China General Plastics Corporation

Financial Statements for the
Years Ended December 31, 2019 and 2018 and
Independent Auditors' Report

Deloitte.

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INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
China General Plastics Corporation

Opinion

We have audited the accompanying financial statements of China General Plastics Corporation (the "Company"), which comprise the balance sheets as of December 31, 2019 and 2018, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audit of the financial statements for the year ended December 31, 2019 in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, Rule No. 1090360805 issued by the Financial Supervisory Commission of the Republic of China on February 25, 2020, and auditing standards generally accepted in the Republic of China. We conducted our audit of the financial statements for the year ended December 31, 2018 in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2019. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

Validity of Specific Revenue

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

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

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

1. We understood the design and tested the operating effectiveness of internal control and confirmed the validity of revenue recognition derived from the above-mentioned customers.

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

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

Valuation of Inventory

As of December 31, 2019, the carrying amount of the Company's inventory was NT$711,140 thousand (i.e., the gross amount of inventory of NT$749,430 thousand with a deduction of the allowance for inventory valuation of NT$38,290 thousand), representing 7% of the Company's total assets. As the Company's inventory was stated at the lower of cost or net realizable value in accordance with IAS 2 "Inventories", which involved critical judgment and accounting estimates by the management, we identified the valuation of inventory as a key audit matter.

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

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

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

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2019 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 13, 2020

<u>*Notice to Readers*</u>

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

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

CHINA GENERAL PLASTICS CORPORATION

BALANCE SHEETS
DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

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

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

CHINA GENERAL PLASTICS CORPORATION

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

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

(Continued)

CHINA GENERAL PLASTICS CORPORATION

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

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

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

(Concluded)

CHINA GENERAL PLASTICS CORPORATION

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

	Share Capital (Note 19)	Capital Surplus (Notes 4 and 19)			Retained Earnings (Notes 4, 18, 19 and 22)				Other Equity (Notes 4, 8, 11, 19 and 22)				
	Ordinary Shares	Unpaid Dividend	Others	Total	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Unrealized Gain (Loss) on Investments in Equity Instruments at FVTOCI	Total	Total Equity
BALANCE AT JANUARY 1, 2018	$ 4,919,996	$ 7,929	$ 307	$ 8,236	$ 385,973	$ 408,223	$ 2,063,146	$ 2,857,342	$ (19,583)	$ 40,350	$ -	$ 20,767	$ 7,806,341
Effect of retrospective restatement	-	-	-	-	-	-	-	-	-	(40,350)	56,912	16,562	16,562
BALANCE AT JANUARY 1, 2018, AS RESTATED	4,919,996	7,929	307	8,236	385,973	408,223	2,063,146	2,857,342	(19,583)	-	56,912	37,329	7,822,903
Appropriation of 2017 earnings													
Legal reserve	-	-	-	-	126,981	-	(126,981)	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	-	(737,999)	(737,999)	-	-	-	-	(737,999)
Share dividends distributed by the Company	147,600	-	-	-	-	-	(147,600)	(147,600)	-	-	-	-	-
Other changes in capital surplus	-	693	-	693	-	-	-	-	-	-	-	-	693
Net profit for the year ended December 31, 2018	-	-	-	-	-	-	1,276,156	1,276,156	-	-	-	-	1,276,156
Other comprehensive income for the year ended December 31, 2018, net of income tax	-	-	-	-	-	-	8,199	8,199	3,758	-	930	4,688	12,887
Total comprehensive income for the year ended December 31, 2018	-	-	-	-	-	-	1,284,355	1,284,355	3,758	-	930	4,688	1,289,043
BALANCE AT DECEMBER 31, 2018	5,067,596	8,622	307	8,929	512,954	408,223	2,334,921	3,256,098	(15,825)	-	57,842	42,017	8,374,640
Effect of retrospective restatement	-	-	-	-	-	-	(4,731)	(4,731)	-	-	-	-	(4,731)
BALANCE AT JANUARY 1, 2019, AS RESTATED	5,067,596	8,622	307	8,929	512,954	408,223	2,330,190	3,251,367	(15,825)	-	57,842	42,017	8,369,909
Appropriation of 2018 earnings													
Legal reserve	-	-	-	-	127,616	-	(127,616)	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	-	(760,140)	(760,140)	-	-	-	-	(760,140)
Share dividends distributed by the Company	202,703	-	-	-	-	-	(202,703)	(202,703)	-	-	-	-	-
Other changes in capital surplus	-	1,124	7	1,131	-	-	-	-	-	-	-	-	1,131
Net profit for the year ended December 31, 2019	-	-	-	-	-	-	642,677	642,677	-	-	-	-	642,677
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	-	-	5,986	5,986	(17,938)	-	9,187	(8,751)	(2,765)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	-	648,663	648,663	(17,938)	-	9,187	(8,751)	639,912
BALANCE AT DECEMBER 31, 2019	$ 5,270,299	$ 9,746	$ 314	$ 10,060	$ 640,570	$ 408,223	$ 1,888,394	$ 2,937,187	$ (33,763)	$ -	$ 67,029	$ 33,266	$ 8,250,812

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

CHINA GENERAL PLASTICS CORPORATION

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

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

(Continued)

CHINA GENERAL PLASTICS CORPORATION

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

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

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

1. GENERAL INFORMATION

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

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Company's board of directors on March 5, 2020.

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

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

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

   - IFRS 16 "Leases"

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

     Definition of a lease

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

The Company as lessee

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

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

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

The Company also applies the following practical expedients:

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

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

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

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

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

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

The Company as lessor

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

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

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

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

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

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

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

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

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

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

New IFRSs	Effective Date Announced by IASB (Note)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2022

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

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

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

1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

3) Level 3 inputs are unobservable inputs for an asset or liability.

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

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

Current assets include:

1) Assets held primarily for the purpose of trading;

2) Assets expected to be realized within 12 months after the reporting period; and

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

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

2) Liabilities due to be settled within 12 months after the reporting period; and

3) Liabilities for which the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

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

d. Foreign currencies

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

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

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

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

For the purpose of presenting Company’s financial statements, the functional currencies of foreign operations (including subsidiaries and associates in other countries that use currencies which are different from the currency of the Company) are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

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

e. Inventories

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

f. Investments in subsidiaries

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

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

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

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

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

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

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

g. Investments in associates

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

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

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

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

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

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

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

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

h. Property, plant and equipment

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

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

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

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

i. Investment properties

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

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

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

j. Intangible assets

1) Intangible assets acquired separately

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

2) Derecognition of intangible assets

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

k. Impairment of tangible and intangible assets other than goodwill

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

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

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

l. Financial instruments

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

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

1) Financial assets

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

a) Measurement categories

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

i. Financial assets at FVTPL

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

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 25.

ii. Financial assets at amortized cost

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

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

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

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

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

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

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

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

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

iii. Investments in equity instruments at FVTOCI

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

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

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

b) Impairment of financial assets

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

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

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

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

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

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

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

c) Derecognition of financial assets

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

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

2) Financial liabilities

a) Subsequent measurement

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

b) Derecognition of financial liabilities

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

3) Derivative financial instruments

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

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

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

m. Revenue recognition

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

- Revenue from the sale of goods

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

n. Leasing

<u>2019</u>

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

1) The Company as lessor

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

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

2) The Company as lessee

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

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

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

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

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

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

2018

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

1) The Company as lessor

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

2) The Company as lessee

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

o. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

p. Taxation

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

1) Current tax

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

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

2) Deferred tax

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

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

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

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

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

3) Current and deferred taxes for the year

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Key Sources of Estimation Uncertainty

Write-down of inventories

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

Income taxes

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

Associate's estimated damage compensation for Kaohsiung Gas explosions

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

6. CASH AND CASH EQUIVALENTS

	December 31	
	2019	**2018**
Cash on hand and petty cash	$ 219	$ 192
Checking accounts and demand deposits	93,184	81,428
Cash equivalents		
Time deposits	103,431	69,109
	$ 196,834	$ 150,729

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

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

7. FINANCIAL INSTRUMENTS AT FVTPL - CURRENT

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

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

	Currency	Maturity Date	Contract Amount (In Thousands)
December 31, 2019			
Sell	USD/NTD	2020.01.03-20202.03.24	USD14,100/NTD427,298
December 31, 2018			
Sell	USD/NTD	2019.01.03-2019.03.15	USD12,360/NTD379,620

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

8. FINANCIAL ASSETS AT FVTOCI

Investments in Equity Instruments at FVTOCI

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

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

These investments in equity instruments are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as it believes that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Company's strategy of holding these investments for long-term purposes.

9. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

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

a. Trade receivables

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

The Company measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated using an allowance matrix by reference to past default experience with the respective debtors and an analysis of the debtors' current financial positions, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecasted direction of economic conditions at the reporting date.

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

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

December 31, 2019

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

December 31, 2018

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

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

	December 31	
	2019	2018
Not past due	$ 880,057	$ 1,118,061
Less than and including 60 days	2,960	17,238
Over 60 days	-	-
	$ 883,017	$ 1,135,299

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

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

	For the Year Ended December 31	
	2019	2018
Balance at January 1 and December 31	$ 10,652	$ 10,652

b. Other receivables

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

10. INVENTORIES

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

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

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

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

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

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

a. Investments in subsidiaries

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

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

	December 31	
Name of Subsidiaries	2019	2018
TVCM	87.22%	87.22%
CGPCPOL	100.00%	100.00%
CGPC (BVI)	100.00%	100.00%
CGPC America	100.00%	100.00%
Krystal Star	-	100.00%

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

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

CGPC (BVI) invests mainly in Teratech Corporation, SOHOware, Inc., Continental General Plastics (Zhong Shan) Co., Ltd. ("CGPC (ZS)") and CGPC Consumer Products Corporation ("CGPC (CP)"). The board of directors of the Company resolved to dissolve CGPC (ZS) and CGPC (CP) in October 2011. As of December 31, 2019, the dissolution procedures have not yet been completed.

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

The investment accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2019 and 2018 were based on the subsidiaries' financial statements which have been audited for the same years.

b. Investments in associates

1) Associates that are not individually material

	December 31	
	2019	2018
Listed company		
Acme Electronics Corporation ("ACME")	$ 21,739	$ 24,296
Unlisted company		
China General Terminal & Distribution Corporation ("CGTD")	257,584	228,250
Thintec Materials Corporation ("TMC")	1,446	1,452
	$ 280,769	$ 253,998

2) Aggregate information of associates that are not individually material

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

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

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

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

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

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

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

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

All associates are accounted for using the equity method.

The investments accounted for using the equity method and the share of profit or loss and other comprehensive income or loss of those investments for the years ended December 31, 2019 and 2018 were based on the associates' financial statements which have been audited for the same years.

12. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings and Improvements	Machinery and Equipment	Transportation Equipment	Miscellaneous Equipment	Construction in Progress and Machinery in Transit	Total
Cost							
Balance at January 1, 2018	$ 1,644,182	$ 946,535	$ 4,692,564	$ 53,629	$ 170,023	$ 334,512	$ 7,841,445
Additions	-	-	-	-	-	303,570	303,570
Disposals	-	(7,572)	(61,445)	(2,281)	(2,847)	-	(74,145)
Reclassification	-	22,362	310,523	4,602	3,197	(340,684)	-
Balance at December 31, 2018	$ 1,644,182	$ 961,325	$ 4,941,642	$ 55,950	$ 170,373	$ 297,398	$ 8,070,870

(Continued)

	Freehold Land	Buildings and Improvements	Machinery and Equipment	Transportation Equipment	Miscellaneous Equipment	Construction in Progress and Machinery in Transit	Total
Accumulated depreciation and impairment							
Balance at January 1, 2018	$ -	$ 614,551	$ 4,113,676	$ 38,024	$ 160,370	$ -	$ 4,926,621
Depreciation expenses	-	32,498	130,051	4,817	3,849	-	171,215
Disposals	-	(7,190)	(61,218)	(2,280)	(2,701)	-	(73,389)
Balance at December 31, 2018	$ -	$ 639,859	$ 4,182,509	$ 40,561	$ 161,518	$ -	$ 5,024,447
Carrying amounts at December 31, 2018	$ 1,644,182	$ 321,466	$ 759,133	$ 15,389	$ 8,855	$ 297,398	$ 3,046,423
Cost							
Balance at January 1, 2019	$ 1,644,182	$ 961,325	$ 4,941,642	$ 55,950	$ 170,373	$ 297,398	$ 8,070,870
Additions	-	-	-	-	-	374,650	374,650
Disposals	-	(33,246)	(102,582)	(8,821)	(11,730)	-	(156,379)
Reclassification	(14,511)	(68,029)	128,874	3,422	5,460	(233,112)	(177,896)
Balance at December 31, 2019	$ 1,629,671	$ 860,050	$ 4,967,934	$ 50,551	$ 164,103	$ 438,936	$ 8,111,245
Accumulated depreciation and impairment							
Balance at January 1, 2019	$ -	$ 639,859	$ 4,182,509	$ 40,561	$ 161,518	$ -	$ 5,024,447
Depreciation expenses	-	23,929	137,582	4,797	4,088	-	170,396
Disposals	-	(31,347)	(101,247)	(8,263)	(11,699)	-	(152,556)
Reclassification	-	(7,673)	(6,062)	-	-	-	(13,735)
Balance at December 31, 2019	$ -	$ 624,768	$ 4,212,782	$ 37,095	$ 153,907	$ -	$ 5,028,552
Carrying amounts at December 31, 2019	$ 1,629,671	$ 235,282	$ 755,152	$ 13,456	$ 10,196	$ 438,936	$ 3,082,693

(Concluded)

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

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

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

13. INVESTMENT PROPERTIES

	Land	Building and Improvements	Total
Cost			
Balance at January 1 and December 31, 2018	$ 13,204	$ 129,547	$ 142,751
Accumulated depreciation			
Balance at January 1, 2018	$ -	$ 2,491	$ 2,491
Depreciation expense	-	4,983	4,983
Balance at December 31, 2018	$ -	$ 7,474	$ 7,474
Carrying amount at December 31, 2018	$ 13,204	$ 122,073	$ 135,277
Cost			
Balance at January 1, 2019	$ 13,204	$ 129,547	$ 142,751
Reclassification from properties, plant and equipment	14,511	163,385	177,896
Balance at December 31, 2019	$ 27,715	$ 292,932	$ 320,647
Accumulated depreciation			
Balance at January 1, 2019	$ -	$ 7,474	$ 7,474
Depreciation expense	-	14,140	14,140
Reclassification from property, plant and equipment	-	13,735	13,735
Balance at December 31, 2019	$ -	$ 35,349	$ 35,349
Carrying amount at December 31, 2019	$ 27,715	$ 257,583	$ 285,298

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

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

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

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

Buildings and improvements	5 to 26 years

14. INTANGIBLE ASSETS

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

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

15. NOTES PAYABLE AND TRADE PAYABLES

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

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

16. OTHER PAYABLES

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

17. REFUND LIABILITIES

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

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

18. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

b. Defined benefit plans

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

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

	December 31	
	2019	2018
Present value of defined benefit obligation	$ 1,295,857	$ 1,337,890
Fair value of plan assets	(710,973)	(710,455)
Net defined benefit liabilities	$ 584,884	$ 627,435

