

**China General Plastics Corporation and
Subsidiaries**

**Consolidated Financial Statements for the
Three Months Ended March 31, 2019 and 2018 and
Independent Auditors' Review Report**

INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Shareholders
China General Plastics Corporation

Introduction

We have reviewed the accompanying consolidated balance sheets of China General Plastics Corporation and its subsidiaries (collectively referred to as the "Group") as of March 31, 2019 and 2018, the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months then ended, and the related notes to the consolidated financial statements, including a summary of the significant accounting policies (collectively referred to as the "consolidated financial statements"). Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

Except as explained in the following paragraph, we conducted our reviews in accordance with the Statement of Auditing Standard No. 65 "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As disclosed in Notes 13 and 14 to the consolidated financial statements, the financial statements of some non-significant subsidiaries and investments accounted for using the equity method included in the consolidated financial statements were not reviewed. As of March 31, 2019 and 2018, the combined total assets of these non-significant subsidiaries and investments accounted for using the equity method were NT\$1,023,219 thousand and NT\$1,059,819 thousand, respectively, collectively representing 8% of the consolidated total assets, and the combined total liabilities of these non-significant subsidiaries as of March 31, 2019 and 2018 were NT\$41,300 thousand and NT\$32,546 thousand, respectively, collectively representing 1% of the consolidated total liabilities; for the three months ended March 31, 2019 and 2018, the amounts of combined comprehensive income (loss) of these non-significant subsidiaries were NT\$6,178 thousand and NT\$(3,225) thousand, respectively, representing 3% and (1%), respectively, of the consolidated total comprehensive income, and the Group's share of profit of these investments accounted for using the equity method for the three months ended March 31, 2019 and 2018 were NT\$12,957 thousand and NT\$3,221 thousand, respectively, representing 7%, and 1%, respectively, of the consolidated total comprehensive income. The additional disclosures of these non-significant subsidiaries and investments accounted for using the equity method were based on financial statements which were not reviewed by auditors.

Qualified Conclusion

Based on our reviews, except for the adjustments, if any, as might have been determined to be necessary had the financial statements of the non-significant subsidiaries and investments accounted for using the equity method as described in the preceding paragraph been reviewed, nothing has come to our attention that caused us to believe that the consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2019 and 2018, its consolidated financial performance and its consolidated cash flows for the three months ended March 31, 2019 and 2018 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 “Interim Financial Reporting”.

The engagement partners on the reviews resulting in this independent auditors’ review report are Hsiu-Chun Huang and Cheng-Chun Chiu.

Deloitte & Touche
Taipei, Taiwan
Republic of China

May 9, 2019

Notice to Readers

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

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

CHINA GENERAL PLASTICS CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

	March 31, 2019 (Reviewed)		December 31, 2018 (Audited)		March 31, 2018 (Reviewed)	
	Amount	%	Amount	%	Amount	%
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	\$ 763,955	6	\$ 934,680	7	\$ 833,610	7
Financial assets at fair value through profit or loss (FVTPL) - current (Note 7)	631,074	5	1,432,707	11	1,703,888	13
Financial assets at amortized cost - current (Notes 9 and 33)	269,003	2	268,954	2	268,854	2
Notes receivable (Note 10)	199,270	2	195,847	2	159,302	1
Trade receivables (Notes 10 and 32)	1,440,572	11	1,608,142	12	1,345,321	11
Other receivables (Note 10)	104,620	1	84,601	1	100,617	1
Other receivables from related parties (Notes 10 and 32)	48,037	-	11,165	-	43,245	-
Current tax assets (Note 4)	-	-	-	-	42	-
Inventories (Note 11)	2,572,845	19	1,717,275	13	1,631,589	13
Prepayments (Notes 3, 16 and 19)	63,552	-	59,343	-	43,323	-
Other current assets	<u>1,251</u>	<u>-</u>	<u>1,513</u>	<u>-</u>	<u>3,033</u>	<u>-</u>
Total current assets	<u>6,094,179</u>	<u>46</u>	<u>6,314,227</u>	<u>48</u>	<u>6,132,824</u>	<u>48</u>
NON-CURRENT ASSETS						
Financial assets at fair value through other comprehensive income (FVTOCI) - non-current (Notes 8 and 25)	118,501	1	122,640	1	104,683	1
Investments accounted for using the equity method (Notes 3 and 14)	264,806	2	253,998	2	301,911	2
Property, plant and equipment (Notes 15, 20, 32 and 33)	5,983,294	45	6,009,889	45	5,739,122	45
Right-of-use assets (Notes 3, 4 and 16)	340,113	3	-	-	-	-
Investment properties (Notes 17 and 32)	134,032	1	135,277	1	139,014	1
Intangible assets (Note 18)	1,166	-	2,493	-	7,856	-
Deferred tax assets (Note 4)	250,575	2	261,613	2	275,090	2
Long-term prepayments for leases (Notes 3, 16 and 19)	-	-	95,184	1	101,074	1
Other non-current assets (Note 33)	<u>56,516</u>	<u>-</u>	<u>28,774</u>	<u>-</u>	<u>32,088</u>	<u>-</u>
Total non-current assets	<u>7,149,003</u>	<u>54</u>	<u>6,909,868</u>	<u>52</u>	<u>6,700,838</u>	<u>52</u>
TOTAL	<u>\$ 13,243,182</u>	<u>100</u>	<u>\$ 13,224,095</u>	<u>100</u>	<u>\$ 12,833,662</u>	<u>100</u>
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings (Note 20)	\$ 50,000	-	\$ -	-	\$ -	-
Financial liabilities at fair value through profit or loss (FVTPL) - current (Note 7)	1,384	-	1,645	-	96	-
Notes payable (Note 21)	91	-	288	-	91	-
Trade payables (Note 21)	990,562	8	915,009	7	587,199	5
Trade payables to related parties (Notes 21 and 32)	126,596	1	171,860	1	171,962	1
Other payables (Note 22)	558,889	4	754,730	6	589,775	5
Other payables to related parties (Note 32)	18,692	-	14,263	-	14,552	-
Current tax liabilities (Note 4)	207,200	2	181,491	1	237,083	2
Lease liabilities - current (Notes 3, 4, 16 and 32)	36,215	-	-	-	-	-
Other current liabilities (Notes 23, 26 and 32)	<u>74,350</u>	<u>1</u>	<u>68,412</u>	<u>1</u>	<u>62,720</u>	<u>-</u>
Total current liabilities	<u>2,063,979</u>	<u>16</u>	<u>2,107,698</u>	<u>16</u>	<u>1,663,478</u>	<u>13</u>
NON-CURRENT LIABILITIES						
Long-term borrowings (Notes 20, 22 and 33)	700,000	5	1,000,000	8	1,050,000	8
Deferred tax liabilities (Note 4)	593,890	4	593,964	4	594,394	4
Lease liabilities - non-current (Notes 3, 4, 16 and 32)	207,233	2	-	-	-	-
Net defined benefit liabilities - non-current (Note 24)	672,304	5	707,679	5	727,267	6
Other non-current liabilities (Note 33)	<u>3,765</u>	<u>-</u>	<u>3,650</u>	<u>-</u>	<u>3,226</u>	<u>-</u>
Total non-current liabilities	<u>2,177,192</u>	<u>16</u>	<u>2,305,293</u>	<u>17</u>	<u>2,374,887</u>	<u>18</u>
Total liabilities	<u>4,241,171</u>	<u>32</u>	<u>4,412,991</u>	<u>33</u>	<u>4,038,365</u>	<u>31</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 3, 8, 14 and 25)						
Ordinary shares	<u>5,067,596</u>	<u>38</u>	<u>5,067,596</u>	<u>39</u>	<u>4,919,996</u>	<u>38</u>
Capital surplus	<u>8,931</u>	<u>-</u>	<u>8,929</u>	<u>-</u>	<u>8,234</u>	<u>-</u>
Retained earnings						
Legal reserve	512,954	4	512,954	4	385,973	3
Special reserve	408,223	3	408,223	3	408,223	3
Unappropriated earnings	<u>2,514,424</u>	<u>19</u>	<u>2,334,921</u>	<u>18</u>	<u>2,613,184</u>	<u>21</u>
Total retained earnings	<u>3,435,601</u>	<u>26</u>	<u>3,256,098</u>	<u>25</u>	<u>3,407,380</u>	<u>27</u>
Other equity	<u>46,975</u>	<u>1</u>	<u>42,017</u>	<u>-</u>	<u>23,064</u>	<u>-</u>
Total equity attributable to owners of the Company	8,559,103	65	8,374,640	64	8,358,674	65
NON-CONTROLLING INTERESTS	<u>442,908</u>	<u>3</u>	<u>436,464</u>	<u>3</u>	<u>436,623</u>	<u>4</u>
Total equity	<u>9,002,011</u>	<u>68</u>	<u>8,811,104</u>	<u>67</u>	<u>8,795,297</u>	<u>69</u>
TOTAL	<u>\$ 13,243,182</u>	<u>100</u>	<u>\$ 13,224,095</u>	<u>100</u>	<u>\$ 12,833,662</u>	<u>100</u>

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

(With Deloitte & Touche auditors' review report dated May 9, 2019)

CHINA GENERAL PLASTICS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

(Reviewed, Not Audited)

	For the Three Months Ended March 31			
	2019		2018	
	Amount	%	Amount	%
NET REVENUE (Notes 26 and 32)	\$ 3,227,707	100	\$ 4,144,200	100
COST OF REVENUE (Notes 11, 27 and 32)	<u>2,779,190</u>	<u>86</u>	<u>3,174,086</u>	<u>77</u>
GROSS PROFIT	<u>448,517</u>	<u>14</u>	<u>970,114</u>	<u>23</u>
OPERATING EXPENSES (Notes 27 and 32)				
Selling and marketing expenses	182,034	6	214,438	5
General and administrative expenses	69,146	2	85,301	2
Research and development expenses	<u>13,779</u>	<u>-</u>	<u>14,067</u>	<u>-</u>
Total operating expenses	<u>264,959</u>	<u>8</u>	<u>313,806</u>	<u>7</u>
PROFIT FROM OPERATIONS	<u>183,558</u>	<u>6</u>	<u>656,308</u>	<u>16</u>
NON-OPERATING INCOME AND EXPENSES (Notes 7, 14, 27 and 32)				
Other income	14,336	-	24,057	-
Other gains and losses	20,663	1	(2,706)	-
Interest expense	(3,271)	-	(2,704)	-
Share of profit of associates accounted for using the equity method	<u>9,878</u>	<u>-</u>	<u>6,986</u>	<u>-</u>
Total non-operating income and expenses	<u>41,606</u>	<u>1</u>	<u>25,633</u>	<u>-</u>
PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS	225,164	7	681,941	16
INCOME TAX EXPENSE (Notes 4 and 28)	<u>35,305</u>	<u>1</u>	<u>98,161</u>	<u>2</u>
NET PROFIT FROM CONTINUING OPERATIONS (Note 27)	189,859	6	583,780	14
NET PROFIT (LOSS) FROM DISCONTINUED OPERATIONS (Note 12)	<u>1,109</u>	<u>-</u>	<u>(142)</u>	<u>-</u>
NET PROFIT FOR THE PERIOD	<u>190,968</u>	<u>6</u>	<u>583,638</u>	<u>14</u>

(Continued)

CHINA GENERAL PLASTICS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

(Reviewed, Not Audited)

