CORPORATION

INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Business Content	Original Investment Amount		As of December 31, 2018			Net Income (Loss) of Investee	Share of Profit (Loss)	Note
				December 31, 2018	December 31, 2017	Number of Shares	%	Carrying Amount			
China General Plastics Corporation	Taiwan VCM Corporation	No. 1, Gongye 1st Rd., Linyuan Dist., Kaohsiung City 832, Taiwan (R.O.C.)	Manufacturing and marketing of VCM	\$ 2,930,995	\$ 2,930,994	206,008,832	87.22	\$ 2,919,181	\$ 625,587	\$ 535,972	Subsidiary
	CGPC Polymer Corporation	12F., No. 37, Jihu Rd., Neihu Dist., Taipei City 114, Taiwan (R.O.C.)	Manufacturing and marketing of PVC resins	800,000	800,000	78,859,281	100.00	1,103,222	257,674	257,674	Subsidiary
	CGPC (BVI) Holding Co., Ltd.	Citco Building, Wickhams Cay, P.O. Box 662, Road Town, Tortola, British Virgin Islands	Reinvestment	1,073,906	1,073,906	16,308,258	100.00	353,757	8,843	8,843	Subsidiary
	China General Terminal & Distribution Corporation	No. 1, Jianji St., Qianzhen Dist., Kaohsiung City 806, Taiwan (R.O.C.)	Warehousing and transportation of petrochemical raw materials	41,106	41,106	18,667,465	33.33	228,250	(75,720)	(25,241)	Associate accounted for using the equity method
	CGPC America Corporation	1181 California Ave., Suite 235 Corona, CA 92881 U.S.A.	Marketing of PVC film and leather products	648,931	648,931	100	100.00	203,543	(11,119)	(11,119)	Subsidiary
	Krystal Star International Corporation	Citco Building, Wickhams Cay, P.O. Box 662, Road Town, Tortola, British Virgin Islands	Marketing of PVC film and consumer products	283,502	283,502	5,780,000	100.00	76,490	1,646	1,646	Subsidiary
	Acme Electronics Corporation	8F., No. 39, Jihu Rd., Neihu Dist., Taipei City 114, Taiwan (R.O.C.)	Manufacturing and marketing of Mn-Zn and Ni-Zn ferrite cores	33,995	33,995	3,176,019	1.74	24,296	56,187	978	Associate accounted for using the equity method
	Thintec Materials Corporation	12F., No. 37, Jihu Rd., Neihu Dist., Taipei City 114, Taiwan (R.O.C.)	Manufacturing and marketing of reinforced plastic products	15,000	15,000	600,000	10.00	1,452	(10,525)	(1,052)	Associate accounted for using the equity method

TABLE 8

CHINA GENERAL PLASTICS CORPORATION

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2018

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

Investee Company	Business Content	Paid-in Capital (Note 1)	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2018 (Note 1)	Investment Flows		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2018 (Note 1)	Net Income (Loss) of Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 5)	Carrying Amount as of December 31, 2018 (Note 1)	Accumulated Repatriation of Investment Income as of December 31, 2018
					Outflow	Inflow						
Continental General Plastics (ZhongShan) Co., Ltd. (“CGPC (ZS)”) (Note 4)	Manufacturing and marketing of PVC film and consumer products	\$ 614,300 (US\$ 20,000 thousand)	Investment through CGPC (BVI) Holding Co., Ltd. (“CGPC (BVI)”)	\$ 614,300 (US\$ 20,000 thousand)	\$ -	\$ -	\$ 614,300 (US\$ 20,000 thousand)	\$ 7,455 (US\$ 247 thousand)	100.00	\$ 7,455 (US\$ 247 thousand)	\$ 264,486 (US\$ 8,611 thousand)	\$ -
CGPC Consumer Products Corporation (“CGPC (CP)”) (Note 4)	Manufacturing and marketing of PVC consumer products	46,073 (US\$ 1,500 thousand)	Investment through CGPC (BVI) Holding Co., Ltd. (“CGPC (BVI)”)	46,073 (US\$ 1,500 thousand)	-	-	46,073 (US\$ 1,500 thousand)	12 (US\$ - thousand)	100.00	12 (US\$ - thousand)	13,932 (US\$ 454 thousand)	-

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2018 (Notes 1 and 3)	Investment Amounts Authorized by Investment Commission, MOEA (Note 1)	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$831,824 (US\$27,082 thousand)	\$1,053,371 (US\$34,295 thousand)	(Note 2)