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

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Balance at January 1, 2018	$ 1,355,238	$ (492,108)	$ 863,130
Service cost			
Current service cost	12,521	-	12,521
Net interest expense (income)	14,977	(6,656)	8,321
Recognized in profit or loss	27,498	(6,656)	20,842
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(10,330)	(10,330)
Actuarial loss - changes in financial assumptions	27,133	-	27,133
Actuarial gain - experience adjustments	(20,515)	-	(20,515)
Recognized in other comprehensive income	6,618	(10,330)	(3,712)
Contributions from the employer	-	(252,825)	(252,825)
Benefits paid	(51,464)	51,464	-
Balance at December 31, 2018	1,337,890	(710,455)	627,435
Service cost			
Current service cost	11,479	-	11,479
Net interest expense (income)	11,460	(6,234)	5,226
Recognized in profit or loss	22,939	(6,234)	16,705
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(25,294)	(25,294)
Actuarial loss - changes in financial assumptions	25,213	-	25,213
Actuarial gain - experience adjustments	(4,228)	-	(4,228)
Recognized in other comprehensive income	20,985	(25,294)	(4,309)
Contributions from the employer	-	(54,947)	(54,947)
Benefits paid	(85,957)	85,957	-
Balance at December 31, 2019	$ 1,295,857	$ (710,973)	$ 584,884

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

	For the Year Ended December 31	
	2019	2018
Operating costs	$ 12,995	$ 16,481
Selling and marketing expenses	1,682	2,017
General and administrative expenses	1,333	1,551
Research and development expenses	695	793
	$ 16,705	$ 20,842

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

1) Investment risk: The plan assets are invested in domestic or foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate of a 2-year time deposit with local banks.

2) Interest risk: A decrease in government and corporate bond interest rates will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plans' debt investments.

3) Salary risk: The present value of the defined benefit obligation is calculated with reference to the future salaries of plan participants. As such, an increase in the salaries of the plan participants will increase the present value of the defined benefit obligation.

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

	December 31	
	2019	**2018**
Discount rate	0.625%	0.875%
Expected rate of salary increase	2.500%	2.500%

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

	December 31	
	2019	**2018**
Discount rates		
0.25% increase	$ (25,212)	$ (27,133)
0.25% decrease	$ 26,012	$ 28,017
Expected rates of salary increase		
0.25% increase	$ 25,086	$ 27,084
0.25% decrease	$ (24,448)	$ (26,370)

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

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

19. EQUITY

a. Ordinary shares

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

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

b. Capital surplus

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

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

c. Retained earnings and dividends policy

Under the dividends policy as set forth in the Company's Articles of Incorporation, where the Company made a net income in a fiscal year, the profit shall be used first for offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. The industry that the Company operates in is in the maturity stage. Consequently, in order to take R&D needs and diversification into consideration, shareholders' dividends shall not be less than 10% of the distributable earnings in the current year, of which the cash dividends shall not be less than 10% of the total dividends. However, if the distributable earnings of the year is less than $0.1 per share, it shall not be distributed. For the policies on the distribution of employees' compensation and remuneration of directors after amendment, refer to "Employees' compensation and remuneration of directors" in Note 21-e.

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

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

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

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

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

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

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

d. Special reserve

The Company appropriated a special reserve in the amount of $408,223 thousand after offsetting a deficit of $428,727 thousand, which was from the net increase of retained earnings arising from the initial adoption of IFRSs. As of December 31, 2019, there was no change.

e. Other equity items

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

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

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

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

20. REVENUE

a. Revenue from the sale of goods

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

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

b. Contract balances

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

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

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

21. NET PROFIT FROM CONTINUING OPERATIONS

a. Other income

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

b. Other gains and losses

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

c. Depreciation and amortization

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

d. Employee benefits expense

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

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

e. Employees' compensation and remuneration of directors

The Company accrued employees' compensation and remuneration of directors at rates of no less than 1% and no higher than 1%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. The employees' compensation and remuneration of directors for the years ended December 31, 2019 and 2018, which have been approved by the Company's board of directors on March 5, 2020 and March 6, 2019, respectively, were as follows:

Accrual rate

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

Amount

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

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

There was no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the financial statements for the years ended December 31, 2018 and 2017.

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

22. INCOME TAXES RELATING TO CONTINUING OPERATIONS

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

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

(Continued)

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

(Concluded)

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

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

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

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

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2019	2018
Deferred tax		
Adjustments to deferred tax attributable to changes in tax rates and law	$ -	$ 6,500
In respect of the current year		
Translation of foreign operations	3,634	(1,545)
Remeasurement on defined benefit plans	(862)	(742)
	2,772	(2,287)
Income tax recognized in other comprehensive income	$ 2,772	$ 4,213

c. Current tax assets and liabilities

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

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2019

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

(Continued)

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

(Concluded)

For the year ended December 31, 2018

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Deferred tax assets				
Temporary differences				
Allowance for inventory valuation	$ 7,173	$ 1,439	$ -	$ 8,612
Share of profit of subsidiaries and associates accounted for using the equity method	78,351	16,644	(3,565)	91,430
Unrealized losses on property, plant and equipment	188	(157)	-	31
Deferred revenue	15,578	(2,444)	-	13,134
Provisions	4,898	(4,898)	-	-
Refund liabilities	-	4,666	-	4,666
Defined benefit plans	145,157	(29,300)	7,778	123,635

(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Deferred tax assets				
Payables for annual leave	$ 5,644	$ 943	$ -	$ 6,587
Unrealized foreign exchange losses	532	(196)	-	336
Others	2,775	(117)	-	2,658
	$ 260,296	$ (13,420)	$ 4,213	$ 251,089
Deferred tax liabilities				
Temporary differences				
Differences on depreciation period between finance and tax	$ 1,517	$ (189)	$ -	$ 1,328
FVTPL financial assets	160	(35)	-	125
Revaluation increments of land	483,213	-	-	483,213
	$ 484,890	$ (224)	$ -	$ 484,666

(Concluded)

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

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

f. Income tax assessments

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

23. EARNINGS PER SHARE

Unit: NT$ Per Share

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

The weighted average number of shares outstanding used for the earnings per share computation was adjusted retroactively for the issuance of bonus shares on August 2, 2019. The basic and diluted earnings per share adjusted retrospectively for the year ended December 31, 2018 were as follows:

Unit: NT$ Per Share

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

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

Net Profit for the Year

	For the Year Ended December 31	
	2019	2018
Earnings used in the computation of basic and diluted earnings per share	$ 642,677	$ 1,276,156

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

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

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

24. CAPITAL MANAGEMENT

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

25. FINANCIAL INSTRUMENTS

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

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

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

1) Fair value hierarchy

December 31, 2019

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

December 31, 2018

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

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

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

For the year ended December 31, 2019

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

For the year ended December 31, 2018

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

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

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

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

To determine the fair value for Level 3 financial instruments, the Company’s financial department conducts independent fair value verification using independent resources so as to better reflect the market conditions, as well as periodically reviewing the valuation results in order to guarantee the rationality of the measurement. For unlisted domestic equity investments, the Company utilizes the asset approach and takes into account the most recent net asset value, observable financial status as well as the financing activities of investees in order to determine their net asset value. The unobservable input used was a discount for the lack of marketability of 15% on December 31, 2019 and 2018. When other inputs remain unchanged, the fair value will decrease by $1,387 thousand and $1,424 thousand, respectively, if the discount for lack of marketability increases by 1%.

c. Categories of financial instruments

	December 31	
	2019	**2018**
<u>Financial assets</u>		
Financial assets at FVTPL		
Mandatorily classified at FVTPL	$ 391,585	$ 405,396
Financial assets at amortized cost		
Cash and cash equivalents	196,834	150,729
Notes receivable	133,133	190,380
Trade receivables (including related parties)	739,232	934,267
Other receivables (including related parties and excluding tax refund receivable)	2,391	2,777
Refundable deposits	12,115	2,454
Financial assets at FVTOCI		
Equity instruments	117,882	121,047
<u>Financial liabilities</u>		
Financial liabilities measured at amortized cost		
Notes payable	-	288
Trade payables (including related parties)	1,124,549	1,003,850
Other payables (including related parties)	325,363	398,701
Guarantee deposits	3,832	2,688

d. Financial risk management objectives and policies

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

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

1) Market risk

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

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

a) Foreign currency risk

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

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are set out in Note 29.