	For the Three Months Ended March 31			
	2019		2018	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
(Notes 8, 14 and 28)				
Items that will not be reclassified subsequently to profit or loss:				
Unrealized loss on investments in equity instruments at FVTOCI	\$ (4,139)	-	\$ (5,073)	-
Share of other comprehensive income of associates accounted for using the equity method - remeasurement of defined benefit plans	-	-	16	-
Share of other comprehensive income (loss) of associates accounted for using the equity method - unrealized gain (loss) on investments in equity instruments at FVTOCI	2,458	-	(4,230)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	<u>-</u>	<u>-</u>	<u>8,520</u>	<u>-</u>
	<u>(1,681)</u>	<u>-</u>	<u>(767)</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	7,699	-	(4,198)	-
Share of other comprehensive income of associates accounted for using the equity method - exchange differences on translating the financial statements of foreign operations	496	-	396	-
Income tax relating to items that may be reclassified subsequently to profit or loss	<u>(1,540)</u>	<u>-</u>	<u>(1,180)</u>	<u>-</u>
	<u>6,655</u>	<u>-</u>	<u>(4,982)</u>	<u>-</u>
Other comprehensive income (loss) for the period, net of income tax	<u>4,974</u>	<u>-</u>	<u>(5,749)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>\$ 195,942</u>	<u>6</u>	<u>\$ 577,889</u>	<u>14</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	\$ 184,234	6	\$ 541,502	13
Non-controlling interests	<u>6,734</u>	<u>-</u>	<u>42,136</u>	<u>1</u>
	<u>\$ 190,968</u>	<u>6</u>	<u>\$ 583,638</u>	<u>14</u>

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CHINA GENERAL PLASTICS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

(Reviewed, Not Audited)

	For the Three Months Ended March 31			
	2019		2018	
	Amount	%	Amount	%
TOTAL COMPREHENSIVE INCOME				
ATTRIBUTABLE TO:				
Owners of the Company	\$ 189,192	6	\$ 535,773	13
Non-controlling interests	<u>6,750</u>	<u>-</u>	<u>42,116</u>	<u>1</u>
	<u>\$ 195,942</u>	<u>6</u>	<u>\$ 577,889</u>	<u>14</u>
EARNINGS PER SHARE (Note 29)				
From continuing and discontinued operations				
Basic	<u>\$ 0.36</u>		<u>\$ 1.07</u>	
Diluted	<u>\$ 0.36</u>		<u>\$ 1.07</u>	
From continuing operations				
Basic	<u>\$ 0.36</u>		<u>\$ 1.07</u>	
Diluted	<u>\$ 0.36</u>		<u>\$ 1.07</u>	

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

(With Deloitte & Touche auditors' review report dated May 9, 2019)

(Concluded)

CHINA GENERAL PLASTICS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	Equity Attributable to Owners of the Company (Notes 3, 8, 14, 25 and 28)														
									Other Equity						
	Share Capital Ordinary Shares	Capital Surplus			Retained Earnings				Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for- sale Financial Assets	Unrealized Gain (Loss) on Investments in Equity Instruments at FVTOCI	Total	Total	Non-controlling Interests	Total Equity
		Unpaid Dividends	Others	Total	Legal Reserve	Special Reserve	Unappropriated Earnings	Total							
BALANCE AT JANUARY 1, 2018	\$ 4,919,996	\$ 7,929	\$ 307	\$ 8,236	\$ 385,973	\$ 408,223	\$ 2,063,146	\$ 2,857,342	\$ (19,583)	\$ 40,350	\$ -	\$ 20,767	\$ 7,806,341	\$ 394,507	\$ 8,200,848
Effect of retrospective restatement	-	-	-	-	-	-	-	-	-	(40,350)	56,912	16,562	16,562	-	16,562
BALANCE AT JANUARY 1, 2018, AS RESTATED	4,919,996	7,929	307	8,236	385,973	408,223	2,063,146	2,857,342	(19,583)	-	56,912	37,329	7,822,903	394,507	8,217,410
Other changes in capital surplus	-	(2)	-	(2)	-	-	-	-	-	-	-	-	(2)	-	(2)
Net profit for the three months ended March 31, 2018	-	-	-	-	-	-	541,502	541,502	-	-	-	-	541,502	42,136	583,638
Other comprehensive income (loss) for the three months ended March 31, 2018, net of income tax	-	-	-	-	-	-	8,536	8,536	(4,982)	-	(9,283)	(14,265)	(5,729)	(20)	(5,749)
Total comprehensive income (loss) for the three months ended March 31, 2018	-	-	-	-	-	-	550,038	550,038	(4,982)	-	(9,283)	(14,265)	535,773	42,116	577,889
BALANCE AT MARCH 31, 2018	<u>\$ 4,919,996</u>	<u>\$ 7,927</u>	<u>\$ 307</u>	<u>\$ 8,234</u>	<u>\$ 385,973</u>	<u>\$ 408,223</u>	<u>\$ 2,613,184</u>	<u>\$ 3,407,380</u>	<u>\$ (24,565)</u>	<u>\$ -</u>	<u>\$ 47,629</u>	<u>\$ 23,064</u>	<u>\$ 8,358,674</u>	<u>\$ 436,623</u>	<u>\$ 8,795,297</u>
BALANCE AT JANUARY 1, 2019	\$ 5,067,596	\$ 8,622	\$ 307	\$ 8,929	\$ 512,954	\$ 408,223	\$ 2,334,921	\$ 3,256,098	\$ (15,825)	\$ -	\$ 57,842	\$ 42,017	\$ 8,374,640	\$ 436,464	\$ 8,811,104
Effect of retrospective restatement	-	-	-	-	-	-	(4,731)	(4,731)	-	-	-	-	(4,731)	(306)	(5,037)
BALANCE AT JANUARY 1, 2019, AS RESTATED	5,067,596	8,622	307	8,929	512,954	408,223	2,330,190	3,251,367	(15,825)	-	57,842	42,017	8,369,909	436,158	8,806,067
Other changes in capital surplus	-	(3)	5	2	-	-	-	-	-	-	-	-	2	-	2
Net profit for the three months ended March 31, 2019	-	-	-	-	-	-	184,234	184,234	-	-	-	-	184,234	6,734	190,968
Other comprehensive income (loss) for the three months ended March 31, 2019, net of income tax	-	-	-	-	-	-	-	-	6,655	-	(1,697)	4,958	4,958	16	4,974
Total comprehensive income (loss) for the three months ended March 31, 2019	-	-	-	-	-	-	184,234	184,234	6,655	-	(1,697)	4,958	189,192	6,750	195,942
BALANCE AT MARCH 31, 2019	<u>\$ 5,067,596</u>	<u>\$ 8,619</u>	<u>\$ 312</u>	<u>\$ 8,931</u>	<u>\$ 512,954</u>	<u>\$ 408,223</u>	<u>\$ 2,514,424</u>	<u>\$ 3,435,601</u>	<u>\$ (9,170)</u>	<u>\$ -</u>	<u>\$ 56,145</u>	<u>\$ 46,975</u>	<u>\$ 8,559,103</u>	<u>\$ 442,908</u>	<u>\$ 9,002,011</u>

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

(With Deloitte & Touche auditors’ review report dated May 9, 2019)

CHINA GENERAL PLASTICS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Three Months Ended March 31	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax from continuing operations	\$ 225,164	\$ 681,941
Income (loss) before income tax from discontinued operations	<u>1,109</u>	<u>(142)</u>
Income before income tax	226,273	681,799
Adjustments for:		
Depreciation expenses	147,525	121,162
Amortization expenses	6,899	6,387
Net gain on fair value changes of financial assets at FVTPL	(18,392)	(17,589)
Interest expense	3,271	2,704
Interest income	(2,401)	(1,517)
Share of profit of associates	(9,878)	(6,986)
Gain on disposal of property, plant and equipment	(741)	(427)
Write-down (reversal of write-down) of inventories	(119)	1,598
Amortization of long-term prepayments for leases	-	873
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at FVTPL	823,856	(285,092)
Notes receivable	(3,423)	20,627
Trade receivables	167,931	150,852
Other receivables	(20,510)	(27,684)
Other receivables from related parties	(36,858)	(37,866)
Inventories	(854,805)	219,256
Prepayments	(7,598)	10,275
Other current assets	262	(2,539)
Financial liabilities held for trading	(4,092)	(6,914)
Notes payable	(197)	(92)
Trade payables	75,536	(33,160)
Trade payables to related parties	(45,264)	(60,049)
Other payables	(148,017)	(78,891)
Other payables to related parties	4,425	(8,009)
Other current liabilities	5,938	(23,057)
Net defined benefit liabilities	<u>(35,375)</u>	<u>(312,608)</u>
Cash generated from operations	274,246	313,053
Interest received	2,905	1,673
Interest paid	(3,482)	(2,663)
Income tax paid	<u>(172)</u>	<u>(87)</u>
Net cash generated from operating activities	<u>273,497</u>	<u>311,976</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at amortized cost	(269,003)	(243,854)
Proceeds from sale of financial assets at amortized cost	268,954	243,805
Payments for property, plant and equipment	(189,469)	(139,030)

(Continued)

CHINA GENERAL PLASTICS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Three Months Ended March 31	
	2019	2018
Proceeds from disposal of property, plant and equipment	\$ 1,358	\$ 467
Increase in refundable deposits	(13,052)	(2)
Decrease in refundable deposits	<u>12,921</u>	<u>352</u>
Net cash used in investing activities	<u>(188,291)</u>	<u>(138,262)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	50,000	-
Repayments of long-term borrowings	(300,000)	-
Proceeds from guarantee deposits received	918	1,638
Refunds of guarantee deposits received	(800)	(804)
Repayment of the principal portion of lease liabilities	(8,391)	-
Increase (decrease) in other non-current liabilities	(3)	2
Dividends paid to owners of the Company	<u>(62)</u>	<u>(88)</u>
Net cash generated from (used in) financing activities	<u>(258,338)</u>	<u>748</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	<u>2,407</u>	<u>(3,997)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(170,725)	170,465
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>934,680</u>	<u>663,145</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 763,955</u>	<u>\$ 833,610</u>

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

(With Deloitte & Touche auditors' review report dated May 9, 2019)

(Concluded)

CHINA GENERAL PLASTICS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

1. GENERAL INFORMATION

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

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were proposed to the Company’s board of directors on May 9, 2019.

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

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

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

- IFRS 16 “Leases”

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

Definition of a lease

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

The Group as lessee

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

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

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

The Group also applies the following practical expedients:

- 1) The Group applies a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.
- 2) The Group accounts for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.
- 3) The Group excludes initial direct costs from the measurement of right-of-use assets on January 1, 2019.
- 4) The Group uses hindsight, such as in determining lease terms, to measure lease liabilities.

For leases previously classified as finance leases under IAS 17, the carrying amounts of right-of-use assets and lease liabilities on January 1, 2019 are determined as at the carrying amounts of the respective leased assets and finance lease payables on December 31, 2018.

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

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

The Group as lessor

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

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

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

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The interim consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 “Interim Financial Reporting” as endorsed and issued into effect by the FSC. Disclosure information included in these interim consolidated financial statements is less than the disclosure information required in a complete set of annual consolidated financial statements.

b. Basis of preparation

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

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

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

c. Basis of consolidation

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

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

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

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

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

See Note 13, Table 6 and Table 7 for detailed information on subsidiaries (including percentages of ownership and main businesses).

d. Other significant accounting policies

Except for the accounting policies of leases, the accounting policies applied in these interim consolidated financial statements are consistent with those applied in the consolidated financial statements for the year ended December 31, 2018, which can be referenced in the consolidated financial statements for the year ended December 31, 2018.

1) Leases

2019

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

a) The Group as lessor

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

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

b) The Group as lessee

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

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

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

Lease liabilities are initially measured at the present value of the lease payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

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

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

2018

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

a) The Group as lessor

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

b) The Group as lessee

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

2) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings. The effect of a change in tax rate resulting from a change in tax law is recognized consistently with the accounting for the transaction itself which gives rise to the tax consequence and is recognized in profit or loss, other comprehensive income or directly in equity in full in the period in which the change in tax rate occurs.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Except for the following paragraph, the same critical accounting judgments and key sources of estimation uncertainty as were applied in the preparation of the consolidated financial statements for the year ended December 31, 2018 have been followed in these consolidated financial statements.

