

**Notice to Readers:**

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

**China General Plastics Corporation and  
Subsidiaries**

**Consolidated Financial Statements for the  
Three Months Ended March 31, 2020 and 2019 and  
Independent Auditors' Review Report**

Address : 12F., No. 37, Jihu Rd., Neihu Dist., Taipei City 114,  
Taiwan (R.O.C.)

Tel : (886)-2-8751-6888

## §Table of Contents§

	<u>ITEM</u>	<u>PAGE</u>	<u>NOTE</u>
I	Cover	1	-
II	Table of Contents	2	-
III	Independent Auditors' Review Report	3~4	-
IV	Consolidated Balance Sheets	5	-
V	Consolidated Statements of Comprehensive Income	6~8	-
VI	Consolidated Statements of Changes in Equity	9	-
VII	Consolidated Statements of Cash Flows	10~11	-
VIII	Notes to Consolidated Financial Statements		
	1. General Information	12	1
	2. Approval of Financial Statements	12	2
	3. Application of New, Amended, and Revised Standards and Interpretations	12~13	3
	4. Summary of Significant Accounting Policies	13~15	4
	5. Critical Accounting Judgments and Key Sources of Estimation and Uncertainty	15	5
	6. Description of Important Accounting Items	15~44	6~30
	7. Transactions with Related Parties	45~49	31
	8. Assets Pledged as Collateral or for Security	50	32
	9. Significant Contingent Liabilities and Unrecognized Commitments	50~52	33
	10. Significant Losses Attributed to Critical Incidents or Disasters	-	-
	11. Critical Events after the Reporting Date	-	-
	12. Others	52~53	34
	13. Separately Disclosed Items		
	(1). Information About Significant Transactions and Investees	53~54, 57~63	35
	(2). Information on Investments in Mainland China	54, 64	35
	(3). Information of Major Shareholders	54, 65	35
	14. Segment Information	55~56	36

## **INDEPENDENT AUDITORS' REVIEW REPORT**

The Board of Directors and Shareholders  
China General Plastics Corporation

### **Introduction**

We have reviewed the accompanying consolidated balance sheets of China General Plastics Corporation and its subsidiaries (the Group) as of March 31, 2020 and 2019, the related consolidated statements of comprehensive income, changes in equity and cash flows for the three-month periods then ended and the related notes, including a summary of the significant accounting policies (collectively referred to as the “consolidated financial statements”). Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

### **Scope of Review**

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

### **Basis for Qualified Conclusion**

As disclosed in Notes 13 and 14 to the consolidated financial statements, the financial statements of some non-significant subsidiaries and investments accounted for using the equity method included in the consolidated financial statements were not reviewed. As of March 31, 2020 and 2019, the combined total assets of these non-significant subsidiaries and investments accounted for using the equity method were NT\$955,288 thousand and NT\$1,023,219 thousand, respectively, collectively representing 8% of the consolidated total assets, and the combined total liabilities of these non-significant subsidiaries as of March 31, 2020 and 2019 were NT\$28,634 thousand and NT\$41,300 thousand, respectively, collectively representing 1% of the consolidated total liabilities; for the three months ended March 31, 2020 and 2019, the amounts of combined comprehensive

income of these non-significant subsidiaries were NT\$6,111 thousand and NT\$6,178 thousand, respectively, representing 2% and 3%, respectively, of the consolidated total comprehensive income, and the Group's share of profit (loss) of these investments accounted for using the equity method for the three months ended March 31, 2020 and 2019 were NT\$(5,800) thousand and NT\$12,957 thousand, respectively, representing (2%) and 7%, respectively, of the consolidated total comprehensive income. The additional disclosures of these non-significant subsidiaries and investments accounted for using the equity method were based on financial statements which were not reviewed by auditors.

### **Qualified Conclusion**

Based on our review, except for the adjustments, if any, as might have been determined to be necessary had the financial statements of the non-significant subsidiaries and investments accounted for using the equity method as described in the preceding paragraph been reviewed, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2020 and 2019, its consolidated financial performance and its consolidated cash flows for the three months ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Deloitte & Touche  
Taipei, Taiwan, Republic of China

CPA Huang, Hsiu-Chun

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

CPA Chiu, Cheng-Chun

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

May 13, 2020

### **Notice to Readers:**

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

**CHINA GENERAL PLASTICS CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**FOR THE MONTH ENDED MARCH 31, 2020 AND 2019, AND**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