Sensitivity analysis

The Company's sensitivity analysis mainly focuses on the foreign currency risk of U.S. dollars at the end of the reporting period. Assuming a 3% strengthening/weakening of the functional currency against U.S. dollars, the net income before tax for the years ended December 31, 2019 and 2018 would have decreased/increased by $16,606 thousand and $21,236 thousand, respectively.

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

b) Interest rate risk

The Company was exposed to the fair value risk of interest rate fluctuations for the fixed interest rate bearing financial assets; the Company was exposed to the cash flow risk of interest rate fluctuations for the floating interest rate bearing financial assets. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetites ensuring the most cost-effective hedging strategies are applied.

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

	December 31	
	2019	**2018**
Fair value interest rate risk		
Financial assets	$ 111,727	$ 71,263
Cash flow interest rate risk		
Financial assets	71,477	65,649

Sensitivity analysis

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

If interest rates had been 50 points higher/lower and all other variables were held constant, the Company's pre-tax profit for the years ended December 31, 2019 and 2018 would have increased/decreased by $357 thousand and $328 thousand, respectively.

c) Other price risk

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

Sensitivity analysis

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

If marketable equity securities prices had fluctuated by 5%, the pre-tax profit for the years ended December 31, 2019 and 2018 would have increased/decreased by $19,374 thousand and $20,238 thousand, respectively as a result of the changes in fair value of financial assets at FVTPL, and the pre-tax other comprehensive income for the years ended December 31, 2019 and 2018 would have increased/decreased by $5,894 thousand and $6,052 thousand, respectively as a result of the changes in fair value of financial assets at FVTOCI.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. At the end of the year, the Company's maximum exposure to credit risk, which would cause a financial loss to the Company due to the failure of counterparties to discharge its obligation and due to the financial guarantees provided by the Company, could be equal to the total of the following:

a) The carrying amount of the respective recognized financial assets as stated in the balance sheets; and

b) The maximum amount the entity would have to pay if the financial guarantee is called upon, irrespective of the likelihood of the guarantee being exercised.

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

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

3) Liquidity risk

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

a) Liquidity and interest rate risk tables

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

December 31, 2019

	On Demand or Less than 1 Year	**1-5 Years**	**5+ Years**
Non-derivative financial liabilities			
Non-interest bearing liabilities	$ 1,287,169	$ -	$ -

December 31, 2018

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

b) Financing facilities

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

	December 31	
	2019	2018
Bank loan facilities		
Amount unused	$ 2,071,315	$ 2,491,134

26. TRANSACTIONS WITH RELATED PARTIES

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

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

a. Related party names and categories

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

b. Sales of goods

Related Party Category	For the Year Ended December 31 2019	2018
Subsidiary	$ 407,159	$ 374,307
Investor with significant influence	2,964	2,341
Fellow subsidiary	334	222
	$ 410,457	$ 376,870

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

c. Purchases of goods

Related Party Category/Name	For the Year Ended December 31 2019	2018
Subsidiary		
TVCM	$ 4,551,682	$ 4,230,003
Others	32,007	19,239
Fellow subsidiary	2,218	985
Parent Company		
USI	111	56
Investor with significant influence	-	13
	$ 4,586,018	$ 4,250,296

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

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

d. Trade receivables from related parties

Related Party Category/Name	December 31 2019	2018
Subsidiary		
CGPC America	$ 108,648	$ 101,245
Investor with significant influence	822	325
	$ 109,470	$ 101,570

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

e. Trade payables to related parties

Related Party Category/Name	December 31 2019	December 31 2018
Subsidiary		
TVCM	$ 866,364	$ 774,140
Others	8,215	3,247
	$ 874,579	$ 777,387

The outstanding trade payables to related parties were unsecured.

f. Other receivables from related parties

Related Party Category/Name	December 31 2019	December 31 2018
Subsidiary		
CGPCPOL	$ 1,588	$ 1,691
Others	132	28
Investor with significant influence		
TTC	536	615
Others	2	17
Fellow subsidiary	28	49
Parent company		
USI	8	4
Associate	3	2
Subsidiary of investor with significant influence	1	1
	$ 2,298	$ 2,407

g. Other payables to related parties

Related Party Category/Name	December 31 2019	December 31 2018
Parent company		
USI	$ 1,664	$ 2,156
Subsidiary		
TVCM	197	1,681
Investor with significant influence	182	216
Fellow subsidiary	123	109
	$ 2,166	$ 4,162

h. Endorsements and guarantees

Related Party Category/Name	December 31 2019	December 31 2018
Subsidiary		
CGPCPOL	$ 2,200,000	$ 2,907,150

i. Lease arrangement

Related Party Category/Name	For the Year Ended December 31 2019	2018
Lease expense		
Parent company		
USI	$ 5,258	$ 5,644
Investor with significant influence		
APC	2,005	2,412
	$ 7,263	$ 8,056

The Company leases offices in Neihu from USI and APC. The leases will expire in April 2020 and December 2019, respectively, and the rentals are paid on a monthly basis.

j. Management service expenses

Related Party Category/Name	For the Year Ended December 31 2019	2018
Fellow subsidiary		
UM	$ 51,089	$ 46,226
Others	114	114
Parent company		
USI	4,292	3,786
	$ 55,495	$ 50,126

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

k. Donations

Related Party Category/Name	For the Year Ended December 31 2019	2018
Related party in substance		
USIF	$ 2,000	$ 1,500

l. Rental income

Related Party Category/Name	For the Year Ended December 31 2019	2018
Fellow subsidiary		
USIO	$ 5,909	$ 12,011
Investor with significant influence	216	89
	$ 6,125	$ 12,100

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

m. Other revenue

Related Party Category	For the Year Ended December 31 2019	2018
Investor with significant influence	$ 1,925	$ 2,002
Subsidiary	344	580
	$ 2,269	$ 2,582

n. Other expense

Related Party Category	For the Year Ended December 31 2019	2018
Subsidiary	$ 446	$ 1,729

o. Compensation of key management personnel

	For the Year Ended December 31 2019	2018
Salaries and others	$ 18,762	$ 19,150
Post-employment benefits	221	220
	$ 18,983	$ 19,370

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

27. ASSETS PLEDGED AS COLLATERAL

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

	December 31 2019	2018
Pledge deposits (classified as refundable deposits)	$ 8,296	$ 2,154
Property, plant and equipment		
Land	1,517,928	1,517,928
Buildings and improvements, net	56,578	64,987
	$ 1,582,802	$ 1,585,069

The Company signed a long-term secured loan contract with a revolving credit limit of $1,000,000 thousand for 5 years with Chang Hwa Commercial Bank to enrich working capital. The Company set the land and plants which are owned by the Company as collateral. As of December 31, 2019 and 2018, the Company has not used its revolving credit.

28. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

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

a. As of December 31, 2019 and 2018, the Company's unused letters of credit amounted to $52,980 thousand and $18,866 thousand, respectively.

b. Description of Kaohsiung explosions:

Regarding the associate, China General Terminal & Distribution Corporation (hereinafter "CGTD"), who was commissioned to operate the LCY Chemical Corp.'s propylene pipeline resulting in a gas explosion on July 31, 2014, the first instance of the criminal procedures reached a first instance judgment on May 11, 2018, whereby three employees of CGTD were each sentenced to four years and six months of imprisonment, and CGTD assisted the employees to appeal against the judgment. The secured instance and judgment is expected to be announced on April 24, 2020.

CGTD arrived at an agreement with the Kaohsiung City Government on February 12, 2015, pledging certificates of bank deposits of $227,351 thousand, interests included, to the Kaohsiung City Government as collateral for the loss caused by the gas explosion. The Kaohsiung City Government also filed civil procedure requests in succession against LCY Chemical Corp., CGTD and CPC Corporation, Taiwan ("CPC"). Taiwan Power Company applied for provisional attachment against CGTD's property on August 27 and November 26, 2015. Taiwan Water Corporation also applied for provisional attachment against CGTD's property on February 3 and March 2, 2017. At the end of February 27, 2020, the provisionally attached property was worth $138,273 thousand.

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

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

As of February 27, 2020, victims and their families have filed civil (including supplementary civil action) lawsuits against LCY Chemical Corp., CGTD and CPC for compensation. To reduce the lawsuit costs, CGTD had reached a settlement on the original claim of $26,890 thousand, and the amount of the settlement was $4,019 thousand. Along with the case still under litigation and the above-mentioned compensation, the accumulated amount of compensation is $3,876,234 thousand. The first-instance judgments of some of the above-mentioned civil cases (with a total amount of compensation of approximately $1,196,808 thousand) have been gradually announced, starting from June 22, 2018. The proportion of fault liability of the Kaohsiung City Government, LCY Chemical Corp. and CGTD is 4:3:3 in most judgments. The total amount of compensation that CGTD, LCY Chemical Corp. and the other defendants should pay is around $388,503 thousand. In particular, CGTD was exempted to pay $6,194 thousand according to the court's judgment. $191,155 thousand is estimated to be the portion of compensation that CGTD should afford according to the first-instance judgment for the moment. CGTD has appealed some civil cases which were announced but were not yet settled and gradually entered into the second-instance trials. In addition, with regard to the above-mentioned compensation, CGTD estimated and recognized the amount of $136,375 thousand based on its fault liability proportion announced in the first-instance judgment. The actual payment of CGTD still depends on the judgments of the remaining civil cases in the future.

29. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

Unit: Foreign Currencies and Carry Amounts in Thousands

December 31, 2019

	December 31, 2019		
	Foreign Currencies	**Exchange Rate (In Single Dollars)**	**NT$ (Carry Amount)**
Financial assets			
Monetary items			
USD	$ 18,816	29.980 (USD:NTD)	$ 564,092
EUR	343	33.590 (EUR:NTD)	11,505
AUD	611	21.005 (AUD:NTD)	12,835
Non-monetary items			
Subsidiaries accounted for using the equity method			
USD	18,070	29.980 (USD:NTD)	541,744
Financial liabilities			
Monetary items			
USD	353	29.980 (USD:NTD)	10,570

December 31, 2018

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

For the years ended December 31, 2019 and 2018, net foreign exchange gain (losses) were $(18,692) thousand and $18,351 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the entities.

30. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

1) Financing provided to others: None;

2) Endorsements/guarantees provided: See Notes 26 and Table 1 attached;

3) Marketable securities held (not included investment subsidiary and affiliated companies): See Table 2 attached;

4) Marketable securities acquired and disposed of costs or prices of at least NT$300 million or 20% of the paid-in capital: See Table 3 attached;

5) Acquisitions of individual real estate at costs of at least NT$300 million or 20% of the paid-in capital: None;

6) Disposals of individual real estate at prices of at least NT$300 million or 20% of the paid-in capital: None;

7) Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital: See Table 4 attached;

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

9) Trading in derivative instruments: See Note 7 attached; and

10) Information on investees: See Table 6 attached.

b. Information on investments in mainland China

1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area: See Table 7 attached; and

2) The following information on any of the significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: None.

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

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

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

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

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

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

CHINA GENERAL PLASTICS CORPORATION

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

No.	Endorser/Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note 2)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%) (Note 1)	Aggregate Endorsement/ Guarantee Limit (Note 2)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship										
0	China General Plastics Corporation	CGPC Polymer Corporation	Subsidiary	$ 8,250,812	$ 2,899,800	$ 2,200,000	$ 14,990	None	26.66	$ 8,250,812	Yes	No	No

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

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

TABLE 2

CHINA GENERAL PLASTICS CORPORATION

MARKETABLE SECURITIES HELD
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2019				Maximum Shares/Units Held During the Year	Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value		
China General Plastics Corporation	Closed-end fund beneficiary certificates								
	Cathay No. 1 Real Estate Investment Trust	-	Financial assets at FVTPL - current	4,268,000	$ 75,543	-	$ 75,543	4,268,000	1
	Fubon No. 2 Real Estate Investment Trust	-	Financial assets at FVTPL - current	4,980,000	68,774	-	68,774	5,000,000	1
	Shin Kong No. 1 Real Estate Investment Trust	-	Financial assets at FVTPL - current	3,000,000	53,400	-	53,400	3,000,000	1
	Cathay No. 2 Real Estate Investment Trust	-	Financial assets at FVTPL - current	2,500,000	42,750	-	42,750	2,500,000	1
	Open-end fund beneficiary certificates								
	Jih Sun Money Market Fund	-	Financial assets at FVTPL - current	6,722,102	100,009	-	100,009	10,107,113	1
	Taishin Ta-Chong Money Market Fund	-	Financial assets at FVTPL - current	2,244,236	32,005	-	32,005	3,086,920	1
	UPAMC James Bond Money Market Fund	-	Financial assets at FVTPL - current	596,011	10,000	-	10,000	3,526,295	1
	FSITC Taiwan Money Market Fund	-	Financial assets at FVTPL - current	325,457	5,000	-	5,000	3,404,451	1
	Ordinary shares								
	KHL IB Venture Capital Co., Ltd.	-	Financial assets at FVTOCI - non-current	7,664,611	117,882	5.95	117,882	8,353,800	1
Taiwan VCM Corporation	Open-end fund beneficiary certificates								
	Jih Sun Money Market Fund	-	Financial assets at FVTPL - current	2,016,929	30,007	-	30,007	12,193,440	1
	Ordinary shares								
	Asia Polymer Corporation	The major shareholders are the same as the those of the Company	Financial assets at FVTOCI - non-current	121,611	1,921	0.02	1,921	121,611	1
CGPC Polymer Corporation	Open-end fund beneficiary certificates								
	Jih Sun Money Market Fund	-	Financial assets at FVTPL - current	12,751,358	189,710	-	189,710	16,113,394	1
	Taishin 1699 Money Market Fund	-	Financial assets at FVTPL - current	8,813,848	119,729	-	119,729	14,969,764	1
	Capital Money Market Fund	-	Financial assets at FVTPL - current	2,574,758	41,704	-	41,704	3,059,140	1
CGPC (BVI) Holding Co., Ltd.	Ordinary shares								
	Teratech Corporation	-	Financial assets at FVTPL - non-current	112,000	-	0.67	-	112,000	1 and 3
	SOHOware, Inc. - preference shares	-	Financial assets at FVTPL - non-current	100,000	-	-	-	100,000	1, 2 and 3

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

(Continued)

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

Note 3: As of December 31, 2019, the Company evaluates the fair value of the equity instrument as $0.