Lessees' Incremental Borrowing Rates

In determining a lessee's incremental borrowing rate used in discounting lease payments, a risk-free rate for the same currency and relevant duration is selected as a reference rate, and the lessee's credit spread adjustments and lease specific adjustments (such as asset type, secured position, etc.) are also taken into account.

6. CASH AND CASH EQUIVALENTS

	March 31, 2019	December 31, 2018	March 31, 2018
Cash on hand and petty cash	\$ 455	\$ 484	\$ 460
Checking accounts and demand deposits	250,292	207,907	229,559
Cash equivalents			
Time deposits	483,258	518,469	463,643
Reverse repurchase agreements collateralized by bonds	<u>29,950</u>	<u>207,820</u>	<u>139,948</u>
	<u>\$ 763,955</u>	<u>\$ 934,680</u>	<u>\$ 833,610</u>

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

	March 31, 2019	December 31, 2018	March 31, 2018
Cash in banks	0.001%-2.70%	0.001%-3.00%	0.001%-2.22%
Reverse repurchase agreements collateralized by bonds	0.53%	0.53%-0.55%	0.38%

7. FINANCIAL INSTRUMENTS AT FVTPL

	March 31, 2019	December 31, 2018	March 31, 2018
Financial assets mandatorily classified as at FVTPL			
Derivative financial assets (not under hedge accounting)			
Foreign exchange forward contracts	\$ 403	\$ 839	\$ 1,856
Non-derivative financial assets			
Open-end fund beneficiary certificates	407,196	1,222,661	1,501,002
Closed-end fund beneficiary certificates	223,475	209,207	201,030
Overseas unlisted equity investments	-	-	-
	<u>\$ 631,074</u>	<u>\$ 1,432,707</u>	<u>\$ 1,703,888</u>
Financial liabilities held for trading			
Derivative financial liabilities (not under hedge accounting)			
Foreign exchange forward contracts	<u>\$ 1,384</u>	<u>\$ 1,645</u>	<u>\$ 96</u>

As of 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>March 31, 2019</u>			
Buy	NTD/USD	2019.04.16-2019.04.26	NTD238,956/USD7,770
Sell	USD/NTD	2019.04.02-2019.06.06	USD19,260/NTD591,593
<u>December 31, 2018</u>			
Buy	NTD/USD	2019.01.07-2019.03.04	NTD521,446/USD16,965
Sell	USD/NTD	2019.01.03-2019.03.21	USD19,860/NTD609,577
<u>March 31, 2018</u>			
Buy	NTD/USD	2018.05.17	NTD68,532/USD2,360
Sell	USD/NTD	2018.04.02-2018.05.30	USD18,080/NTD527,380

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

8. FINANCIAL ASSETS AT FVTOCI

Investments in Equity Instruments at FVTOCI

	March 31, 2019	December 31, 2018	March 31, 2018
<u>Non-current</u>			
Domestic equity investments			
Listed ordinary shares			
Asia Polymer Corporation	\$ 1,715	\$ 1,593	\$ 2,035
Unlisted ordinary shares			
KHL IB Venture Capital Co., Ltd.	<u>116,786</u>	<u>121,047</u>	<u>102,648</u>
	<u>\$ 118,501</u>	<u>\$ 122,640</u>	<u>\$ 104,683</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 Group's strategy of holding these investments for long-term purposes.

9. FINANCIAL ASSETS AT AMORTIZED COST

	March 31, 2019	December 31, 2018	March 31, 2018
<u>Current</u>			
Domestic investments			
Pledged time deposits	<u>\$ 269,003</u>	<u>\$ 268,954</u>	<u>\$ 268,854</u>

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

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

10. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	March 31, 2019	December 31, 2018	March 31, 2018
<u>Notes receivable</u>			
Notes receivable - operating	\$ 199,270	\$ 195,847	\$ 159,302
<u>Trade receivables</u>			
At amortized cost			
Gross carrying amount	\$ 1,454,276	\$ 1,621,877	\$ 1,357,501
Less: Allowance for impairment loss	(13,704)	(13,735)	(12,180)
	\$ 1,440,572	\$ 1,608,142	\$ 1,345,321
<u>Other receivables</u>			
Tax refund receivables	\$ 96,526	\$ 74,916	\$ 92,962
Interest receivables	435	939	405
Others	7,919	9,000	7,513
Less: Allowance for impairment loss	(260)	(254)	(263)
	\$ 104,620	\$ 84,601	\$ 100,617
Other receivables from related parties (Note 32)	\$ 48,037	\$ 11,165	\$ 43,245

a. Trade receivables

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

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

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

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

March 31, 2019

	Credit Rating A	Credit Rating B	Credit Rating C	Others	Total
Gross carrying amount	\$ 191,404	\$ 394,341	\$ 205,058	\$ 663,473	\$ 1,454,276
Loss allowance (lifetime ECLs)	<u>-</u>	<u>(3,787)</u>	<u>(5,191)</u>	<u>(4,726)</u>	<u>(13,704)</u>
Amortized cost	<u>\$ 191,404</u>	<u>\$ 390,554</u>	<u>\$ 199,867</u>	<u>\$ 658,747</u>	<u>\$ 1,440,572</u>

December 31, 2018

	Credit Rating A	Credit Rating B	Credit Rating C	Others	Total
Gross carrying amount	\$ 199,761	\$ 417,265	\$ 221,341	\$ 783,510	\$ 1,621,877
Loss allowance (lifetime ECLs)	<u>-</u>	<u>(3,888)</u>	<u>(5,571)</u>	<u>(4,276)</u>	<u>(13,735)</u>
Amortized cost	<u>\$ 191,761</u>	<u>\$ 413,377</u>	<u>\$ 215,770</u>	<u>\$ 779,234</u>	<u>\$ 1,608,142</u>

March 31, 2018

	Credit Rating A	Credit Rating B	Credit Rating C	Others	Total
Gross carrying amount	\$ 177,811	\$ 545,489	\$ 92,369	\$ 541,832	\$ 1,357,501
Loss allowance (lifetime ECLs)	<u>-</u>	<u>(4,919)</u>	<u>(2,096)</u>	<u>(5,165)</u>	<u>(12,180)</u>
Amortized cost	<u>\$ 177,811</u>	<u>\$ 540,570</u>	<u>\$ 90,273</u>	<u>\$ 536,667</u>	<u>\$ 1,345,321</u>

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

	March 31, 2019	December 31, 2018	March 31, 2018
Not past due	\$ 1,606,259	\$ 1,750,493	\$ 1,458,965
Less than and including 60 days	42,845	64,638	53,950
Over 60 days	<u>4,442</u>	<u>2,593</u>	<u>3,888</u>
	<u>\$ 1,653,546</u>	<u>\$ 1,817,724</u>	<u>\$ 1,516,803</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 Three Months Ended March 31	
	2019	2018
Balance at January 1	\$ 13,735	\$ 12,319
Less: Amounts written off	(44)	(106)
Foreign exchange gains and losses	<u>13</u>	<u>(33)</u>
Balance at March 31	<u>\$ 13,704</u>	<u>\$ 12,180</u>

b. Other receivables

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

11. INVENTORIES

	March 31, 2019	December 31, 2018	March 31, 2018
Finished goods	\$ 1,706,913	\$ 1,131,291	\$ 1,010,980
Work in progress	42,122	45,025	42,171
Raw materials	<u>823,810</u>	<u>540,959</u>	<u>578,438</u>
	<u>\$ 2,572,845</u>	<u>\$ 1,717,275</u>	<u>\$ 1,631,589</u>

The cost of inventories recognized as cost of goods sold for the three months ended March 31, 2019 and 2018 was \$2,779,190 thousand and \$3,174,086 thousand, respectively.

The cost of goods sold included reversals of inventory write-down of \$119 thousand and inventory write-down of \$1,598 thousand for the three months ended March 31, 2019 and 2018, respectively. Previous write-downs were reversed as a result of increased selling prices in certain markets.

12. DISCONTINUED OPERATIONS

On October 24, 2011, the Company's board of directors approved to dispose of Continental General Plastics (Zhong Shan) Co., Ltd. and CGPC Consumer Products Corporation. The details of profit (loss) from discontinued operations and the related cash flows information were as follows:

The operating performance of the discontinued operations included in the consolidated comprehensive income statement were as follows:

	For the Three Months Ended March 31	
	2019	2018
Administrative expenses	\$ (6,562)	\$ (9,557)
Loss from operations	(6,562)	(9,557)
Non-operating income	<u>7,671</u>	<u>9,415</u>
Net profit (loss) from discontinued operations	<u>\$ 1,109</u>	<u>\$ (142)</u>

For the three months ended March 31, 2019 and 2018, the cash flows from the discontinued operations were as follows:

	For the Three Months Ended March 31	
	2019	2018
Net cash generated from (used in) operating activities	\$ 8,138	\$ (722)
Effect of exchange rate changes	<u>1,817</u>	<u>1,016</u>
Net cash inflow	<u>\$ 9,955</u>	<u>\$ 294</u>

13. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements:

Investor	Subsidiary	Nature of Activities	Percentage of Ownership (%)			Note
			March 31, 2019	December 31, 2017	March 31, 2018	
The Company	CGPC Polymer Corporation ("CGPCPOL")	Manufacturing and marketing of PVC resins	100.00	100.00	100.00	Subsidiary, a.
	Taiwan VCM Corporation ("TVCM")	Manufacturing and marketing of VCM	87.22	87.22	87.22	Subsidiary, b.
	CGPC (BVI) Holding Co., Ltd. ("CGPC (BVI)")	Reinvestment	100.00	100.00	100.00	Subsidiary
	CGPC America Corporation ("CGPC America")	Marketing of PVC film and leather products	100.00	100.00	100.00	Subsidiary
	Krystal Star International Corporation ("Krystal Star")	Marketing of PVC film and consumer products	100.00	100.00	100.00	Subsidiary
CGPC (BVI)	Continental General Plastics (Zhong Shan) Co., Ltd. ("CGPC (ZS)")	Manufacturing and marketing of PVC film and consumer products	100.00	100.00	100.00	Subsidiary of CGPC (BVI), c.
	CGPC Consumer Products Corporation ("CGPC (CP)")	Manufacturing and marketing of PVC consumer products	100.00	100.00	100.00	Subsidiary of CGPC (BVI), c.

- a. On May 23, 2018, the board of directors of CGPCPOL, on behalf of the shareholders, resolved to increase its capital by declaring a share dividend of \$223,810 thousand, representing 22,381 thousand shares, respectively. The record date of the capital increase was July 6, 2018.
- b. On April 23, 2018, the TVCM shareholders in their meeting passed a resolution to increase TVCM's capital by declaring a share dividend of \$112,476 thousand, representing 11,248 thousand shares. The record date of the capital increase was July 6, 2018.
- c. In October 2011, the board of directors of the Company resolved to dissolve CGPC (ZS) and CGPC (CP). As of March 31, 2019, the dissolution procedures have not yet been completed.