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

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

Note 3: QuanZhou Continental General Plastics Co., Ltd. (“CGPC (QZ)”) and Union (Zhong Shan) Co., Ltd. (“Union (ZS)”) completed dissolution procedures, and CGPC (BVI) retrieved the residual assets. The shares of Continental General Plastics (San He) Co., Ltd. (“CGPC (SH)”) were fully sold, and CGPC (BVI) retrieved the residual assets. However, the amount of capital has not been wired back to Taiwan. The accumulated amount includes the investment amount of CGPC (QZ) of \$21,009 thousand (US\$684 thousand), the investment amount of Union (ZS) of \$27,582 thousand (US\$898 thousand) and the investment amount of CGPC (SH) of \$122,860 thousand (US\$4,000 thousand).

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

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

CHINA GENERAL PLASTICS CORPORATION

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SCHEDULE 1**CHINA GENERAL PLASTICS CORPORATION****SCHEDULE OF CASH AND CASH EQUIVALENTS****DECEMBER 31, 2018****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Item	Description	Amount
Cash on hand and petty cash		\$ <u>192</u>
Cash in bank		
Demand deposits		2,389
Checking accounts		15,779
Foreign currency deposits	US\$1,999,473, US\$1=NT\$30.715 EUR3,301, EUR1=NT\$35.200 AUD61,074, AUD1=NT\$21.665 GBP4,654, GBP1=NT\$38.880 JPY373,355, JPY1=NT\$0.2782 HK\$31,164, HK\$1=NT\$3.921	<u>63,260</u>
		<u>81,428</u>
Time deposits		
Foreign time deposits	US\$1,400,000, US\$1=NT\$30.715, expired by 2018.12.24-2019.01.03, interest rate at 2.50% US\$850,000, US\$1=NT\$30.715, expired by 2018.12.28-2019.01.04, interest rate at 2.00%	<u>69,109</u>
		<u>\$ 150,729</u>

SCHEDULE 2**CHINA GENERAL PLASTICS CORPORATION****SCHEDULE OF FINANCIAL ASSETS AT FVTPL - CURRENT
DECEMBER 31, 2018****(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				
Open-end fund beneficiary certificates				
Taishin 1699 Money Market Fund	3,702,173	\$ 50,000	13.51	\$ 50,007
Jih Sun Money Market Fund	3,143,272	46,500	14.80	46,500
Hua Nan Phoenix Money Market Fund	2,466,700	40,000	16.23	40,041
FSITC Taiwan Money Market Fund	2,226,387	34,000	15.28	34,011
Yuanta Wan Tai Money Market Fund	1,653,002	<u>25,000</u>	15.13	<u>25,003</u>
		<u>195,500</u>		<u>195,562</u>
Closed-end fund beneficiary certificates				
Cathay No. 1 Real Estate Investment Trust	4,268,000	43,289	14.86	63,422
Fubon No. 2 Real Estate Investment Trust	5,000,000	50,000	12.06	63,000
Shin Kong No. 1 Real Estate Investment Trust	3,000,000	30,000	15.07	45,210
Cathay No. 2 Real Estate Investment Trust	2,500,000	<u>25,000</u>	15.03	<u>37,575</u>
		<u>148,289</u>		<u>209,207</u>
		<u>\$ 343,789</u>		<u>404,769</u>
Derivative financial instruments				
Foreign exchange forward contracts				<u>627</u>
				<u>\$ 405,396</u>

SCHEDULE 3**CHINA GENERAL PLASTICS CORPORATION****SCHEDULE OF NOTES RECEIVABLE AND TRADE RECEIVABLES****DECEMBER 31, 2018****(In Thousands of New Taiwan Dollars)**

Item	Amount
Notes receivable	
Zheng Yi Plastic Co., Ltd.	\$ 27,687
San Yanier Chemical Co., Ltd.	26,973
Avatack Co., Ltd.	21,695
Yonghuade Industrial Materials Co., Ltd.	16,472
Globe Industries Corporation	13,168
Others (Note)	<u>84,385</u>
	<u>190,380</u>
Trade receivables from unrelated parties	
Tricon Energy UK, Ltd.	157,352
Others (Note)	<u>685,997</u>
	843,349
Less: Allowance for impairment loss	<u>(10,652)</u>
	<u>832,697</u>
Trade receivables from related parties	
CGPC America Corporation	101,245
Others (Note)	<u>325</u>
	<u>101,570</u>
	<u>\$ 1,124,647</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, 2018****(In Thousands of New Taiwan Dollars)**

Item	Amount	
	Cost	Net Realizable Value (Note 1)
Finished goods	\$ 514,139	\$ 547,656
Work in progress	52,422	44,809
Raw materials	<u>297,320</u>	<u>284,695</u>
	863,881	<u>\$ 877,160</u>
Less: Allowance for impairment loss (Note 2)	<u>(43,060)</u>	
	<u>\$ 820,821</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\$1,238,537 thousand.