Unit: NT\$ thousand

		March 31, 2020 (Reviewed)		December 31, 2019 (Audited)		March 31, 2019 (Reviewed)	
CODE	ASSETS	Amount	%	Amount	%	Amount	%
CURRENT ASSETS							
1100	Cash and cash equivalents (Note 6)	\$ 688,163	6	\$ 653,347	6	\$ 763,955	6
1110	Financial assets at fair value through profit or loss (FVTPL) - current (Note 7)	710,352	6	776,077	6	631,074	5
1136	Financial assets at amortized cost - current (Notes 9 and 32)	269,152	2	269,103	2	269,003	2
1150	Notes receivable (Notes 10)	197,466	2	209,990	2	199,270	2
1170	Trade receivables (Notes 10 and 31)	1,411,060	11	1,268,810	10	1,440,572	11
1200	Other receivables (Note 10)	116,160	1	73,501	1	104,620	1
1210	Other receivables from related parties (Notes 10 and 31)	2,077	-	14,315	-	48,037	-
1220	Current tax assets (Note 4)	6,223	-	6,223	-	-	-
1310	Inventories (Note 11)	1,679,172	13	1,469,212	12	2,572,845	19
1410	Prepayments	56,347	-	133,470	1	63,552	-
1470	Other current assets	932	-	2,818	-	1,251	-
11XX	Total current assets	5,137,104	41	4,876,866	40	6,094,179	46
NON-CURRENT ASSETS							
1517	Financial assets at fair value through other comprehensive income (FVTOCI) - non-current (Notes 8 and 24)	127,779	1	119,803	1	118,501	1
1550	Investments accounted for using the equity method (Notes 3 and 14)	274,553	2	280,769	2	264,806	2
1600	Property, plant and equipment (Notes 15, 19, 31 and 32)	6,199,321	49	6,157,575	50	5,983,294	45
1755	Right-of-use assets (Note 16)	295,033	2	305,108	2	340,113	3
1760	Investment properties (Note 17)	281,763	2	285,298	2	134,032	1
1780	Intangible assets (Note 18)	153	-	183	-	1,166	-
1840	Deferred tax assets (Note 4)	221,996	2	230,996	2	250,575	2
1990	Other non-current assets (Note 32)	65,161	1	74,635	1	56,516	-
15XX	Total non-current assets	7,465,759	59	7,454,367	60	7,149,003	54
1XXX	TOTAL	\$ 12,602,863	100	\$ 12,331,233	100	\$ 13,243,182	100
CODE	LIABILITIES AND EQUITY						
CURRENT LIABILITIES							
2100	Short-term borrowings (Note 19)	\$ 70,000	1	\$ -	-	\$ 50,000	-
2120	Financial liabilities at FVTPL - current (Note 7)	2,072	-	1,227	-	1,384	-
2150	Notes payable (Note 20)	-	-	-	-	91	-
2170	Trade payables (Note 20)	492,398	4	681,973	6	990,562	8
2180	Trade payables to related parties (Notes 20 and 31)	157,868	1	156,339	1	126,596	1
2200	Other payables (Note 21)	576,780	5	630,440	5	558,889	4
2220	Other payables to related parties (Note 31)	19,386	-	15,084	-	18,692	-
2230	Current tax liabilities (Note 4)	188,120	1	99,734	1	207,200	2
2280	Lease liability - current (Notes 16 and 31)	36,157	-	36,082	-	36,215	-
2300	Other current liabilities (Notes 22 and 25)	95,173	1	74,220	1	74,350	1
21XX	Total current liabilities	1,637,954	13	1,695,099	14	2,063,979	16
NON-CURRENT LIABILITIES							
2540	Long-term borrowings (Notes 15, 19 and 32)	500,000	4	500,000	4	700,000	5
2570	Deferred tax liabilities (Note 4)	595,350	5	595,310	5	593,890	4
2580	Lease liabilities - non-current (Notes 16 and 31)	173,002	1	181,459	1	207,233	2
2640	Net defined benefit liabilities - non-current (Notes 4 and 23)	618,609	5	642,215	5	672,304	5
2670	Other non-current liabilities	19,600	-	4,584	-	3,765	-
25XX	Total non-current liabilities	1,906,561	15	1,923,568	15	2,177,192	16
2XXX	Total liabilities	3,544,515	28	3,618,667	29	4,241,171	32
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 3, 8, 14, 24 and 27)							
3110	Ordinary shares	5,270,299	42	5,270,299	43	5,067,596	38
3200	Capital surplus	10,054	-	10,060	-	8,931	-
	Retained earnings						
3310	Legal reserve	640,570	5	640,570	5	512,954	4
3320	Special reserve	408,223	3	408,223	3	408,223	3
3350	Unappropriated earnings	2,199,471	18	1,888,394	16	2,514,424	19
3300	Total retained earnings	3,248,264	26	2,937,187	24	3,435,601	26
3400	Other equity	30,379	-	33,266	-	46,975	1
31XX	Total equity attributable to owners of the Company	8,558,996	68	8,250,812	67	8,559,103	65
36XX	NON-CONTROLLING INTERESTS	499,352	4	461,754	4	442,908	3
3XXX	Total equity	9,058,348	72	8,712,566	71	9,002,011	68
TOTAL		\$ 12,602,863	100	\$ 12,331,233	100	\$ 13,243,182	100