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

14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in Associates

- a. Associates that are not individually material

	March 31, 2019	December 31, 2018	March 31, 2018
Listed companies			
Acme Electronics Corporation ("ACME")	\$ 24,171	\$ 24,296	\$ 23,677
Unlisted companies			
China General Terminal & Distribution Corporation ("CGTD")	239,187	228,250	275,927
Thintec Materials Corporation ("TMC")	<u>1,448</u>	<u>1,452</u>	<u>2,307</u>
	<u>\$ 264,806</u>	<u>\$ 253,998</u>	<u>\$ 301,911</u>

b. Aggregate information of associates that are not individually material

	For the Three Months Ended March 31	
	2019	2018
The Group's share of:		
Gain from continuing operations	\$ 9,878	\$ 6,986
Other comprehensive income (loss)	<u>2,954</u>	<u>(3,834)</u>
Total comprehensive income for the period	<u>\$ 12,832</u>	<u>\$ 3,152</u>

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

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

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

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

Name of Associate	March 31, 2019	December 31, 2018	March 31, 2018
ACME	<u>\$ 44,941</u>	<u>\$ 42,241</u>	<u>\$ 56,057</u>

All associates are accounted for using the equity method.

Except for those of ACME, the Group's investments accounted for using the equity method and its share of profit or loss and other comprehensive income or loss as of and for the three months ended March 31, 2019 and 2018 were not reviewed by auditors for the same periods.

15. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings and Improvements	Machinery and Equipment	Transportation Equipment	Miscellaneous Equipment	Construction in Progress and Machinery in Transit	Total
<u>Cost</u>							
Balance at January 1, 2018	\$ 2,105,218	\$ 2,052,583	\$ 9,508,535	\$ 60,655	\$ 330,882	\$ 495,804	\$ 14,553,677
Additions	-	-	-	-	221	126,996	127,217
Disposals	-	-	(12,961)	(874)	(349)	-	(14,184)
Reclassification	-	5,985	43,477	-	996	(50,458)	-
Effect of foreign currency exchange differences	-	5,331	486	30	(31)	142	5,958
Balance at March 31, 2018	<u>\$ 2,105,218</u>	<u>\$ 2,063,899</u>	<u>\$ 9,539,537</u>	<u>\$ 59,811</u>	<u>\$ 331,719</u>	<u>\$ 572,484</u>	<u>\$ 14,672,668</u>

(Continued)

	Freehold Land	Buildings and Improvements	Machinery and Equipment	Transportation Equipment	Miscellaneous Equipment	Construction in Progress and Machinery in Transit	Total
Accumulated depreciation and impairment							
Balance at January 1, 2018	\$ -	\$ 1,082,032	\$ 7,417,915	\$ 43,723	\$ 271,735	\$ 8,411	\$ 8,823,816
Depreciation expenses	-	17,506	97,230	1,337	3,843	-	119,916
Disposals	-	-	(12,940)	(874)	(330)	-	(14,144)
Effect of foreign currency exchange differences	-	3,280	523	30	(11)	136	3,958
Balance at March 31, 2018	<u>\$ -</u>	<u>\$ 1,102,818</u>	<u>\$ 7,502,728</u>	<u>\$ 44,216</u>	<u>\$ 275,237</u>	<u>\$ 8,547</u>	<u>\$ 8,933,546</u>
Carrying amounts at March 31, 2018	<u>\$ 2,105,218</u>	<u>\$ 961,081</u>	<u>\$ 2,036,809</u>	<u>\$ 15,595</u>	<u>\$ 56,482</u>	<u>\$ 563,937</u>	<u>\$ 5,739,122</u>
Cost							
Balance at January 1, 2019	\$ 2,105,218	\$ 2,102,358	\$ 9,750,059	\$ 64,478	\$ 341,757	\$ 719,920	\$ 15,083,790
Additions	-	-	79	-	-	140,241	140,320
Disposals	-	(581)	(35,324)	(6,114)	(2,483)	-	(44,502)
Reclassification	-	8,989	355,699	1,729	2,912	(401,500)	(32,171)
Effect of foreign currency exchange differences	-	7,339	767	46	66	183	8,401
Balance at March 31, 2019	<u>\$ 2,105,218</u>	<u>\$ 2,118,105</u>	<u>\$ 10,071,280</u>	<u>\$ 60,139</u>	<u>\$ 342,252</u>	<u>\$ 458,844</u>	<u>\$ 15,155,838</u>
Accumulated depreciation and impairment							
Balance at January 1, 2019	\$ -	\$ 1,142,183	\$ 7,595,905	\$ 46,767	\$ 280,977	\$ 8,069	\$ 9,073,901
Depreciation expenses	-	18,308	112,391	1,510	4,538	-	136,747
Disposals	-	(581)	(35,293)	(5,556)	(2,455)	-	(43,885)
Effect of foreign currency exchange differences	-	4,760	760	41	36	184	5,781
Balance at March 31, 2019	<u>\$ -</u>	<u>\$ 1,164,670</u>	<u>\$ 7,673,763</u>	<u>\$ 42,762</u>	<u>\$ 283,096</u>	<u>\$ 8,253</u>	<u>\$ 9,172,544</u>
Carrying amounts at December 31, 2018 and January 1, 2019	<u>\$ 2,105,218</u>	<u>\$ 960,175</u>	<u>\$ 2,154,154</u>	<u>\$ 17,711</u>	<u>\$ 60,780</u>	<u>\$ 711,851</u>	<u>\$ 6,009,889</u>
Carrying amounts at March 31, 2019	<u>\$ 2,105,218</u>	<u>\$ 953,435</u>	<u>\$ 2,397,517</u>	<u>\$ 17,377</u>	<u>\$ 59,156</u>	<u>\$ 450,591</u>	<u>\$ 5,983,294</u>

(Concluded)

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

Buildings and improvements	
Dormitories, restaurants and office buildings	26 to 60 years
Cell room and improvements	5 to 21 years
General plants and improvements	3 to 45 years
Machinery and equipment	
Chemical industry equipment	5 to 8 years
Machinery manufacturing equipment	5 to 8 years
Electrical equipment and tanks	10 to 26 years
Other equipment	2 to 15 years
Transportation equipment	
Cars	2 to 7 years
Forklifts	5 to 8 years
Other vehicles	2 to 15 years
Other equipment	2 to 10 years
Miscellaneous equipment	
General office computers	2 to 5 years
Industrial computers	3 to 15 years
Other miscellaneous equipment	3 to 21 years

For the years ended March 31, 2019 and 2018, the Group does not performed impairment assessment due to no impairment loss was recognized.

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

16. LEASE ARRANGEMENTS

a. Right-of-use assets - 2019

March 31, 2019

Carrying amounts

Land	\$ 289,519
Buildings	16,405
Machinery	<u>34,189</u>
	<u>\$ 340,113</u>

**For the Three
Months Ended
March 31, 2019**

Depreciation charge for right-of-use assets	
Land	\$ 6,184
Buildings	1,070
Machinery	<u>2,279</u>
	<u>\$ 9,533</u>

b. Lease liabilities - 2019

March 31, 2019

Carrying amounts

Current	<u>\$ 36,215</u>
Non-current	<u>\$ 207,233</u>

Range of discount rate for lease liabilities was as follows:

March 31, 2019

Land	1.0392%
Buildings	1.0392%
Machinery	1.0392%

c. Material lease-in activities and terms

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

The Group also leases machinery for the use of product manufacturing and Group's operations with lease terms of 5 years.

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

d. Other lease information

2019

**For the Three
Months Ended
March 31, 2019**

Expenses relating to short-term leases	<u>\$ 2,937</u>
Expenses relating to low-value asset leases	<u>\$ 153</u>
Total cash outflow for leases	<u>\$ (12,128)</u>

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

2018

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

	December 31, 2018	March 31, 2018
Not later than 1 year	\$ 46,518	\$ 46,132
Later than 1 year and not later than 5 years	140,238	156,121
Later than 5 years	<u>88,574</u>	<u>99,585</u>
	<u>\$ 275,330</u>	<u>\$ 301,838</u>

17. INVESTMENT PROPERTIES

	March 31, 2019	December 31, 2018	March 31, 2018
Freehold land	\$ 13,204	\$ 13,204	\$ 13,204
Buildings and improvements	<u>120,828</u>	<u>122,073</u>	<u>125,810</u>
	<u>\$ 134,032</u>	<u>\$ 135,277</u>	<u>\$ 139,014</u>

The Group's investment properties are located in Toufen Industrial District. Due to the characteristics of the district, the market for comparable properties is inactive and alternative reliable measurements of fair value were not available. Therefore, the Group determined that the fair value of its investment properties is not reliably measurable.

The Company leased the land in Toufen 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.

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

	March 31, 2019	December 31, 2018	March 31, 2018
Year 1	\$ 11,777	\$ 11,777	\$ 11,777
Year 2	2,944	5,889	11,777
Year 3	<u>-</u>	<u>-</u>	<u>2,944</u>
	<u>\$ 14,721</u>	<u>\$ 17,666</u>	<u>\$ 26,498</u>

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

Buildings and improvements	26 years
----------------------------	----------

18. INTANGIBLE ASSETS

	March 31, 2019	December 31, 2018	March 31, 2018
Computer software	\$ 1,166	\$ 2,070	\$ 3,625
Technical authorization	<u>-</u>	<u>423</u>	<u>4,231</u>
	<u>\$ 1,166</u>	<u>\$ 2,493</u>	<u>\$ 7,856</u>

Except for the recognition of the amortization expense, there were no material additions, disposals and impairments happening for the Group's intangible assets for the three months ended March 31, 2019 and 2018.

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

Computer software	3 years
Technical authorization	7 years

19. PREPAYMENTS FOR LEASES

	March 31, 2019	December 31, 2018	March 31, 2018
Current (included in prepayments)	\$ -	\$ 3,389	\$ 3,505
Non-current	<u>-</u>	<u>95,184</u>	<u>101,074</u>
	<u>\$ -</u>	<u>\$ 98,573</u>	<u>\$ 104,579</u>

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

20. BORROWINGS

a. Short-term borrowings

	March 31, 2019	December 31, 2018	March 31, 2018
<u>Unsecured borrowings</u>			
Bank loans	\$ <u>50,000</u>	\$ <u>-</u>	\$ <u>-</u>

As of March 31, 2019, the interest rates of the revolving bank loan was 0.90% (as of December 31, 2018 and March 31, 2018: None).

b. Long-term borrowings

	March 31, 2019	December 31, 2018	March 31, 2018
Line of credit borrowings	\$ 200,000	\$ 500,000	\$ 500,000
Secured loans	<u>500,000</u>	<u>500,000</u>	<u>550,000</u>
	<u>\$ 700,000</u>	<u>\$ 1,000,000</u>	<u>\$ 1,050,000</u>
The range of interest rate	<u>1.04%</u>	<u>0.99%-1.04%</u>	<u>0.99%</u>

In order to enrich medium-term working capital, CGPCPOL entered into a 3-year credit contract with KGI Bank with a revolving credit limit of \$500,000 thousand. As of March 31, 2019, the utilized credit amounted to \$200,000 thousand. In addition, CGPCPOL entered into another 5-year credit contract with KGI Bank and the credit limit was reduced to \$950,000 thousand on November 30, 2018. As of March 31, 2019, the utilized credit amounted to \$500,000 thousand. The Group set out the assets as pledged collateral for bank borrowings in Note 33.

21. NOTES PAYABLE AND TRADE PAYABLES

	March 31, 2019	December 31, 2018	March 31, 2018
<u>Notes payable</u>			
Operating	\$ <u>91</u>	\$ <u>288</u>	\$ <u>91</u>
<u>Trade payables (including from related parties)</u>			
Operating	<u>\$ 1,117,158</u>	<u>\$ 1,086,869</u>	<u>\$ 759,161</u>

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

22. OTHER PAYABLES - CURRENT

	March 31, 2019	December 31, 2018	March 31, 2018
Payables for salaries or bonuses	\$ 155,604	\$ 305,678	\$ 201,732
Payables for freight	67,477	73,585	82,013
Payables for utilities	57,900	60,241	61,452
Payables for purchases of equipment	52,967	100,624	52,676
Payables for fuel fees	23,746	19,830	18,816
Others	<u>201,195</u>	<u>194,772</u>	<u>173,086</u>
	<u>\$ 558,889</u>	<u>\$ 754,730</u>	<u>\$ 589,775</u>

23. REFUND LIABILITIES

	March 31, 2019	December 31, 2018	March 31, 2018
Refund liability (presented in other current liabilities)	<u>\$ 17,433</u>	<u>\$ 23,750</u>	<u>\$ 15,966</u>

The provision for customer returns and rebates was based on historical experience, management's judgments and other known reasons for which estimated product returns and rebates may occur in the year. The provision was recognized as a reduction of operating income in the periods of the sales of the related goods.