(Concluded)

TABLE 3

CHINA GENERAL PLASTICS CORPORATION

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counter-party	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Number of Shares	Amount (Note)	Number of Shares	Amount	Number of Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Number of Shares	Amount (Note)
China General Plastics Corporation	Beneficiary certificates													
	Taishin 1699 Money Market Fund	Financial assets at FVTPL - current	-	-	3,702,173	$ 50,000	68,792,370	$ 932,000	72,494,543	$ 982,269	$ 982,000	$ 269	-	$ -
	Jih Sun Money Market Fund	Financial assets at FVTPL - current	-	-	3,143,272	46,500	58,683,532	871,000	55,104,702	817,674	817,500	174	6,722,102	100,000
	FSITC Taiwan Money Market Fund	Financial assets at FVTPL - current	-	-	-	-	1,803,106	322,000	1,803,106	322,062	322,000	62	-	-
	Capital Money Market Fund	Financial assets at FVTPL - current	-	-	-	-	22,969,194	371,000	22,969,194	371,053	371,000	53	-	-
	UPAMC James Bond Money Market Fund	Financial assets at FVTPL - current	-	-	-	-	24,995,972	418,500	24,399,961	408,618	408,500	118	596,011	10,000
Taiwan VCM Corporation	Beneficiary certificates													
	Jih Sun Money Market Fund	Financial assets at FVTPL - current	-	-	12,193,440	180,000	28,986,408	430,000	39,162,919	580,560	580,000	560	2,016,929	30,000
CGPC Polymer Corporation	Beneficiary certificates													
	Jih Sun Money Market Fund	Financial assets at FVTPL - current	-	-	3,355,891	49,500	77,153,336	1,145,000	67,757,869	1,005,531	1,004,899	632	12,751,358	189,601
	Taishin 1699 Money Market Fund	Financial assets at FVTPL - current	-	-	5,670,905	76,500	90,014,633	1,220,200	86,871,690	1,177,616	1,177,000	616	8,813,848	119,700

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

TABLE 4

CHINA GENERAL PLASTICS CORPORATION

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

Buyer/Seller	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Trade Receivables (Payables)	
			Purchase/ Sale	Amount (Note)	% of Total	Payment Terms	Unit Price	Payment Terms	Financial Statement Account and Ending Balance	% of Total
China General Plastics Corporation	Taiwan VCM Corporation	Subsidiary	Purchase	$ 4,551,682	74	45 days	No major difference	No major difference	Trade payables to related parties $ (866,364)	(77)
	CGPC America Corporation	Subsidiary	Sale	(407,159)	(5)	90 days	No major difference	No major difference	Trade receivables from related parties 108,648	12
Taiwan VCM Corporation	China General Plastics Corporation	Parent company	Sale	(4,551,682)	(46)	45 days	No major difference	No major difference	Trade receivables from related parties 866,364	49
	CGPC Polymer Corporation	Fellow subsidiary	Sale	(4,396,295)	(45)	45 days	No major difference	No major difference	Trade receivables from related parties 744,328	42
CGPC Polymer Corporation	Taiwan VCM Corporation	Fellow subsidiary	Purchase	4,396,295	96	45 days	No major difference	No major difference	Trade payables to related parties (744,328)	(96)
CGPC America Corporation	China General Plastics Corporation	Parent company	Purchase	407,159	85	90 days	No major difference	No major difference	Trade payables to related parties (108,648)	(97)

CHINA GENERAL PLASTICS CORPORATION

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

Company Name	Related Party	Relationship	Financial Statement Account and Ending Balance		Turnover Rate	Overdue		Amounts Received in Subsequent Period (Note 2)	Allowance for Impairment Loss
						Amount	Actions Taken		
China General Plastics Corporation	CGPC America Corporation	Subsidiary	Trade receivables from related parties	$ 108,648	3.88	$ -	-	$ 48,615	Note 1
Taiwan VCM Corporation	China General Plastics Corporation	Parent company	Trade receivables from related parties	$ 866,364	5.55	-	-	866,364	Note 1
	CGPC Polymer Corporation	Fellow subsidiary	Trade receivables from related parties	$ 744,328	5.78	-	-	744,328	Note 1

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

Note 2: The subsequent period is between January 1 and February 20, 2020.

CHINA GENERAL PLASTICS CORPORATION

INFORMATION ON INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Business Content	Original Investment Amount		As of December 31, 2019			Net Income (Loss) of Investee	Share of Profit (Loss)	Note
				December 31, 2019	December 31, 2018	Number of Shares	%	Carrying Amount			
China General Plastics Corporation	Taiwan VCM Corporation	No. 1, Gongye 1st Rd., Linyuan Dist., Kaohsiung City 832, Taiwan (R.O.C.)	Manufacturing and marketing of VCM	$ 2,930,995	$ 2,930,995	222,609,751	87.22	$ 3,126,135	$ 432,735	$ 411,811	Subsidiary
	CGPC Polymer Corporation	12F., No. 37, Jihu Rd., Neihu Dist., Taipei City 114, Taiwan (R.O.C.)	Manufacturing and marketing of PVC resins	800,000	800,000	80,000,000	100.00	931,227	41,361	41,361	Subsidiary
	CGPC (BVI) Holding Co., Ltd.	Citco Building, Wickhams Cay, P.O. Box 662, Road Town, Tortola, British Virgin Islands	Reinvestment	1,073,906	1,073,906	16,308,258	100.00	346,472	5,872	5,872	Subsidiary
	China General Terminal & Distribution Corporation	No. 1, Jianji St., Qianzhen Dist., Kaohsiung City 806, Taiwan (R.O.C.)	Warehouse and transportation of petrochemical raw materials	41,106	41,106	18,667,465	33.33	257,584	79,638	26,546	Associate accounted for using the equity method
	CGPC America Corporation	1181 California Ave., Suite 235 Corona, CA 92881 U.S.A.	Marketing of PVC film and leather products	648,931	648,931	100	100.00	195,272	(2,418)	(2,418)	Subsidiary
	Krystal Star International Corporation	Citco Building, Wickhams Cay, P.O. Box 662, Road Town, Tortola, British Virgin Islands	Marketing of PVC film and consumer products	-	283,502	-	-	-	1,280	1,280	Subsidiary (Note 1)
	Acme Electronics Corporation	8F., No. 39, Jihu Rd., Neihu Dist., Taipei City 114, Taiwan (R.O.C.)	Manufacturing and marketing of Mn-Zn ferrite cores, Ni-Zn ferrite cores.	33,995	33,995	3,176,019	1.74	21,739	(103,610)	(1,800)	Associate accounted for using the equity method
	Thintec Materials Corporation	12F., No. 37, Jihu Rd., Neihu Dist., Taipei City 114, Taiwan (R.O.C.)	Manufacturing and marketing of reinforced plastic products	15,000	15,000	600,000	10.00	1,446	(54)	(6)	Associate accounted for using the equity method (Note 2)

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

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

CHINA GENERAL PLASTICS CORPORATION

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Business Content	Paid-in Capital (Note 1)	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2019 (Note 1)	Investment Flows		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2019 (Note 1)	Net Income (Loss) of Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Notes 5)	Carrying Amount as of December 31, 2019 (Notes 1)	Accumulated Repatriation of Investment Income as of December 31, 2019
					Outflow	Inflow						
Continental General Plastics (Zhong Shan) Co., Ltd. (“CGPC (ZS)”) (Note 4)	Manufacturing and marketing of PVC film and consumer products	$ 599,600 (US$ 20,000 thousand)	Investment through CGPC (BVI) Holding Co., Ltd. (“CGPC (BVI)”)	$ 599,600 (US$ 20,000 thousand)	$ -	$ -	$ 599,600 (US$ 20,000 thousand)	$ 4,246 (US$ 137 thousand)	100.00	$ 4,246 (US$ 137 thousand)	$ 257,984 (US$ 8,605 thousand)	$ -
CGPC Consumer Products Corporation (“CGPC (CP)”) (Note 4)	Manufacturing and marketing of PVC consumer products	44,970 (US$ 1,500 thousand)	Investment through CGPC (BVI) Holding Co., Ltd. (“CGPC (BVI)”)	44,970 (US$ 1,500 thousand)	-	-	44,970 (US$ 1,500 thousand)	(71) (US$ 2 thousand)	100.00	(71) (US$ 2 thousand)	13,308 (US$ 444 thousand)	-