The accompanying notes are an integral part of the consolidated financial statements.  
(Please refer to Deloitte & Touche auditors' review report dated May 13, 2020)

**Notice to Readers:**

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

**CHINA GENERAL PLASTICS CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND 2019**

( Reviewed, Not Audited )

Unit: NT\$ thousand, except Earnings Per Share

		<b>For the Three Months Ended March 31</b>			
		<b>2020</b>		<b>2019</b>	
<u>Code</u>		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
4100	NET REVENUE (Notes 25 and 31)	\$ 3,591,214	100	\$ 3,227,707	100
5110	COST OF REVENUE (Notes 11, 26 and 31)	<u>2,870,983</u>	<u>80</u>	<u>2,779,190</u>	<u>86</u>
5900	GROSS PROFIT	<u>720,231</u>	<u>20</u>	<u>448,517</u>	<u>14</u>
	OPERATING EXPENSES (Notes 26 and 31)				
6100	Selling and marketing expenses	209,670	6	182,034	6
6200	General and administrative expenses	70,222	2	69,146	2
6300	Research and development expenses	<u>17,137</u>	<u>-</u>	<u>13,779</u>	<u>-</u>
6000	Total operating expenses	<u>297,029</u>	<u>8</u>	<u>264,959</u>	<u>8</u>
6900	PROFIT FROM OPERATIONS	<u>423,202</u>	<u>12</u>	<u>183,558</u>	<u>6</u>
	NON-OPERATING INCOME AND EXPENSES (Notes 7, 14, 26 and 31)				
7010	Other income	7,161	-	14,336	-
7020	Other gain and loss	12,363	1	20,663	1
7510	Interest expense	( 2,418 )	-	( 3,271 )	-
7060	Share of profit of associates accounted for using the equity method	<u>5,149</u>	<u>-</u>	<u>9,878</u>	<u>-</u>
7000	Total non-operating income and expenses	<u>22,255</u>	<u>1</u>	<u>41,606</u>	<u>1</u>
7900	PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS	445,457	13	225,164	7
7950	INCOME TAX EXPENSE (Notes 4 and 27)	<u>97,472</u>	<u>3</u>	<u>35,305</u>	<u>1</u>
8000	NET PROFIT FROM CONTINUING OPERATIONS (Note 26)	347,985	10	189,859	6
8100	NET PROFIT FROM DISCONTINUED OPERATIONS (Note 12)	<u>719</u>	<u>-</u>	<u>1,109</u>	<u>-</u>
8200	NET PROFIT FOR THE PERIOD	<u>348,704</u>	<u>10</u>	<u>190,968</u>	<u>6</u>

(Continued)

Code		For the Three Months Ended March 31			
		2020		2019	
		Amount	%	Amount	%
	OTHER COMPREHENSIVE INCOME (LOSS) (Notes 8, 14, 24 and 27)				
	Items that will not be reclassified subsequently to profit or loss:				
8316	Unrealized gain (loss) on investments in equity instruments at FVTOCI	\$ 7,976	-	(\$ 4,139)	-
8326	Share of the other comprehensive income (loss) of associates accounted for using the equity method - unrealized loss on investments in equity instruments at FVTOCI	( 11,034 )	-	2,458	-
8310		( 3,058 )	-	( 1,681 )	-
	Items that may be reclassified subsequently to profit or loss:				
8361	Exchange differences on translating the financial statements of foreign operations	590	-	7,699	-
8371	Share of the other comprehensive loss of associates accounted for using the equity method - exchange differences on translating the financial statements of foreign operations	( 330 )	-	496	-
8399	Income tax relating to items that may be reclassified subsequently to profit or loss	( 118 )	-	( 1,540 )	-
8360		142	-	6,655	-
8300	Other comprehensive income (loss) for the period, net of income tax	( 2,916 )	-	4,974	-
8500	TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>\$ 345,788</u>	<u>10</u>	<u>\$ 195,942</u>	<u>6</u>
	NET PROFIT ATTRIBUTABLE TO:				
8610	Owners of the Company	\$ 311,077	9	\$ 184,234	6
8620	Non-controlling interests	37,627	1	6,734	-
8600		<u>\$ 348,704</u>	<u>10</u>	<u>\$ 190,968</u>	<u>6</u>
	TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
8710	Owners of the Company	\$ 308,190	9	\$ 189,192	6
8720	Non-controlling interests	37,598	1	6,750	-
8700		<u>\$ 345,788</u>	<u>10</u>	<u>\$ 195,942</u>	<u>6</u>

(Continued)