24. RETIREMENT BENEFIT PLANS

Employee benefits expense in respect of the Group's defined benefit retirement plans was calculated using the actuarially determined pension cost rate at the end of the prior financial year which was stated in the respective 2018 and 2017 actuarial report; the employee benefits expense for the three months ended March 31, 2019 and 2018 was \$5,270 thousand and \$6,670 thousand, respectively. Under the defined benefit plans adopted by the Company and its subsidiary, TVCM, the Company and TVCM contribute amounts equal to 10% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee.

The Group contributed \$40,645 thousand and \$319,277 thousand for the three months ended March 31, 2019 and 2018, respectively, to the pension fund which was designated by the Supervisory Committee of Workers' Pension Preparation Fund.

25. EQUITY

a. Ordinary shares

	March 31, 2019	December 31, 2018	March 31, 2018
Number of shares authorized (in thousands)	<u>650,000</u>	<u>650,000</u>	<u>500,000</u>
Shares authorized	<u>\$ 6,500,000</u>	<u>\$ 6,500,000</u>	<u>\$ 5,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>506,760</u>	<u>506,760</u>	<u>492,000</u>
Shares issued	<u>\$ 5,067,596</u>	<u>\$ 5,067,596</u>	<u>\$ 4,919,996</u>

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 before and after amendment, refer to "Employees' compensation and remuneration of directors" in Note 27-f.

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

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

The appropriations of earnings for 2018 and 2017 as approved in the Company's board of directors on March 6, 2019 and shareholders' meeting on June 22, 2018, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For the Year Ended December 31		For the Year Ended December 31	
	2018	2017	2018	2017
Legal reserve	\$ 127,616	\$ 126,981		
Cash dividends	760,139	737,999	\$ 1.5	\$ 1.5
Share dividends	202,704	147,600	0.4	0.3

The appropriations of earnings for 2018 are subject to resolution in the shareholder's 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 March 31, 2019, there was no change.

e. Other equity items

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

	For the Three Months Ended March 31	
	2019	2018
Balance at January 1	\$ (15,825)	\$ (19,583)
Effect of change in tax rate	-	(2,020)
Recognized during the period		
Exchange differences on translating the financial statements of foreign operations	7,699	(4,198)
Related income tax	(1,540)	840
Share of exchange differences of associates accounted for using the equity method	<u>496</u>	<u>396</u>
Balance at March 31	<u>\$ (9,170)</u>	<u>\$ (24,565)</u>

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

	For the Three Months Ended March 31	
	2019	2018
Balance at January 1	\$ 57,842	\$ 56,912
Recognized during the period		
Unrealized loss on equity instruments	(4,155)	(5,053)
Share of gain (loss) of associates accounted for using the equity method	<u>2,458</u>	<u>(4,230)</u>
Balance at March 31	<u>\$ 56,145</u>	<u>\$ 47,629</u>

26. REVENUE

a. Revenue from contracts with customers

	For the Three Months Ended March 31	
	2019	2018
Revenue from the sale of goods		
PVC products	\$ 2,959,617	\$ 3,769,433
VCM products	<u>268,090</u>	<u>374,767</u>
	<u>\$ 3,227,707</u>	<u>\$ 4,144,200</u>

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

b. Contract balances

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

	March 31, 2019	December 31, 2018	March 31, 2018
Contract liabilities (presented in other current liabilities)	<u>\$ 34,425</u>	<u>\$ 23,211</u>	<u>\$ 24,711</u>

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

27. NET PROFIT FROM CONTINUING OPERATIONS

Net profit from continuing operations was attributable to:

	For the Three Months Ended March 31	
	2019	2018
Owners of the Company	\$ 183,125	\$ 541,644
Non-controlling interests	<u>6,734</u>	<u>42,136</u>
	<u>\$ 189,859</u>	<u>\$ 583,780</u>

a. Other income

	For the Three Months Ended March 31	
	2019	2018
Interest income		
Bank deposits	\$ 2,089	\$ 1,311
Financial assets at amortized cost	120	120
Others	<u>136</u>	<u>45</u>
	2,345	1,476
Rental income	3,120	3,148
Others	<u>8,871</u>	<u>19,433</u>
	<u>\$ 14,336</u>	<u>\$ 24,057</u>

b. Other gains and losses

	For the Three Months Ended March 31	
	2019	2018
Gain on disposal of property, plant and equipment	\$ 741	\$ 427
Gross foreign exchange gains	13,904	25,036
Gross foreign exchange losses	(5,583)	(43,792)
Loss on financial liabilities held for trading (see Note 7)	(2,513)	(4,249)
Gain on financial assets mandatorily classified as at FVTPL (see Note 7)	17,017	23,534
Others	<u>(2,903)</u>	<u>(3,662)</u>
	<u>\$ 20,663</u>	<u>\$ (2,706)</u>

c. Interest expense

	For the Three Months Ended March 31	
	2019	2018
Interest on bank loans	\$ 2,636	\$ 2,767
Interest on lease liabilities	647	-
Less: Capitalized interest (included in construction in progress)	<u>(12)</u>	<u>(63)</u>
	<u>\$ 3,271</u>	<u>\$ 2,704</u>

Information about capitalized interest was as follows:

	For the Three Months Ended March 31	
	2019	2018
Capitalized interest	\$ 12	\$ 63
Capitalization rate	0.53%	0.93%

d. Depreciation and amortization

	For the Three Months Ended March 31	
	2019	2018
Property, plant and equipment	\$ 133,723	\$ 116,904
Right-of-use assets	8,668	-
Investment properties	1,245	1,246
Intangible assets	1,327	2,382
Others	<u>5,572</u>	<u>4,005</u>
	<u>\$ 150,535</u>	<u>\$ 124,537</u>

(Continued)

	For the Three Months Ended March 31	
	2019	2018
An analysis of depreciation by function		
Operating costs	\$ 138,326	\$ 115,081
Operating expenses	4,065	1,823
Non-operating expenses	<u>1,245</u>	<u>1,246</u>
	<u>\$ 143,636</u>	<u>\$ 118,150</u>
An analysis of amortization by function		
Operating costs	\$ 5,995	\$ 5,274
General and administrative expenses	<u>904</u>	<u>1,113</u>
	<u>\$ 6,899</u>	<u>\$ 6,387</u>
		(Concluded)

e. Employee benefits expense

	For the Three Months Ended March 31	
	2019	2018
Post-employment benefits		
Defined contribution plans	\$ 6,718	\$ 6,293
Defined benefit plans (see Note 24)	<u>5,270</u>	<u>6,670</u>
	11,988	12,963
Other employee benefits	<u>293,228</u>	<u>342,854</u>
Total employee benefits expense	<u>\$ 305,216</u>	<u>\$ 355,817</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 242,184	\$ 274,834
Operating expenses	<u>63,032</u>	<u>80,983</u>
	<u>\$ 305,216</u>	<u>\$ 355,817</u>

f. Employees' compensation and remuneration of directors

The Company accrued employees' compensation and remuneration of directors at rates of no less than 1% and no higher than 1%, respectively, of net profit before income tax, employees' compensation and remuneration of directors. For the three months ended March 31, 2019 and 2018, the employees' compensation and the remuneration of directors were as follows:

Accrual rate

	For the Three Months Ended March 31	
	2019	2018
Employees' compensation	1%	1%
Remuneration of directors	-	-

Accrual amount

	For the Three Months Ended March 31	
	2019	2018
Employees' compensation	<u>\$ 2,062</u>	<u>\$ 5,504</u>

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

The employees' compensation and remuneration of directors for 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:

Amount

	2018	2017
Employees' compensation	<u>\$ 13,975</u>	<u>\$ 14,300</u>

There was no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the year ended 2018 and 2017.

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

28. INCOME TAX RELATING TO CONTINUING OPERATIONS

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

	For the Three Months Ended March 31	
	2019	2018
<u>Current tax</u>		
In respect of the current period	<u>\$ 25,881</u>	<u>\$ 95,154</u>
<u>Deferred tax</u>		
In respect of the current period	9,424	42,896
Adjustments to deferred tax attributable to changes in tax rates and laws	<u>-</u>	<u>(39,889)</u>
	<u>9,424</u>	<u>3,007</u>
Income tax expense recognized in profit or loss	<u>\$ 35,305</u>	<u>\$ 98,161</u>

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. The effect of the change in the tax rate on deferred tax income (to be recognized in profit or loss) is recognized in full in the period in which the change in tax rate occurs. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%.

b. Income tax recognized in other comprehensive income

	For the Three Months Ended March 31	
	2019	2018
<u>Deferred tax</u>		
Adjustments to deferred tax attributable to changes in tax rates and law	\$ -	\$ 6,500
In respect of the current period	<u>(1,540)</u>	<u>840</u>
Translation of foreign operations	<u>\$ (1,540)</u>	<u>\$ 7,340</u>

c. Income tax assessments

The income tax returns of the Company and TVCM through 2017 have been assessed by the tax authorities, while the income tax returns of the CGPCPOL through 2016 have been assessed by the tax authorities.

d. Income tax related to subsidiaries

CGPC (BVI) and Krystal Star had no income tax expense for the three months ended March 31, 2019 and 2018 due to relevant tax exemptions in compliance with the regulations of the locations where the entities were established. The applicable tax rate used by CGPC America is a state rate of 9% and the federal tax rate was adjusted from 30% to 21%.

29. EARNINGS PER SHARE

Unit: NT\$ Per Share

	For the Three Months Ended March 31	
	2019	2018
Basic and diluted earnings per share		
From continuing operations and discontinued operations	\$ 0.36	\$ 1.07
From discontinued operations	<u>-</u>	<u>-</u>
From continuing operations	<u>\$ 0.36</u>	<u>\$ 1.07</u>

The weighted average number of shares outstanding used in 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 three months ended March 31, 2018 were as follows:

Unit: NT\$ Per Share

	Before Retrospective Adjustment	After Retrospective Adjustment
Basic and diluted earnings per share		
From continuing and discontinued operations	\$ 1.10	\$ 1.07
From discontinued operations	<u>-</u>	<u>-</u>
From continuing operations	<u>\$ 1.10</u>	<u>\$ 1.07</u>

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

Net Profit (Loss) for the Period

	For the Three Months Ended March 31	
	2019	2018
Profit for the period attributable to owners of the Company (earnings used in computation of basic and diluted earnings per share)	\$ 184,234	\$ 541,502
Add: Profit (loss) for the period from discontinued operations	<u>(1,109)</u>	<u>142</u>
Earnings used in the computation of basic and diluted earnings per share from continuing operations	<u>\$ 183,125</u>	<u>\$ 541,644</u>

Ordinary Shares Outstanding (In Thousands of Shares)

	For the Three Months Ended March 31	
	2019	2018
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>564</u>	<u>545</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>507,324</u>	<u>507,305</u>

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

30. CAPITAL MANAGEMENT

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

31. FINANCIAL INSTRUMENTS

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

The management of the Group believes the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair value.