CHINA GENERAL PLASTICS CORPORATION

**SCHEDULE OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)**

Investee Company	Balance at January 1, 2018		Additions (Decrease)		Balance at December 31, 2018		%	Market Value/ Net Assets Value	Endorsement/ Guarantee Collateral	Note
	Shares	Amount	Shares	Amount	Shares	Amount				
Listed Company										
Acme Electronics Corporation	3,176,019	\$ 25,463	-	\$ 965	3,176,019	\$ 26,428	1.74	\$ 42,241	None	Note 2
Unlisted Company										
Taiwan VCM Corporation	196,198,860	2,642,545	9,809,972	276,636	206,008,832	2,919,181	87.22	2,978,155	None	Note 3
CGPC Polymer Corporation	56,478,291	845,548	22,380,990	257,674	78,859,281	1,103,222	100.00	1,103,222	Note 1	Note 6
CGPC (BVI) Holding Co., Ltd.	16,308,258	363,371	-	8,843	16,308,258	372,214	100.00	353,757	None	Note 7
China General Terminal & Distribution Corporation	17,079,108	272,509	1,588,357	(44,259)	18,667,465	228,250	33.33	228,250	None	Note 4
CGPC America Corporation	100	203,603	-	(2,969)	100	200,634	100.00	247,323	None	Note 5
Krystal Star International Corporation	5,780,000	73,081	-	1,646	5,780,000	74,727	100.00	76,490	None	Note 7
Thintec Materials Corporation	600,000	<u>2,504</u>	-	<u>(1,052)</u>	600,000	<u>1,452</u>	10.00	1,452	None	Note 7
		4,428,624		497,484		4,926,108				
Adjustments resulting from translation of the financial statement of foreign operations		<u>(23,240)</u>		<u>7,323</u>		<u>(15,917)</u>				
		<u>\$ 4,405,384</u>		<u>\$ 504,807</u>		<u>\$ 4,910,191</u>				

Note 1: Refer to Schedule 2.

Note 2: The changes mainly included share of profit of associates amounting to \$978 thousand less remeasurement of defined benefit plans of \$13 thousand.

Note 3: The shares additions was due to appropriation of the earnings as share dividends; the changes mainly included share of profits derived from subsidiaries amounting to \$535,972 thousand less unrealized loss on investments in equity investments at FVTOCI that amounted to \$524 thousand, remeasurement of defined benefit plans of \$3,753 thousand and cash dividends payment of \$225,059 thousand.

Note 4: The shares additions was due to appropriation of the earnings as share dividends; the changes mainly included remeasurement of defined benefit plans of \$475 thousand less share of loss of associates amount to \$22,541 thousand and unrealized loss on investments in equity investments at FVTOCI that amounted of \$19,493 thousand.

Note 5: The change mainly included the realized gain on the transactions with subsidiaries of \$8,150 thousand less share of loss of subsidiaries of \$11,119 thousand.

Note 6: The shares additions was due to appropriation of the earnings as share dividends; the changes resulted from the share of profit of subsidiaries.

Note 7: The changes resulted from the share of profit of subsidiaries and associates.

CHINA GENERAL PLASTICS CORPORATION**SCHEDULE OF NOTES PAYABLE AND TRADE PAYABLES****DECEMBER 31, 2018****(In Thousands of New Taiwan Dollars)**

Item	Amount
Notes payable	
Formosa Plastics Corporation	\$ <u>288</u>
Trade payables from unrelated parties	
Nan Ya Plastics Corporation	31,528
Others (Note)	<u>194,935</u>
	<u>226,463</u>
Trade payables from related parties	
Taiwan VCM Corporation	774,140
Others (Note)	<u>3,247</u>
	<u>777,387</u>
	<u>\$ 1,004,138</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, 2018****(In Thousands of New Taiwan Dollars)**