		<b><u>For the Three Months Ended March 31</u></b>			
		<b><u>2020</u></b>		<b><u>2019</u></b>	
<b><u>Code</u></b>		<b><u>Amount</u></b>	<b><u>%</u></b>	<b><u>Amount</u></b>	<b><u>%</u></b>
	EARNINGS PER SHARE (Note 28)				
	From continuing and discontinued operations				
9750	Basic	\$ <u>0.59</u>		\$ <u>0.35</u>	
9850	Diluted	\$ <u>0.59</u>		\$ <u>0.35</u>	
	From continuing operations				
9710	Basic	\$ <u>0.59</u>		\$ <u>0.35</u>	
9810	Diluted	\$ <u>0.59</u>		\$ <u>0.35</u>	

The accompanying notes are an integral part of the consolidated financial statements.  
(Please refer to Deloitte & Touche auditors' review report dated May 13, 2020)

(Concluded)

**Notice to Readers:**

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



**CHINA GENERAL PLASTICS CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND 2019**  
(Reviewed, Not Audited)

Unit: NT\$ thousand

		Equity Attributable to Owners of the Company (Notes 3, 8, 14, 24, and 27)										Other Equity			
		Share Capital	Capital Surplus			Retained Earnings				Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Investments in Equity Instruments at FVTOCI	Total	Total	Non-controlling Interests	Total Equity
Code		Ordinary Shares	Unpaid Dividends	Others	Total	Legal Reserve	Special Reserve	Unappropriated Earnings	Total						
A1	BALANCE AT JANUARY 1, 2019	\$ 5,067,596	\$ 8,622	\$ 307	\$ 8,929	\$ 512,954	\$ 408,223	\$ 2,334,921	\$ 3,256,098	(\$ 15,825)	\$ 57,842	\$ 42,017	\$ 8,374,640	\$ 436,464	\$ 8,811,104
A3	Effect of retrospective restatement	-	-	-	-	-	-	( 4,731)	( 4,731)	-	-	-	( 4,731)	( 306)	( 5,037)
A5	BALANCE AT JANUARY 1, 2019, AS RESTATED	5,067,596	8,622	307	8,929	512,954	408,223	2,330,190	3,251,367	( 15,825)	57,842	42,017	8,369,909	436,158	8,806,067
C17	Other changes in capital surplus	-	( 3)	5	2	-	-	-	-	-	-	-	2	-	2
D1	Net profit for the three months ended March 31, 2019	-	-	-	-	-	-	184,234	184,234	-	-	-	184,234	6,734	190,968
D3	Other comprehensive income (loss) for the three months ended March 31, 2019, net of income tax	-	-	-	-	-	-	-	-	6,655	( 1,697)	4,958	4,958	16	4,974
D5	Total comprehensive income (loss) for the three months ended March 31, 2019	-	-	-	-	-	-	184,234	184,234	6,655	( 1,697)	4,958	189,192	6,750	195,942
Z1	BALANCE AT MARCH 31, 2019	<u>\$ 5,067,596</u>	<u>\$ 8,619</u>	<u>\$ 312</u>	<u>\$ 8,931</u>	<u>\$ 512,954</u>	<u>\$ 408,223</u>	<u>\$ 2,514,424</u>	<u>\$ 3,435,601</u>	<u>(\$ 9,170)</u>	<u>\$ 56,145</u>	<u>\$ 46,975</u>	<u>\$ 8,559,103</u>	<u>\$ 442,908</u>	<u>\$ 9,002,011</u>
A1	BALANCE AT JANUARY 1, 2020	\$ 5,270,299	\$ 9,746	\$ 314	\$ 10,060	\$ 640,570	\$ 408,223	\$ 1,888,394	\$ 2,937,187	(\$ 33,763)	\$ 67,029	\$ 33,266	\$ 8,250,812	\$ 461,754	\$ 8,712,566
C17	Other changes in capital surplus	-	( 6)	-	( 6)	-	-	-	-	-	-	-	( 6)	-	( 6)
D1	Net profit for the three months ended March 31, 2020	-	-	-	-	-	-	311,077	311,077	-	-	-	311,077	37,627	348,704
D3	Other comprehensive income (loss) for the three months ended March 31, 2020, net of income tax	-	-	-	-	-	-	-	-	142	( 3,029)	( 2,887)	( 2,887)	( 29)	( 2,916)
D5	Total comprehensive income (loss) for the three months ended March 31, 2020	-	-	-	-	-	-	311,077	311,077	142	( 3,029)	( 2,887)	308,190	37,598	345,788
Z1	BALANCE AT MARCH 31, 2020	<u>\$ 5,270,299</u>	<u>\$ 9,740</u>	<u>\$ 314</u>	<u>\$ 10,054</u>	<u>\$ 640,570</u>	<u>\$ 408,223</u>	<u>\$ 2,199,471</u>	<u>\$ 3,248,264</u>	<u>(\$ 33,621)</u>	<u>\$ 64,000</u>	<u>\$ 30,379</u>	<u>\$ 8,558,996</u>	<u>\$ 499,352</u>	<u>\$ 9,058,348</u>