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

1) Fair value hierarchy

March 31, 2019

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Derivative financial assets	\$ -	\$ 403	\$ -	\$ 403
Fund beneficiary certificates	630,671	-	-	630,671
Investments in equity instruments				
Overseas unlisted equity investments	-	-	-	-
	<u>\$ 630,671</u>	<u>\$ 403</u>	<u>\$ -</u>	<u>\$ 631,074</u>

Financial assets at FVTOCI

Investments in equity instruments				
Domestic listed equity investments	\$ 1,715	\$ -	\$ -	\$ 1,715
Domestic unlisted equity investments	-	-	116,786	116,786
	<u>\$ 1,715</u>	<u>\$ -</u>	<u>\$ 116,786</u>	<u>\$ 118,501</u>

Financial liabilities at FVTPL

Derivatives financial liabilities	<u>\$ -</u>	<u>\$ 1,384</u>	<u>\$ -</u>	<u>\$ 1,384</u>
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December 31, 2018

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Derivative financial assets	\$ -	\$ 839	\$ -	\$ 403
Fund beneficiary certificates	1,431,868	-	-	1,431,868
Investments in equity instruments				
Overseas unlisted equity investments	-	-	-	-
	<u>\$ 1,431,868</u>	<u>\$ 839</u>	<u>\$ -</u>	<u>\$ 1,432,707</u>

(Continued)

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments				
Domestic listed equity investments	\$ 1,593	\$ -	\$ -	\$ 1,593
Domestic unlisted equity investments	<u>-</u>	<u>-</u>	<u>121,047</u>	<u>121,047</u>
	<u>\$ 1,593</u>	<u>\$ -</u>	<u>\$ 121,047</u>	<u>\$ 122,640</u>
<u>Financial liabilities at FVTPL</u>				
Derivatives financial liabilities	<u>\$ -</u>	<u>\$ 1,645</u>	<u>\$ -</u>	<u>\$ 1,645</u>
				(Concluded)

March 31, 2018

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Derivative financial assets	\$ -	\$ 1,856	\$ -	\$ 1,856
Fund beneficiary certificates	1,702,032	-	-	1,702,032
Investments in equity instruments				
Overseas unlisted equity investments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,702,032</u>	<u>\$ 1,856</u>	<u>\$ -</u>	<u>\$ 1,703,888</u>
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments				
Domestic listed equity investments	\$ 2,035	\$ -	\$ -	\$ 2,035
Domestic unlisted equity investments	<u>-</u>	<u>-</u>	<u>102,648</u>	<u>102,648</u>
	<u>\$ 2,035</u>	<u>\$ -</u>	<u>\$ 102,648</u>	<u>\$ 104,683</u>
<u>Financial liabilities at FVTPL</u>				
Derivatives financial liabilities	<u>\$ -</u>	<u>\$ 96</u>	<u>\$ -</u>	<u>\$ 96</u>

There were no transfers between Levels 1 and 2 for the three months ended March 31, 2019 and 2018.

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

For the three months ended March 31, 2019

Financial Assets	Financial Assets at FVTOCI
Balance at January 1, 2019	\$ 121,047
Recognized in other comprehensive loss (included in unrealized loss on financial assets at FVTOCI)	<u>(4,261)</u>
Balance at March 31, 2019	<u>\$ 116,786</u>

For the three months ended March 31, 2018

Financial Assets	Financial Assets at FVTOCI
Balance at January 1, 2018	\$ 107,562
Recognized in other comprehensive loss (included in unrealized loss on financial assets at FVTOCI)	<u>(4,914)</u>
Balance at March 31, 2018	<u>\$ 102,648</u>

3) Valuation techniques and inputs applied for Level 2 fair value measurement

<u>Financial Instruments</u>	<u>Valuation Techniques and Inputs</u>
Derivatives - foreign exchange forward contracts	Discounted cash flow: Future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

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

To determine the fair value for Level 3 financial instruments, the Group's financial department conducts independent fair value verification using independent resources so as to better reflect the market conditions, as well as periodically reviewing the valuation results in order to guarantee the rationality of the measurement. For unlisted domestic equity investments, the Group utilizes the asset approach and takes into account the most recent net asset value, observable financial status as well as the financing activities of investees in order to determine their net asset value. The unobservable input used was a discount for the lack of marketability of 15% on March 31, 2019, December 31, 2018 and March 31, 2018. When other inputs remain unchanged, the fair value will decrease by \$1,374 thousand, \$1,424 thousand and \$1,208 thousand if the discount for lack of marketability increases by 1%.

c. Categories of financial instruments

	March 31, 2019	December 31, 2018	March 31, 2018
<u>Financial assets</u>			
Financial assets at FVTPL			
Mandatorily classified at FVTPL	\$ 631,074	\$ 1,432,707	\$ 1,703,888
Financial assets at amortized cost			
Cash and cash equivalents	763,955	934,680	833,610
Pledge time deposits	269,003	268,954	268,854
Notes receivable	199,270	195,847	159,302
Trade receivables (including related parties)	1,440,572	1,608,142	1,345,321
Other receivables (including related parties and excluding tax refund receivable)	56,131	20,850	50,900
Refundable deposits	17,025	16,281	16,282
Financial assets at FVTOCI			
Equity instruments	118,501	122,640	104,683
<u>Financial liabilities</u>			
Financial liabilities at FVTPL			
Held for trading	1,384	1,645	96
Financial liabilities measured at amortized cost			
Short-term borrowings	50,000	-	-
Notes payable	91	288	91
Trade payables (including related parties)	1,117,158	1,086,869	759,161
Other payables (including related parties)	421,977	768,993	604,327
Long-term borrowings	700,000	1,000,000	1,050,000
Guarantee deposits	3,418	3,300	2,876

d. Financial risk management objectives and policies

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

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

1) Market risk

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

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

a) Foreign currency risk

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

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

Sensitivity analysis

The Group's sensitivity analysis mainly focuses on the foreign currency risk of U.S. dollars at the end of the reporting period. Assuming a 3% strengthening/weakening of the functional currency against U.S. dollars, the net income before tax for the three months ended March 31, 2019 and 2018 would have decreased/increased by \$24,990 thousand and \$32,615 thousand, respectively.

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

b) Interest rate risk

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

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	March 31, 2019	December 31, 2018	March 31, 2018
Fair value interest rate risk			
Financial assets	\$ 795,262	\$ 1,008,163	\$ 885,365
Financial liabilities	293,448	-	-
Cash flow interest rate risk			
Financial assets	220,600	184,491	199,648
Financial liabilities	700,000	1,000,000	1,050,000

Sensitivity analysis

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

If interest rates had been 50 points higher/lower and all other variables were held constant, the Group's pre-tax profit for the three months ended March 31, 2019 and 2018 would have decreased/increased by \$599 thousand and \$1,063 thousand, respectively.

c) Other price risk

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

Sensitivity analysis

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

If marketable equity securities prices had fluctuated by 5%, the pre-tax profit for the three months ended March 31, 2019 and 2018 would have increased/decreased by \$31,534 thousand and \$85,102 thousand as a result of the changes in fair value of financial assets at FVTPL, and the pre-tax other comprehensive income for the three months ended March 31, 2019 and 2018 would have increased/decreased by \$5,925 thousand and \$5,234 thousand as a result of the changes in fair value of financial assets at FVTOCI.

2) Credit risk

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

- a) The carrying amount of the respective recognized financial assets as stated in the consolidated balance sheets; and
- b) The maximum amount the entity would have to pay if the financial guarantee is called upon, irrespective of the likelihood of the guarantee being exercised.

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

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

3) Liquidity risk

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

a) Liquidity and interest rate risk tables

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

March 31, 2019

	Weighted Average Interest Rate	On Demand or Less than 1 Year	1-5 Years	5+ Years
<u>Non-derivative financial liabilities</u>				
Non-interest bearing liabilities		\$ 1,535,132	\$ 13,254	\$ -
Lease liabilities	1.04%	36,412	119,323	99,585
Floating interest rate liabilities	1.04%	-	700,000	-
Fixed interest rate liabilities	0.9%	<u>50,000</u>	<u>-</u>	<u>-</u>
		<u>\$ 1,621,544</u>	<u>\$ 832,577</u>	<u>\$ 99,585</u>

Additional information about the maturity analysis for lease liabilities:

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years
Lease liabilities	<u>\$ 36,412</u>	<u>\$ 119,323</u>	<u>\$ 73,410</u>	<u>\$ 26,175</u>

December 31, 2018

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

March 31, 2018

	Weighted Average Interest Rate	On Demand or Less than 1 Year	1-5 Years	5+ Years
<u>Non-derivative financial liabilities</u>				
Non-interest bearing liabilities		\$ 1,156,607	\$ 18,609	\$ -
Floating interest rate liabilities	0.99%	-	1,050,000	-
		<u>\$ 1,156,607</u>	<u>\$ 1,068,609</u>	<u>\$ -</u>

b) Financing facilities

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

	March 31, 2019	December 31, 2018	March 31, 2018
Bank loan facilities			
Amount unused	<u>\$ 5,859,707</u>	<u>\$ 6,230,457</u>	<u>\$ 7,202,459</u>

32. TRANSACTIONS WITH RELATED PARTIES

As of March 31, 2019, December 31, 2018 and March 31, 2018, USI Corporation held through its subsidiary, Union Polymer Int'l Investment Corporation, 24.97% of the Company's outstanding ordinary shares.

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Besides information disclosed elsewhere in other notes, details of transactions between the Group and other related parties are disclosed below.

a. Related party names and categories

<u>Related Party Name</u>	<u>Related Party Category</u>
USI Corporation ("USI")	Parent company
Taita Chemical Company, Limited ("TTC")	Investor with significant influence
Asia Polymer Corporation ("APC")	Investor with significant influence
China General Terminal & Distribution Corporation ("CGTD")	Associate
Acme Electronics Corporation	Associate
Thintec Materials Corporation	Associate
USI Optronics Corporation ("USIO")	Fellow subsidiary
USI Management Consulting Corporation ("UM")	Fellow subsidiary
Swanson Plastics Corporation ("SPC")	Fellow subsidiary
Taiwan United Venture Management Corporation	Fellow subsidiary

(Continued)

Related Party Name	Related Party Category
Chong Loong Trading Co., Ltd.	Fellow subsidiary
Dynamic Ever Investments Limited	Fellow subsidiary
USIFE Investment Co., Ltd.	Fellow subsidiary
INOMA Corporation (“INOMA”)	Fellow subsidiary
Taita Chemical (Zhong Shan) Co., Ltd. (“TTC (ZS)”)	Subsidiary of investor with significant influence
APC Investment Corporation	Subsidiary of investor with significant influence
USI Educational Foundation (“USIF”)	Related party in substance
	(Concluded)

b. Sales of goods

Related Party Category	For the Three Months Ended March 31	
	2019	2018
Investor with significant influence	\$ 615	\$ 779
Fellow subsidiary	<u>169</u>	<u>77</u>
	<u>\$ 784</u>	<u>\$ 856</u>

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

c. Purchases of goods

Related Party Category	For the Three Months Ended March 31	
	2019	2018
Fellow subsidiary	\$ 1,072	\$ 1,628
Parent company		
USI	56	-
Investor with significant influence	<u>-</u>	<u>13</u>
	<u>\$ 1,128</u>	<u>\$ 1,641</u>

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

d. Trade receivables from related parties

Related Party Category/Name	March 31, 2019	December 31, 2018	March 31, 2018
Investor with significant influence	<u>\$ 497</u>	<u>\$ 325</u>	<u>\$ 493</u>

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

e. Trade payables to related parties

Related Party Category/Name	March 31, 2019	December 31, 2018	March 31, 2018
Parent company			
USI	\$ 125,988	\$ 171,224	\$ 171,303
Fellow subsidiary	<u>608</u>	<u>636</u>	<u>659</u>
	<u>\$ 126,596</u>	<u>\$ 171,860</u>	<u>\$ 171,962</u>

TVCM appointed USI to import ethylene, and the trade payables to USI are to be paid off when USI makes a payment.