Item	Amount
Refund liabilities	\$ 23,329
Receipts in advance	21,118
Withholding Labor Insurance and National Health Insurance	14,242
Others (Note)	<u>2,674</u>
	<u>\$ 61,363</u>

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, 2018****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Item	Unit (PVC Leather Are Stated in Thousands of YD; Others Are Stated in Tone)	Amount
Revenue		
PVC resin/compound	151,609	\$ 4,165,075
PVC film	35,929	1,964,917
Chlor-alkali products	62,536	788,140
PVC leather	6,505	682,671
Construction products	17,834	<u>647,373</u>
		<u>\$ 8,248,176</u>

SCHEDULE 9**CHINA GENERAL PLASTICS CORPORATION****SCHEDULE OF COST OF REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)**

Item	Amount
Raw materials	
Balance, beginning of year	\$ 304,682
Raw materials purchased	5,855,565
Transferred to other accounts	(358,520)
Balance, end of year	<u>(297,320)</u>
Raw materials used in current year	5,504,407
Direct labor	333,719
Production overheads (Schedule 10)	<u>1,513,315</u>
Manufacturing cost	7,351,441
Work in progress, beginning of year	44,714
Other accounts transferred to work in progress	239
Work in progress, end of year	<u>(52,422)</u>
Cost of finished goods	7,343,972
Finished goods, beginning of year	374,583
Other accounts transferred to finished goods	17,853
Finished goods purchased	15,509
Transferred to other accounts	(35,338)
Finished goods, end of year	<u>(514,139)</u>
Cost of revenue before adjustment	7,202,440
Inventory write-down	866
Others	<u>(19,134)</u>
Cost of revenue	<u>\$ 7,184,172</u>

CHINA GENERAL PLASTICS CORPORATION**SCHEDULE OF PRODUCTION OVERHEADS
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)**

Item	Amount
Utilities expense	\$ 426,093
Payroll and other personnel expense	398,632
Depreciation expense	168,717
Repair and maintenance expense	167,931
Packaging materials	119,956
Fuel expense	115,305
Others (Note)	<u>116,681</u>
	<u>\$ 1,513,315</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 EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)**

Item	Selling and Marketing Expenses	General and Administrative Expenses	Research and Development Expenses
Freight	\$ 204,279	\$ -	\$ 15
Payroll and personnel expense (Note 1)	75,641	72,900	27,214
Rental expense	1,727	7,573	14
Depreciation expense	271	953	1,274
Management service expense	-	50,011	-
Others (Note 2)	<u>36,733</u>	<u>20,425</u>	<u>3,069</u>
	<u>\$ 318,651</u>	<u>\$ 151,862</u>	<u>\$ 31,586</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, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

	2018				2017			
	Classified as Cost of Revenue	Classified as Operating Expenses	Other Incomes and Expenses	Total	Classified as Cost of Revenue	Classified as Operating Expenses	Other Incomes and Expenses	Total
Employee benefits expense								
Salary	\$ 632,992	\$ 147,527	\$ -	\$ 780,519	\$ 634,342	\$ 151,334	\$ -	\$ 785,676
Labor and health insurance	47,407	9,733	-	57,140	46,250	9,734	-	55,984
Pension	28,742	6,997	-	35,739	33,934	8,445	-	42,379
Director's remuneration	-	5,518	-	5,518	-	5,496	-	5,496
Other employees' benefit	<u>23,305</u>	<u>5,980</u>	<u>-</u>	<u>29,285</u>	<u>25,103</u>	<u>7,558</u>	<u>-</u>	<u>32,661</u>
	<u>\$ 732,446</u>	<u>\$ 175,755</u>	<u>\$ -</u>	<u>\$ 908,201</u>	<u>\$ 739,629</u>	<u>\$ 182,567</u>	<u>\$ -</u>	<u>\$ 922,196</u>
Depreciation expense	<u>\$ 168,717</u>	<u>\$ 2,498</u>	<u>\$ 4,983</u>	<u>\$ 176,198</u>	<u>\$ 141,696</u>	<u>\$ 2,774</u>	<u>\$ 2,491</u>	<u>\$ 146,961</u>
Amortization expense	<u>\$ -</u>	<u>\$ 2,813</u>	<u>\$ -</u>	<u>\$ 2,813</u>	<u>\$ -</u>	<u>\$ 3,889</u>	<u>\$ -</u>	<u>\$ 3,889</u>

Note: As of December 31, 2018 and 2017, the Company had 761 and 743 employees, respectively, and the number of directors who did not served concurrently as employees were both 8.