The accompanying notes are an integral part of the consolidated financial statements.  
(Please refer to Deloitte & Touche auditors' review report dated May 13, 2020)

**Notice to Readers:**

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

# CHINA GENERAL PLASTICS CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND 2019

( Reviewed, Not Audited )

Unit: NT\$ thousand

Code		For the Three Months Ended March 31	
		2020	2019
	CASH FLOWS FROM OPERATING ACTIVITIES		
A00010	Income before income tax from continuing operations	\$ 445,457	\$ 225,164
A00020	Income before income tax from discontinued operations	719	1,109
A10000	Income before income tax	446,176	226,273
A20010	Adjustments for:		
A20100	Depreciation expenses	162,199	147,525
A20200	Amortization expenses	9,664	6,899
A20400	Net loss (gain) on fair value change on financial assets carried at FVTPL	76,198	( 18,392 )
A20900	Interest expense	2,418	3,271
A21200	Interest income	( 1,169 )	( 2,401 )
A22300	Share of profit of associates	( 5,149 )	( 9,878 )
A22500	Gain on disposal of property, plant and equipment	( 490 )	( 741 )
A22600	Property, plant and equipment transferred to expense	166	-
A23800	Write-down (reversal) of inventories	2,622	( 119 )
A30000	Changes in operating assets and liabilities		
A31115	Financial assets mandatorily classified as at FVTPL	( 6,474 )	823,856
A31130	Notes receivable	12,524	( 3,423 )
A31150	Trade receivables	( 141,154 )	167,931
A31180	Other receivables	( 43,090 )	( 20,510 )
A31190	Other receivables from related parties	12,238	( 36,858 )
A31200	Inventories	( 211,158 )	( 854,805 )
A31230	Prepayments	77,123	( 7,598 )
A31240	Other current assets	1,886	262
A32110	Financial liabilities held for trading	( 3,154 )	( 4,092 )
A32130	Notes payable	-	( 197 )
A32150	Trade payables	( 190,547 )	75,536
A32160	Trade payables to related parties	1,529	( 45,264 )
A32180	Other payables	( 90,936 )	( 148,017 )
A32190	Other payables to related parties	4,302	4,425
A32230	Other current liabilities	21,551	5,938
A32240	Net defined benefit liabilities	( 23,606 )	( 35,375 )
A33000	Cash generated from operations	113,669	274,246
A33100	Interest received	1,618	2,905
A33300	Interest paid	( 2,423 )	( 3,482 )
A33500	Income tax paid	( 164 )	( 172 )
AAAA	Net cash generated from operating activities	112,700	273,497

(Continued)

Code		For the Three Months Ended March 31	
		2020	2019
	<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
B00040	Purchase of financial assets at amortized cost	( \$ 244,152 )	( \$ 269,003 )
B00050	Proceeds from sale of financial assets at amortized cost	244,103	268,954
B02700	Payments for property, plant and equipment	( 155,315 )	( 189,469 )
B02800	Proceeds from disposal of property, plant and equipment	658	1,358
B03700	Increase in refundable deposits	( 14,580 )	( 13,052 )
B03800	Decrease in refundable deposits	14,422	12,921
BBBB	Net cash used in investing activities	( <u>154,864</u> )	( <u>188,291</u> )
	<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
C00100	Proceeds from short-term borrowings	70,000	50,000
C01700	Repayments of long-term borrowings	-	( 300,000 )
C03000	Proceeds from guarantee deposits received	15,020	918
C03100	Refunds of guarantee deposits received	( 10 )	( 800 )
C04020	Repayment of the principal portion of lease liabilities	( 8,486 )	( 8,391 )
C04300	Increase (decrease) in other non-current liabilities	6	( 3 )
C04500	Dividends paid	( <u>22</u> )	( <u>62</u> )
CCCC	Net cash generated (used) in financing activities	<u>76,508</u>	( <u>258,338</u> )
DDDD	<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES</b>	<u>472</u>	<u>2,407</u>
EEEE	<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	34,816	( 170,725 )
E00100	<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<u>653,347</u>	<u>934,680</u>
E00200	<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<u>\$ 688,163</u>	<u>\$ 763,955</u>

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

(Please refer to Deloitte & Touche auditors' review report dated May 13, 2020)

(Concluded)

### **Notice to Readers:**

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

### **Notice to Readers:**

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

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

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

#### **FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND 2019**

( Reviewed, Not Audited )

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

### **1. GENERAL INFORMATION**

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

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

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

### **2. APPROVAL OF FINANCIAL STATEMENTS**

The consolidated financial statements were proposed to the Company’s board of directors on May 13, 2020.