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2019 (Notes 1 and 3)	Investment Amounts Authorized by Investment Commission, MOEA (Note 1)	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
$811,918 (US$27,082 thousand)	$941,372 (US$31,400 thousand)	(Note 2)

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

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

Note 3: QuanZhou Continental General Plastics Co., Ltd. (“CGPC (QZ)”) and Union (Zhong Shan) Co., Ltd. (“Union (ZS)”) completed dissolution procedures, and CGPC (BVI) retrieved the residual assets. The shares of Continental General Plastics (San He) Co., Ltd. (“CGPC (SH)”) were fully sold, and CGPC (BVI) retrieved the residual assets. However, the amount of capital has not been wired back to Taiwan. The accumulated amount includes the investment amount of CGPC (QZ) of $20,506 thousand (US$684 thousand), the investment amount of Union (ZS) of $26,922 thousand (US$898 thousand) and the investment amount of CGPC (SH) of $119,920 thousand (US$4,000 thousand).

Note 4: The board of directors of the Company passed a resolution to dissolve CGPC (ZS) and CGPC (CP) on October 24, 2011. As of December 31, 2019, the dissolution procedures have not yet been completed.

Note 5: The investment income (loss) recognition in 2019 is based on the financial statements audited by the parent company’s CPA.

CHINA GENERAL PLASTICS CORPORATION

THE CONTENTS OF SCHEDULES OF MAJOR ACCOUNTING ITEMS

CHINA GENERAL PLASTICS CORPORATION

SCHEDULE OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Item	Description	Amount
Cash on hand and petty cash		$ 219
Cash in bank		
Demand deposits		41,904
Checking accounts		21,707
Foreign currency deposits	US$890,991, US$1=NT$29.980 EUR54,733, EUR1=NT$33.590 AUD37,890, AUD1=NT$21.005 GBP103, GBP1=NT$39.360 JPY373,359, JPY1=NT$0.276 HK$31,168, HK$1=NT$3.849	29,573
		93,184
Time deposits		
Foreign time deposits	US$2,100,000, US$1=NT$29.980, expired by 2019.12.30-2020.01.06, interest rate at 1.50% US$1,350,000, US$1=NT$29.980, expired by 2019.12.31-2020.01.03, interest rate at 1.40%	103,431
		$ 196,834

CHINA GENERAL PLASTICS CORPORATION

SCHEDULE OF FINANCIAL ASSETS AT FVTPL - CURRENT
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Type and Name of Financial Instruments	Number of Shares	Acquisition Cost	Fair Value Unit Price (Dollar)	Fair Value Amount
Financial assets mandatorily classified as at FVTPL				
Non-derivative financial assets				
Open-end fund beneficiary certificates				
Jih Sun Money Market Fund	6,722,102	$ 100,000	14.88	$ 100,009
Taishin Ta-Chong Money Market Fund	2,244,236	32,000	14.26	32,005
UPAMC James Bond Money Market Fund	596,011	10,000	16.78	10,000
FSITC Taiwan Money Market Fund	325,457	5,000	15.36	5,000
		147,000		147,014
Closed-end fund beneficiary certificates				
Cathay No. 1 Real Estate Investment Trust	4,268,000	43,289	17.70	75,543
Fubon No. 2 Real Estate Investment Trust	4,980,000	49,800	13.81	68,774
Shin Kong No. 1 Real Estate Investment Trust	3,000,000	30,000	17.80	53,400
Cathay No. 2 Real Estate Investment Trust	2,500,000	25,000	17.10	42,750
		148,089		240,467
		$ 295,089		387,481
Derivative financial instruments				
Foreign exchange forward contracts				4,104
				$ 391,585

SCHEDULE 3

CHINA GENERAL PLASTICS CORPORATION

SCHEDULE OF NOTES RECEIVABLE AND TRADE RECEIVABLES
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Item	Amount
Notes receivable	
Zheng Yi Plastic Co., Ltd.	$ 25,254
JENG CHI CO., LTD.	23,748
San Yanier Chemical Co., Ltd.	7,446
Avatack Co., Ltd.	6,922
Others (Note)	69,763
	133,133
Trade receivables from unrelated parties	
Tricon Energy UK, Ltd.	80,011
RFL Plastics Limited	39,574
Zheng Yi Plastic Co., Ltd.	33,726
Others (Note)	487,103
	640,414
Less: Allowance for impairment loss	(10,652)
	629,762
Trade receivables from related parties	
CGPC America Corporation	108,648
Others (Note)	822
	109,470
	$ 872,365

Note: The amount of individual client included in others does not exceed 5% of the account balance.

CHINA GENERAL PLASTICS CORPORATION

SCHEDULE OF INVENTORIES
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Item	Amount	
	Cost	Net Realizable Value (Note 1)
Finished goods	$ 432,463	$ 453,098
Work in progress	42,207	36,880
Raw materials	274,760	261,921
	749,430	$ 751,899
Less: Allowance for impairment loss (Note 2)	(38,290)	
	$ 711,140	

Note 1: The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale.

Note 2: The impairment loss on inventory resulted from the obsolete and slow moving items; impairment loss is the excess of cost over net realizable value.

Note 3: The amount of insured inventories is NT$1,324,140 thousand.

CHINA GENERAL PLASTICS CORPORATION

SCHEDULE OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

	Balance at January 1, 2019		Additions (Decrease)		Balance at December 31, 2019					
Investee Company	Shares	Amount	Shares	Amount	Shares	Amount	%	Market Value/ Net Assets Value	Endorsement/ Guarantee Collateral	Note
Listed Company										
Acme Electronics Corporation	3,176,019	$ 26,428	-	$ (1,846)	3,176,019	$ 24,582	1.74	$ 38,906	None	Note 2
Unlisted Company										
Taiwan VCM Corporation	206,008,832	2,919,181	20,600,919	206,954	226,609,751	3,126,135	87.22	3,150,720	None	Note 3
CGPC Polymer Corporation	78,859,281	1,103,222	1,140,719	(171,995)	80,000,000	931,227	100.00	931,227	Note 1	Note 6
CGPC (BVI) Holding Co., Ltd.	16,308,258	372,214	-	5,872	16,308,258	378,086	100.00	346,472	None	Note 8
China General Terminal & Distribution Corporation	18,667,465	228,250	-	29,334	18,667,465	257,584	33.33	257,584	None	Note 4
CGPC America Corporation	100	200,634	-	(2,330)	100	198,304	100.00	238,782	None	Note 5
Krystal Star International Corporation	5,780,000	74,727	(5,780,000)	(74,727)	-	-	-	-	None	Note 7
Thintec Materials Corporation	600,000	1,452	-	(6)	600,000	1,446	10.00	1,446	None	Note 9
		4,926,108		(8,744)		4,917,364				
Adjustments resulting from translation of the financial statement of foreign operations		(15,917)		(21,572)		(37,489)				
		$ 4,910,191		$ (30,316)		$ 4,879,875				

Note 1: Refer to Table 1.

Note 2: The changes mainly included changes in paid-in-capital of invested company which amounted to $7 thousand less share of loss of associates which amounted to $1,800 thousand, remeasurement of defined benefit plans of $48 thousand and changes in retained earnings of invested company which amounted to $5 thousand.