The outstanding trade payables to related parties were unsecured.

f. Other receivables from related parties

Related Party Category/Name	March 31, 2019	December 31, 2018	March 31, 2018
Parent company			
USI	\$ 29,732	\$ 6,133	\$ 35,020
Investor with significant influence			
APC	13,325	235	370
Others	690	615	2,153
Subsidiary of investor with significant influence			
TTC (ZS)	4,201	4,108	4,248
Others	1	1	1
Fellow subsidiary	88	71	634
Associate	<u>-</u>	<u>2</u>	<u>819</u>
	<u>\$ 48,037</u>	<u>\$ 11,165</u>	<u>\$ 43,245</u>

g. Other payables to related parties

Related Party Category/Name	March 31, 2019	December 31, 2018	March 31, 2018
Associate			
CGTD	\$ 10,922	\$ 10,072	\$ 7,189
Parent company			
USI	2,113	2,559	3,797
Related party in substance			
USIF	2,000	-	1,500
Subsidiary of investor with significant influence			
	1,750	1,202	1,012
Investor with significant influence	1,296	315	679
Fellow subsidiary	<u>611</u>	<u>115</u>	<u>375</u>
	<u>\$ 18,692</u>	<u>\$ 14,263</u>	<u>\$ 14,552</u>

h. Acquisitions of property, plant and equipment

Related Party Category/Name	Purchase Price	
	For the Three Months Ended	
	March 31	
	2019	2018
Fellow subsidiary		
INOMA	\$ 633	\$ 409

i. Lease arrangements

Related Party Category/Name	March 31, 2019	December 31, 2018	March 31, 2018
<u>Lease liabilities</u>			
Investor with significant influence			
APC	\$ 159,289	\$ -	\$ -
TTC	37,874	-	-
Associate			
CGTD	28,999	-	-
	<u>\$ 226,162</u>	<u>\$ -</u>	<u>\$ -</u>

Related Party Category/Name	For the Three Months Ended	
	March 31	
	2019	2018
<u>Interest expense</u>		
Investor with significant influence		
APC	\$ 419	\$ -
Others	102	-
Associate	79	-
	<u>\$ 600</u>	<u>\$ -</u>

Lease expense

Parent company		
USI	\$ 1,777	\$ 1,890
Investor with significant influence	812	6,982
Associate	-	1,972
	<u>\$ 2,589</u>	<u>\$ 10,844</u>

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

The factory belonging to the Company's subsidiaries located on the land in Linyuan was rented from APC. The original lease term expired in December 2011. However, if neither counterparties argued, the lease term would automatically extend one more year.

The Company's subsidiaries leased storage tanks for vinyl chloride monomer from TTC. The original lease term expired in December 2010 and renewed at both parties' discretion.

The Company's subsidiary leased land for their warehouses from APC. The lease term will expire in May 2026. The lease contract is renewable, and the rental is paid on a monthly basis.

j. Storage tank operating expenses

Related Party Category/Name	For the Three Months Ended March 31	
	2019	2018
Associate CGTD	<u>\$ 32,055</u>	<u>\$ 22,820</u>

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

k. Management service expenses

Related Party Category/Name	For the Three Months Ended March 31	
	2019	2018
Fellow subsidiary UM	\$ 20,638	\$ 20,005
Others	29	29
Parent company USI	<u>1,183</u>	<u>938</u>
	<u>\$ 21,850</u>	<u>\$ 20,972</u>

Contracts stating that UM and USI should provide labor support, equipment and other related services to the Company and its subsidiary were effective starting from July 1, 2001 and July 1, 2002, respectively. Contracts stating that the UM should provide labor support, equipment and other related services to the subsidiaries of the Company were effective starting from July 1, 2009. The service expenses were based on the actual quarterly expenses which should be paid in the subsequent quarter following the related services.

l. Donations (classified as general and administrative expenses)

Related Party Category/Name	For the Three Months Ended March 31	
	2019	2018
Related party in substance USIF	<u>\$ 2,500</u>	<u>\$ 2,000</u>

m. Rental income

Related Party Category/Name	For the Three Months Ended March 31	
	2019	2018
Fellow subsidiary		
USIO	\$ 3,002	\$ 3,005
Others	-	19
Investor with significant influence	22	22
Parent company		
USI	<u>-</u>	<u>7</u>
	<u>\$ 3,024</u>	<u>\$ 3,053</u>

USIO leased the plant and facility located in Toufen from the Company, and the detailed lease term can be referenced in Note 17.

n. Compensation of key management personnel

The compensation of directors and key executives for the three months ended March 31, 2019 and 2018 were as follows:

	For the Three Months Ended March 31	
	2019	2018
Salaries and others	\$ 3,591	\$ 3,510
Post-employment benefits	<u>74</u>	<u>73</u>
	<u>\$ 3,665</u>	<u>\$ 3,583</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.

33. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

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

	March 31, 2019	December 31, 2018	March 31, 2018
Pledge deposits (classified as financial assets at amortized cost or other non-current assets)	\$ 282,055	\$ 281,874	\$ 281,774
Property, plant and equipment			
Land	1,650,957	1,650,957	1,650,957
Buildings and improvements, net	510,178	517,612	540,125
Machinery and equipment, net	<u>585,406</u>	<u>610,005</u>	<u>685,185</u>
	<u>\$ 3,028,596</u>	<u>\$ 3,060,448</u>	<u>\$ 3,158,041</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 its working capital. The Company set the land and plants as collateral. As of March 31, 2019, December 31, 2018 and March 31, 2018, the Company has not used its revolving credit.

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

34. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

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

- a. As of March 31, 2019, December 31, 2018 and March 31, 2018, the Group's unused letters of credit amounted to \$1,058,116 thousand, \$1,372,433 thousand and \$703,400 thousand, respectively.
- b. Description of Kaohsiung gas explosion:

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

CGTD arrived at an agreement with the Kaohsiung City Government on February 12, 2015, pledging certificates of bank deposits of \$227,167 thousand, interest included, to the Kaohsiung City Government as collateral for the loss caused by the gas explosion. The Kaohsiung City Government also filed civil procedure requests in succession against LCY Chemical Corp., CGTD and CPC Corporation, Taiwan ("CPC"). Taiwan Power Company applied for provisional attachment against CGTD's property on August 27 and November 26, 2015. Taiwan Water Corporation also applied for provisional attachment against CGTD's property on February 3 and March 2, 2017. As of April 30, 2019, the provisionally attached property was worth \$139,997 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 victims, 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 victim's families.

As of April 30, 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 \$3,879,657 thousand. The first-instance judgments of some of the above-mentioned civil cases (with a total amount of compensation of approximately \$1,177,192 thousand) have been gradually announced, starting from June 22, 2018. The proportion of fault liability of the Kaohsiung City Government, LCY Chemical Corp. and CGTD is 4:3:3 in most judgments. The total amount of compensation that CGTD, LCY Chemical Corp. and the

other defendants should pay is around \$383,831 thousand. In particular, CGTD was exempted to pay \$6,194 thousand according to the court's judgement. \$188,818 thousand is estimated to be the portion of compensation that CGTD should afford according to the first-instance judgment for the moment. CGTD has appealed some civil cases which were announced but were not yet settled and gradually entered into the second-instance trials. In addition, with regard to the above-mentioned compensation, CGTD estimated and recognized the amount of \$136,375 thousand based on its fault liability proportion announced in the first-instance judgment. The actual payment of CGTD still depends on the judgments of the remaining civil cases in the future.

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

35. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

Unit: Foreign and Functional Currencies in Thousands

March 31, 2019

	Foreign Currency	Exchange Rate (In Single Dollars)	Functional Currency	NT\$
<u>Financial assets</u>				
Monetary items				
USD	\$ 44,418	30.820 (USD:NTD)	\$ 1,368,973	\$ 1,368,973
AUD	588	21.855 (AUD:NTD)	12,847	12,847
EUR	412	34.610 (EUR:NTD)	14,255	14,255
USD	296	6.734 (USD:CNY)	1,996	9,134
GBP	105	40.110 (GBP:NTD)	4,227	4,227
<u>Financial liabilities</u>				
Monetary items				
USD	17,867	30.820 (USD:NTD)	545,103	545,103
GBP	69	40.110 (GBP:NTD)	2,773	2,773

December 31, 2018

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

March 31, 2018

	Foreign Currency	Exchange Rate (In Single Dollars)	Functional Currency	NT\$
<u>Financial assets</u>				
Monetary items				
USD	\$ 43,594	29.105 (USD:NTD)	\$ 1,268,810	\$ 1,268,810
JPY	171,907	0.274 (JPY:NTD)	47,085	47,085
EUR	429	35.870 (EUR:NTD)	15,371	15,371
AUD	415	22.345 (AUD:NTD)	9,276	9,276
GBP	53	40.790 (GBP:NTD)	2,175	2,175
USD	296	6.288 (USD:CNY)	1,862	8,621
<u>Financial liabilities</u>				
Monetary items				
USD	6,538	29.105 (USD:NTD)	190,277	190,277

Net foreign exchange gains (losses) for the three months ended March 31, 2019 and 2018 were \$8,321 thousand and \$(18,756) thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the group entities.

36. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees

- 1) Financing provided to others: None;
- 2) Endorsements/guarantees provided: See Table 1 attached;
- 3) Marketable securities held: See Table 2 attached;

- 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: None;
 - 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 3 attached;
 - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: See Table 4 attached;
 - 9) Trading in derivative instruments: See Note 7;
 - 10) Intercompany relationships and significant intercompany transactions: See Table 5 attached; and
 - 11) Information on investees: See Table 6 attached.
- b. Information on investments in mainland China
- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area: See Table 7 attached; and
 - 2) The following information on any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: None.
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
 - c) The amount of property transactions and the amount of the resultant gains or losses.
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and their purposes.
 - e) The highest balance during the period, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.
 - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services.

37. SEGMENT INFORMATION

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

Segment Revenue and Results

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

For the three months ended March 31, 2019

	VCM Products	PVC Products	Total
Revenue from external customers	\$ 268,090	\$ 2,959,617	\$ 3,227,707
Inter-segment revenue	<u>2,142,363</u>	<u>99,603</u>	<u>2,241,966</u>
Segment revenue	<u>\$ 2,410,453</u>	<u>\$ 3,059,220</u>	5,469,673
Eliminations			<u>(2,241,966)</u>
Consolidated revenue			<u>\$ 3,227,707</u>
Segment income	<u>\$ 5,856</u>	<u>\$ 177,702</u>	\$ 183,558
Share of profit of associates accounted for using the equity method			9,878
Interest income			2,345
Rental income			3,120
Gain on disposal of property, plant and equipment			741
Foreign exchange gains			8,321
Loss on financial instruments held for trading			(2,513)
Gain on financial assets mandatorily classified as at FVTPL			17,017
Interest expense			(3,271)
Others			<u>5,968</u>
Profit before tax from continuing operations			<u>\$ 225,164</u>

For the three months ended March 31, 2018

	VCM Products	PVC Products	Total
Revenue from external customers	\$ 374,767	\$ 3,769,433	\$ 4,144,200
Inter-segment revenue	<u>2,176,174</u>	<u>103,134</u>	<u>2,279,308</u>
Segment revenue	<u>\$ 2,550,941</u>	<u>\$ 3,872,567</u>	6,423,508
Eliminations			<u>(2,279,308)</u>
Consolidated revenues			<u>\$ 4,144,200</u>
Segment income	<u>\$ 54,176</u>	<u>\$ 602,132</u>	\$ 656,308
Share of profit of associates accounted for using the equity method			6,986
Interest income			1,476

(Continued)

	VCM Products	PVC Products	Total
Rental income			\$ 3,148
Gain on disposal of property, plant and equipment			427
Foreign exchange losses			(18,756)
Loss on financial instruments held for trading			(4,249)
Gain on financial assets mandatorily classified as at FVTPL			23,534
Interest expense			(2,704)
Others			<u>15,771</u>
Profit before tax from continuing operations			<u>\$ 681,941</u> (Concluded)

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

CHINA GENERAL PLASTICS CORPORATION AND SUBSIDIARIES

**ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE THREE MONTHS ENDED MARCH 31, 2019
(In Thousands of New Taiwan Dollars)**

No.	Endorser/Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note 2)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period (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	\$ 8,559,103	\$ 2,908,200	\$ 2,908,200	\$ 215,410	None	33.98	\$ 8,559,103	Yes	No	No

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

Note 2: The total amount of guarantee that may be provided by the Company to any individual entity and in aggregate shall not exceed 100% of the Company’s net worth.