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

- (1) Initial application of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC).

The initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the Group’s accounting policies.

(2) 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 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

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

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

##### **(1) Statement of compliance**

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

##### **(2) Basis of preparation**

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

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

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

### (3) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e., its subsidiaries). Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective dates of acquisitions up to the effective dates of disposals, as appropriate. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

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

### (4) Other significant accounting policies

Except for the following, the accounting policies applied in these interim consolidated financial statements, please refer to the consolidated financial statements for the year ended December 31, 2019.

## 1) Defined benefit plan

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant plan amendments, settlements, or other significant one-off events.

## 2) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings.

## 5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION AND UNCERTAINTY

For the critical accounting judgements and key sources of estimation and uncertainty of the consolidated financial statements, please refer to the consolidated financial statements for the year ended December 31, 2019.

## 6. CASH AND CASH EQUIVALENTS

	March 31, 2020	December 31, 2019	March 31, 2019
Cash on hand and petty cash	\$ 580	\$ 527	\$ 455
Checking accounts and demand deposits	370,523	216,911	250,292
Cash equivalents			
Time deposits	317,060	435,909	483,258
Reverse repurchase agreements collateralized by bonds	-	-	29,950
	<u>\$ 688,163</u>	<u>\$ 653,347</u>	<u>\$ 763,955</u>

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

	March 31, 2020	December 31, 2019	March 31, 2019
Cash in banks	0.001%-2.45%	0.001%-2.20%	0.001%-2.70%
Reverse repurchase agreements collateralized by bonds	-	-	0.53%

## 7. FINANCIAL INSTRUMENTS AT FVTPL

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
<u>Financial assets mandatorily classified as at FVTPL</u>			
Derivative financial assets (not under hedge accounting)			
— Foreign exchange forward contracts	\$ 954	\$ 7,446	\$ 403
Non-derivative financial assets			
— Open-end fund beneficiary certificates	664,602	528,164	407,196
— Closed-end fund beneficiary certificates	44,796	240,467	223,475
— Overseas unlisted equity investments	-	-	-
	<u>\$ 710,352</u>	<u>\$ 776,077</u>	<u>\$ 631,074</u>
<u>Financial liabilities held for trading</u>			
Derivative financial liabilities (not under hedge accounting)			
— Foreign exchange forward contracts	\$ 2,072	\$ 1,227	\$ 1,384

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

	<u>Currency</u>	<u>Maturity Date</u>	<u>Contract Amount (In Thousands)</u>
<u>March 31, 2020</u>			
Buy	NTD/USD	2020.05.15-2020.05.25	NTD 103,515 /USD 3,440
Sell	USD/NTD	2020.04.06-2020.07.10	USD 21,860 /NTD 658,169
<u>December 31, 2019</u>			
Buy	NTD/USD	2020.01.13-2020.03.04	NTD 259,075 /USD 8,590
Sell	USD/NTD	2020.01.03-2020.03.24	USD 23,740 /NTD 719,887
<u>March 31, 2019</u>			
Buy	NTD/USD	2019.04.16-2019.04.26	NTD 238,956 /USD 7,770
Sell	USD/NTD	2019.04.02-2019.06.06	USD 19,260 /NTD 591,593

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



## 8. FINANCIAL ASSETS AT FVTOCI

### Investments in Equity Instruments at FVTOCI

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
<u>Non-current</u>			
Domestic equity investments			
Listed ordinary shares			
Asia Polymer Corporation	\$ 1,696	\$ 1,921	\$ 1,715
Unlisted ordinary shares			
KHL IB Venture Capital Co., Ltd.	<u>126,083</u>	<u>117,882</u>	<u>116,786</u>
	<u>\$ 127,779</u>	<u>\$ 119,803</u>	<u>\$ 118,501</u>

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. The return was made by reducing 8.25% of the capital, in aggregation of 11,578 thousand shares (proportionately reducing 82.5 shares per 1,000 shares) and refunding \$825 per 1,000 shares to shareholders. The Company received the capital refund of \$6,891 thousand in May 2019.

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

## 9. FINANCIAL ASSETS AT AMORTIZED COST

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
<u>Current</u>			
Domestic investments			
Pledged time deposits	<u>\$ 269,152</u>	<u>\$ 269,103</u>	<u>\$ 269,003</u>

As of March 31, 2020, December 31, 2019, and March 31, 2019, the interest rates for pledged time deposits ranged from 0.090% to 1.015%.

Refer to Note 32 for information related to financial assets at amortized cost pledged as security.