Note 3: The increase of shares was due to the appropriation of earnings for distribution of share dividends; the changes mainly included share of profits derived from subsidiaries which amounted to $411,811 thousand, unrealized gain on investments in equity investments at FVTOCI which amounted to $286 thousand and remeasurement of defined benefit plans of $2,950 thousand less change in retained earnings of invested company which amounted to $2,084 thousand and collection of cash dividends of $206,009 thousand.

Note 4: The changes mainly included share of profits derived from associates which amounted to $26,546 thousand and unrealized gain on investments in equity investments at FVTOCI which amounted of $5,175 thousand less remeasurement of defined benefit plans of $363 thousand and changes in retained earnings of invested company which amounted to $2,024 thousand.

Note 5: The changes mainly included the realized gain on the transactions with subsidiaries of $270 thousand less share of loss of subsidiaries of $2,418 thousand and change in retained earnings of invested company which amounted to $182 thousand.

Note 6: The increase of shares was due to appropriation of earnings for distribution of share dividends; the changes mainly included the share of profits derived from subsidiaries of $41,361 thousand less change in retained earnings of invested company which amounted to $436 thousand and collection of cash dividends of $212,920 thousand.

Note 7: The decrease of shares was due to the completed of liquidation procedures. The change mainly included the share of profits derived from subsidiaries of $1,280 thousand and gain on liquidation of $2,549 thousand less repatriation of investment of $78,556 thousand.

Note 8: The changes resulted from the share of profit of subsidiaries.

Note 9: On April 12, 2019, the board of directors of TMC had approved the proposal for dissolution and liquidation of the company starting from the dissolution date on May 25, 2019. TMC had not completed the process of liquidation as of December 31, 2019. The changes resulted from the share of profit of associates.

CHINA GENERAL PLASTICS CORPORATION

SCHEDULE OF TRADE PAYABLES
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Item	Amount
Trade payables from unrelated parties	
Nan Ya Plastics Corporation	$ 27,761
Others (Note)	222,209
	249,970
Trade payables from related parties	
Taiwan VCM Corporation	
Others (Note)	866,364
	8,215
	874,579
	$ 1,124,549

Note: The amount of individual vendor included in others does not exceed 5% of the account balance.

SCHEDULE 7

CHINA GENERAL PLASTICS CORPORATION

SCHEDULE OF OTHER CURRENT LIABILITIES
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Item	Amount
Refund liabilities	$ 20,389
Receipts in advance	28,507
Withholding Labor Insurance and National Health Insurance	14,589
Others (Note)	2,519
	$ 66,004

Note: The amount of each item included in others does not exceed 5% of the account balance.

SCHEDULE 8

CHINA GENERAL PLASTICS CORPORATION

SCHEDULE OF NET REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Item	Unit (PVC Leather Are Stated in Thousands of YD; Others Are Stated in Tone)	Amount
Revenue		
PVC resin/compound	172,715	$ 4,651,345
PVC film	31,802	1,753,680
Construction products	20,316	737,147
PVC leather	6,548	680,063
Chlor-alkali products	57,968	569,458
		$ 8,391,693

CHINA GENERAL PLASTICS CORPORATION

SCHEDULE OF COST OF REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Item	Amount
Raw materials	
Balance, beginning of year	$ 297,320
Raw materials purchased	6,122,958
Transferred to other accounts	(379,209)
Balance, end of year	(274,760)
Raw materials used in current year	5,766,309
Direct labor	312,251
Production overheads (Schedule 10)	1,532,700
Manufacturing cost	7,611,260
Work in progress, beginning of year	52,422
Other accounts transferred to work in progress	743
Work in progress, end of year	(42,207)
Cost of finished goods	7,622,218
Finished goods, beginning of year	514,139
Other accounts transferred to finished goods	9,024
Finished goods purchased	15,404
Transferred to other accounts	(38,203)
Finished goods, end of year	(432,463)
Cost of revenue before adjustment	7,690,119
Reversals of inventory write-down	(4,770)
Others	(9,132)
Cost of revenue	$ 7,676,217

CHINA GENERAL PLASTICS CORPORATION

SCHEDULE OF PRODUCTION OVERHEADS
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Item	Amount
Utilities expense	$ 408,500
Payroll and other personnel expense	366,559
Repair and maintenance expense	191,965
Depreciation expense	168,028
Packaging materials	126,971
Fuel expense	117,385
Others (Note)	153,292
	$ 1,532,700

Note: The amount of each item included in others does not exceed 5% of the account balance.

CHINA GENERAL PLASTICS CORPORATION

SCHEDULE OF OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Item	Selling and Marketing Expenses	General and Administrative Expenses	Research and Development Expenses
Freight	$ 237,404	$ -	$ 12
Payroll and personnel expense (Note 1)	69,962	70,191	26,206
Rental expense	2,346	6,940	15
Depreciation expense	204	1,048	1,116
Management service expense	-	55,380	-
Others (Note 2)	42,780	20,917	3,914
	$ 352,696	$ 154,476	$ 31,263

Note 1: The amount of payroll and personnel expense includes salary, pension, insurance and other personnel expenses.

Note 2: The amount of each item included in others does not exceed 5% of the account balance.

CHINA GENERAL PLASTICS CORPORATION

SCHEDULE OF EMPLOYEE BENEFITS, DEPRECIATION AND AMORTIZATION BY FUNCTION
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

	2019				2018			
	Classified as Cost of Revenue	Classified as Operating Expenses	Other Income and Expenses	Total	Classified as Cost of Revenue	Classified as Operating Expenses	Other Incomes and Expenses	Total
Employee benefits expense								
Salary	$ 577,428	$ 133,106	$ -	$ 710,534	$ 617,076	$ 147,527	$ -	$ 764,603
Labor and health insurance	49,046	9,924	-	58,970	47,407	9,733	-	57,140
Pension	26,209	6,434	-	32,643	28,742	6,997	-	35,739
Director's remuneration	-	5,572	-	5,572	-	5,518	-	5,518
Other employees' benefit	26,173	11,323	-	37,496	23,305	5,980	-	29,285
	$ 678,856	$ 166,359	$ -	$ 845,215	$ 716,530	$ 175,755	$ -	$ 892,285
Depreciation expense	$ 168,028	$ 2,368	$ 14,140	$ 184,536	$ 168,717	$ 2,498	$ 4,983	$ 176,198
Amortization expense	$ -	$ 1,503	$ -	$ 1,503	$ -	$ 2,813	$ -	$ 2,813

Note 1: As of December 31, 2019 and 2018, the Company had 754 and 748 employees, respectively, and the number of directors who did not served concurrently as employees were both 8.

Note 2: The average amount of employee benefits expense of the Company in 2019 was $1,126 thousand. [(The total amount of employee benefits expense in the current year- director's remuneration in the current year)/(the number of employees in the current year - the number of directors who did not served concurrently as employees in the current year)] The average amount of employee benefits expense of the Company in 2018 was $1,198 thousand. [(The total amount of employee benefits expense in the previous year- director's remuneration in the previous year)/(the number of employees in the previous year - the number of directors who did not served concurrently as employees in the previous year)].

Note 3: The average amount of salary expense of the Company in 2019 was $952 thousand. [(The total amount of salary expense in the current year/(the number of employees in current year - the number of directors who did not served concurrently as employees in the current year)] The average amount of salary expense of the Company in 2018 was $1,033 thousand, respectively. (The total amount of salary expense in the previous year/(the number of employees in the previous year - the number of directors who did not served concurrently as employees in the previous year)).

Note 4: The average of salary expense adjustment of the Company decreased at 8% in 2019. [(The average amount of salary expense in the current year - The average amount of salary expense in the previous year)/The average amount of salary expense in the previous year].