Note 3: The amount is calculated using the spot exchange rate of March 31, 2019.

TABLE 2**CHINA GENERAL PLASTICS CORPORATION AND SUBSIDIARIES****MARKETABLE SECURITIES HELD****March 31, 2019****(In Thousands of New Taiwan Dollars)**

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	March 31, 2019				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	\$ 66,495	-	\$ 66,495	1
	Fubon No. 2 Real Estate Investment Trust	-	Financial assets at FVTPL - current	4,980,000	66,085	-	66,085	1
	Shin Kong No. 1 Real Estate Investment Trust	-	Financial assets at FVTPL - current	3,000,000	50,370	-	50,370	1
	Cathay No. 2 Real Estate Investment Trust	-	Financial assets at FVTPL - current	2,500,000	40,525	-	40,525	1
	<u>Open-end fund beneficiary certificates</u>							
	FSITC Taiwan Money Market Fund		Financial assets at FVTPL - current	2,614,704	40,000	-	40,000	1
	FSITC Money Market Fund	-	Financial assets at FVTPL - current	100,910	18,000	-	18,000	1
	Taishin 1699 Money Market Fund	-	Financial assets at FVTPL - current	739,295	10,000	-	10,000	1
	<u>Ordinary shares</u>							
	KHL IB Venture Capital Co., Ltd.	-	Financial assets at FVTOCI - non-current	8,353,800	116,786	5.95	116,786	1
Taiwan VCM Corporation	<u>Open-end fund beneficiary certificates</u>							
	Yuanta De-Bao Money Market Fund	-	Financial assets at FVTPL - current	4,161,777	50,010	-	50,010	1
	Jih Sun Money Market Fund	-	Financial assets at FVTPL - current	3,376,052	50,010	-	50,010	1
	UPAMC James Bond Money Market Fund	-	Financial assets at FVTPL - current	2,993,349	50,010	-	50,010	1
	Yuanta De-Li Money Market Fund	-	Financial assets at FVTPL - current	3,067,297	50,006	-	50,006	1
	FSITC Money Market Fund	-	Financial assets at FVTPL - current	168,184	30,000	-	30,000	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	1,715	0.02	1,715	1
CGPC Polymer Corporation	<u>Open-end fund beneficiary certificates</u>							
	Taishin 1699 Money Market Fund	-	Financial assets at FVTPL - current	4,299,416	58,156	-	58,156	1
	FSITC Taiwan Money Market Fund	-	Financial assets at FVTPL - current	3,334,033	51,004	-	51,004	1
CGPC (BVI) Holding Co., Ltd.	<u>Shares</u>							
	Teratech Corporation	-	Financial assets at FVTPL - non-current	112,000	-	0.67	-	1 and 3
	SOHWARE, Inc. - preference shares	-	Financial assets at FVTPL - non-current	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 March 31, 2019, the Group evaluates the fair value of the equity instrument as \$0.

TABLE 3

CHINA GENERAL PLASTICS CORPORATION AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE THREE MONTHS ENDED MARCH 31, 2019
(In Thousands of New Taiwan Dollars)

Buyer/Seller	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Trade Receivables (Payables)	
			Purchase/ Sale	Amount (Note)	% of Total	Payment Terms	Unit Price	Payment Terms	Financial Statement Account and Ending Balance (Note)	% of Total
China General Plastics Corporation	Taiwan VCM Corporation	Subsidiary	Purchase	\$ 1,072,317	74	45 days	No major difference	No major difference	Trade payables to related parties \$ (673,152)	(73)
Taiwan VCM Corporation	China General Plastics Corporation	Parent company	Sale	(1,072,317)	(44)	45 days	No major difference	No major difference	Trade receivables from related parties 673,152	41
	CGPC Polymer Corporation	Fellow subsidiary	Sale	(1,070,046)	(44)	45 days	No major difference	No major difference	Trade receivables from related parties 804,167	48
CGPC Polymer Corporation	Taiwan VCM Corporation	Fellow subsidiary	Purchase	1,070,046	96	45 days	No major difference	No major difference	Trade payables to related parties (804,167)	(97)

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

TABLE 4

CHINA GENERAL PLASTICS CORPORATION AND SUBSIDIARIES

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
MARCH 31, 2019
(In Thousands of New Taiwan Dollars)**

Company Name	Related Party	Relationship	Financial Statement Account and Ending Balance (Note 3)	Turnover Rate	Overdue		Amounts Received in Subsequent Period (Note 2)	Allowance for Impairment Loss
					Amount	Actions Taken		
Taiwan VCM Corporation	China General Plastics Corporation CGPC Polymer Corporation	Parent company Fellow subsidiary	Trade receivables from related parties	<u>\$ 673,152</u>	5.93	\$ -	-	\$ 339,969
			Trade receivables from related parties	<u>\$ 804,167</u>	5.41	-	-	375,039
								Note 1 Note 1

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

Note 2: The subsequent period is between April 1 and April 26, 2019.

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

TABLE 5

CHINA GENERAL PLASTICS CORPORATION AND SUBSIDIARIES

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE THREE MONTHS ENDED MARCH 31, 2019
(In Thousands of New Taiwan Dollars)**

No. (Note 1)	Investee Company	Counterparty	Relationship (Note 2)	Transactions Details			
				Financial Statement Accounts	Amount	Transaction Terms	% of Total Sales or Assets (Note 3)
0	China General Plastics Corporation	Taiwan VCM Corporation	1	Trade payables to related parties	\$ 673,152	No major difference	5
			1	Purchases	1,072,317	No major difference	33
		CGPC America Corporation	1	Trade receivables from related parties	99,958	No major difference	1
			1	Sales revenue	94,131	No major difference	3
		CGPC Polymer Corporation	1	Other receivables from related parties	1,383	No major difference	-
			1	Trade payables to related parties	3,554	No major difference	-
			1	Purchases	5,473	No major difference	-
1	CGPC Polymer Corporation	Taiwan VCM Corporation	3	Trade payables to related parties	804,167	No major difference	6
			3	Other payables to related parties	25,397	No major difference	-
			3	Purchases	1,070,046	No major difference	33

Note 1: The information correlation between the numeral and the entity are stated as follows:

- a. The parent company: 0.
- b. The subsidiaries: 1 onward.

Note 2: The direction of the investment is as follows:

- a. The parent company to its subsidiary: 1.
- b. The subsidiary to the parent company: 2.
- c. Between subsidiaries: 3.

Note 3: The ratio of transactions related to total sales revenue or assets is calculated as follows:

- a. Assets or liabilities: The ratio was calculated based on the ending balance of total consolidated assets; and
- b. Income or loss: The ratio was calculated based on the midterm accumulated amount of total consolidated sales revenue.

TABLE 6

CHINA GENERAL PLASTICS CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTEEES
FOR THE THREE MONTHS ENDED MARCH 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Business Content	Original Investment Amount		As of March 31, 2019			Net Income (Loss) of Investee	Share of Profit (Loss)	Note
				March 31, 2019	December 31, 2018	Number of Shares	%	Carrying Amount			
China General Plastics Corporation	Taiwan VCM Corporation	No. 1, Gongye 1st Rd., Linyuan Dist., Kaohsiung City 832, Taiwan (R.O.C.)	Manufacturing and marketing of VCM	\$ 2,930,995	\$ 2,930,995	206,008,832	87.22	\$ 2,991,645	\$ 52,679	\$ 74,441	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	1,119,342	16,556	16,556	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	361,934	1,585	1,585	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	239,187	31,507	10,502	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	202,107	(2,082)	(2,082)	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	77,285	533	533	Subsidiary
	Acme Electronics Corporation	8F., No. 39, Jihu Rd., Neihu Dist., Taipei City 114, Taiwan (R.O.C.)	Manufacturing and marketing of Mn-Zn ferrite cores, Ni-Zn ferrite cores	33,995	33,995	3,176,019	1.74	24,171	(35,648)	(621)	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	1,448	(32)	(3)	Associate accounted for using the equity method

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

TABLE 7**CHINA GENERAL PLASTICS CORPORATION AND SUBSIDIARIES****INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE THREE MONTHS ENDED MARCH 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Investee Company	Business Content	Paid-in Capital (Note 1)	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2019 (Note 1)	Investment Flows		Accumulated Outward Remittance for Investment from Taiwan as of March 31, 2019 (Note 1)	Net Income (Loss) of Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 5)	Carrying Amount as of March 31, 2019 (Notes 1 and 5)	Accumulated Repatriation of Investment Income as of March 31, 2019
					Outflow	Inflow						
Continental General Plastics (Zhong Shan) Co., Ltd. (“CGPC (ZS)”) (Note 4)	Manufacturing and marketing of PVC film and consumer products	\$ 616,400 (US\$ 20,000 thousand)	Investment through CGPC (BVI) Holding Co., Ltd. (“CGPC (BVI)”)	\$ 616,400 (US\$ 20,000 thousand)	\$ -	\$ -	\$ 616,400 (US\$ 20,000 thousand)	\$ 1,103 (US\$ 36 thousand)	100.00	\$ 1,103 (US\$ 36 thousand)	\$ 271,606 (US\$ 8,813 thousand)	\$ -
CGPC Consumer Products Corporation (“CGPC (CP)”) (Note 4)	Manufacturing and marketing of PVC consumer products	46,230 (US\$ 1,500 thousand)	Investment through CGPC (BVI) Holding Co., Ltd. (“CGPC (BVI)”)	46,230 (US\$ 1,500 thousand)	-	-	46,230 (US\$ 1,500 thousand)	6 (US\$ - thousand)	100.00	6 (US\$ - thousand)	14,255 (US\$ 463 thousand)	-

Accumulated Outward Remittance for Investment in Mainland China as of March 31, 2019 (Notes 1 and 3)	Investment Amounts Authorized by Investment Commission, MOEA (Note 1)	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$834,667 (US\$27,082 thousand)	\$1,056,972 (US\$34,295 thousand)	(Note 2)

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

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

Note 3: QuanZhou Continental General Plastics Co., Ltd. (“CGPC (QZ)”) and Union (Zhong Shan) Co., Ltd. (“Union (ZS)”) completed dissolution procedures, and CGPC (BVI) retrieved the residual assets. The shares of Continental General Plastics (San He) Co., Ltd. (“CGPC (SH)”) were fully sold, and CGPC (BVI) retrieved the residual assets. However, the amount of capital has not been wired back to Taiwan. The accumulated amount includes the investment amount of CGPC (QZ) of \$21,081 thousand (US\$684 thousand), the investment amount of Union (ZS) of \$27,676 thousand (US\$898 thousand) and the investment amount of CGPC (SH) of \$123,280 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 March 31, 2019, the dissolution procedures have not yet been completed.

Note 5: All the transactions were written off when preparing the consolidated financial statements. The investment income (loss) was recognized based on financial statements which were not reviewed by auditors. See Note 13.