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

	March 31, 2020	December 31, 2019	March 31, 2019
<u>Notes receivable</u>			
Notes receivable - operating	\$ 197,466	\$ 209,990	\$ 199,270
<u>Trade receivables (including related parties)</u>			
At amortized cost			
Gross carrying amount	\$ 1,424,682	\$ 1,282,410	\$ 1,454,276
Less: Allowance for impairment loss	( 13,622 )	( 13,600 )	( 13,704 )
	\$ 1,411,060	\$ 1,268,810	\$ 1,440,572
<u>Other receivables</u>			
Tax refund receivables	\$ 109,850	\$ 68,620	\$ 96,526
Interest receivables	362	811	435
Others	6,190	4,314	7,919
Less: Allowance for impairment loss	( 242 )	( 244 )	( 260 )
	\$ 116,160	\$ 73,501	\$ 104,620
Other receivables from related parties (Note 31)	\$ 2,077	\$ 14,315	\$ 48,037

### (1) Trade receivables

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

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

The Group writes off a trade receivable when there is information indicating that the debtor is experiencing severe financial difficulty and there is no realistic prospect of recovery. For trade receivables that have been written

off, the Group continues to engage in enforcement activity to attempt to recover the receivables which are due.

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

March 31, 2020

	Credit Rating A	Credit Rating B	Credit Rating C	Others	Total
Gross carrying amount	\$ 77,829	\$ 429,526	\$ 120,937	\$ 796,390	\$1,424,682
Loss allowance (lifetime ECLs)	-	( 4,138 )	( 2,891 )	( 6,593 )	( 13,622 )
Amortized cost	<u>\$ 77,829</u>	<u>\$ 425,388</u>	<u>\$ 118,046</u>	<u>\$ 789,797</u>	<u>\$1,411,060</u>

December 31, 2019

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

March 31, 2019

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

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

	March 31, 2020	December 31, 2019	March 31, 2019
Not past due	\$ 1,536,106	\$ 1,448,401	\$ 1,606,259
Less than and including 60 days	81,840	40,017	42,845
Over 60 days	<u>4,202</u>	<u>3,982</u>	<u>4,442</u>
	<u>\$ 1,622,148</u>	<u>\$ 1,492,400</u>	<u>\$ 1,653,546</u>

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

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

	For the Three Months Ended March 31	
	2020	2019
Balance at January 1	\$ 13,600	\$ 13,735
Less: Amounts written off	-	( 44 )
Foreign exchange gains and losses	<u>22</u>	<u>13</u>
Balance at December 31	<u>\$ 13,622</u>	<u>\$ 13,704</u>

(2) Other receivables

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

## 11. INVENTORIES

	March 31, 2020	December 31, 2019	March 31, 2019
Finished goods	\$ 929,749	\$ 722,447	\$ 1,706,913
Work in progress	35,702	37,077	42,122
Raw materials	<u>713,721</u>	<u>709,688</u>	<u>823,810</u>
	<u>\$ 1,679,172</u>	<u>\$ 1,469,212</u>	<u>\$ 2,572,845</u>

The cost of inventories recognized as cost of goods sold for the three months ended March 31, 2020 and 2019, was \$2,870,983 thousand and \$2,779,190 thousand, respectively. The cost of goods sold included inventory write-down of \$2,622 thousand and reversals of inventory write-downs of \$119 thousand, respectively. Previous write-downs were reversed as a result of inventory closeout.

## 12. DISCONTINUED OPERATIONS

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

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

	For the Three Months Ended March 31	
	2020	2019
Administrative expenses	(\$ 5,150)	(\$ 6,562)
Loss from operations	( 5,150)	( 6,562)
Non-operating income	<u>5,869</u>	<u>7,671</u>
Net profit from discontinued operations	<u>\$ 719</u>	<u>\$ 1,109</u>

For the three months ended March 31, 2020 and 2019, the cash flows from the discontinued operations were as follows:

	For the Three Months Ended March 31	
	2020	2019
Net cash (used in) generated from operating activities	(\$ 207)	\$ 8,138
Effect of exchange rate changes	( 628)	<u>1,817</u>
Net cash (outflow) inflow	<u>(\$ 835)</u>	<u>\$ 9,955</u>

### 13. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements:

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

- a. On May 24, 2019, the board of directors of CGPCPOL, on behalf of the shareholders, resolved to increase its capital by declaring a share dividend of \$11,407 thousand, representing 1,141 thousand shares. The record date of the capital increase was July 5, 2019.
- b. On May 6, 2019, the TVCM shareholders in their meeting passed a resolution to increase TVCM's capital by declaring a share dividend of \$236,200 thousand, representing 23,620 thousand shares. The record date of the capital increase was July 5, 2019.
- c. In October 2011, the board of directors of the Company resolved to dissolve CGPC (ZS) and CGPC (CP). As of March 31, 2020, the dissolution procedures have not yet been completed.
- d. Krystal Star was dissolved in December 2019. The Company collected repayment for shares \$78,556 thousand and recognized profit of \$2,549 thousand.

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

# 14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

## Investments in associates that are not individually material

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Listed company			
Acme Electronics Corporation (“ACME”)	\$ 21,322	\$ 21,739	\$ 24,171
Unlisted company			
China General Terminal & Distribution Corporation (“CGTD”)	251,783	257,584	239,187
Thintec Materials Corporation (“TMC”)	<u>1,448</u>	<u>1,446</u>	<u>1,448</u>
	<u>\$ 274,553</u>	<u>\$ 280,769</u>	<u>\$ 264,806</u>

## Aggregate information of associates that are not individually material

	<u>For the Three Months Ended March 31</u>	
	<u>2020</u>	<u>2019</u>
The Group’s share of:		
Gain from continuing operations	\$ 5,149	\$ 9,878
Other comprehensive income (loss)	( <u>11,364</u> )	<u>2,954</u>
Total comprehensive income (loss) for the period	( <u>\$ 6,215</u> )	<u>\$ 12,832</u>

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

<u>Name of Associates</u>	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
ACME	1.74%	1.74%	1.74%
CGTD	33.33%	33.33%	33.33%
TMC	10.00%	10.00%	10.00%

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

On April 12, 2019, the board of directors of TMC had approved the proposal for dissolution and liquidation of the Company starting from the dissolution date of May 25, 2019. TMC had not completed the process of liquidation as of March 31, 2020.

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

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

Name of Associate	March 31, 2020	December 31, 2019	March 31, 2019
ACME	<u>\$ 26,679</u>	<u>\$ 38,906</u>	<u>\$ 44,941</u>

All associates are accounted for using the equity method.

Except for those of ACME, the Group's investments accounted for using the equity method and its share of profit or loss and other comprehensive income or loss as of and for the three months ended March 31, 2020 and 2019 were not reviewed by auditors for the same periods.

## 15. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings and Improvements	Machinery and Equipment	Transportation Equipment	Miscellaneous Equipment	Construction in Progress and Machinery in Transit	Total
<u>Cost</u>							
Balance at January 1, 2019	\$ 2,105,218	\$ 2,102,358	\$ 9,750,059	\$ 64,478	\$ 341,757	\$ 719,920	\$15,083,790
Additions	-	-	79	-	-	140,241	140,320
Disposals	-	( 581 )	( 35,324 )	( 6,114 )	( 2,483 )	-	( 44,502 )
Reclassification	-	8,989	355,699	1,729	2,912	( 401,500 )	( 32,171 )
Effect of foreign currency exchange differences	-	7,339	767	46	66	183	8,401
Balance at March 31, 2019	<u>\$ 2,105,218</u>	<u>\$ 2,118,105</u>	<u>\$10,071,280</u>	<u>\$ 60,139</u>	<u>\$ 342,252</u>	<u>\$ 458,844</u>	<u>\$15,155,838</u>
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2019	\$ -	\$ 1,142,183	\$ 7,595,905	\$ 46,767	\$ 280,977	\$ 8,069	\$ 9,073,901
Depreciation expenses	-	18,308	112,391	1,510	4,538	-	136,747
Disposals	-	( 581 )	( 35,293 )	( 5,556 )	( 2,455 )	-	( 43,885 )
Effect of foreign currency exchange differences	-	4,760	760	41	36	184	5,781
Balance at March 31, 2019	<u>\$ -</u>	<u>\$ 1,164,670</u>	<u>\$ 7,673,763</u>	<u>\$ 42,762</u>	<u>\$ 283,096</u>	<u>\$ 8,253</u>	<u>\$ 9,172,544</u>
Carrying amounts at March 31, 2019	<u>\$ 2,105,218</u>	<u>\$ 953,435</u>	<u>\$ 2,397,517</u>	<u>\$ 17,377</u>	<u>\$ 59,156</u>	<u>\$ 450,591</u>	<u>\$ 5,983,294</u>
<u>Cost</u>							
Balance at January 1, 2020	\$ 2,090,707	\$ 2,004,298	\$10,218,539	\$ 58,694	\$ 343,686	\$ 763,535	\$15,479,459
Additions	-	-	-	-	-	197,776	197,776
Disposals	-	( 5,001 )	( 53,686 )	( 2,200 )	( 485 )	-	( 61,372 )
Reclassification	-	17,807	65,251	949	3,822	( 93,887 )	( 6,058 )
Effect of foreign currency exchange differences	-	( 2,265 )	( 199 )	( 1 )	17	( 3 )	( 2,451 )
Balance at March 31, 2020	<u>\$ 2,090,707</u>	<u>\$ 2,014,839</u>	<u>\$10,229,905</u>	<u>\$ 57,442</u>	<u>\$ 347,040</u>	<u>\$ 867,421</u>	<u>\$15,607,354</u>
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2020	\$ -	\$ 1,158,717	\$ 7,827,294	\$ 43,683	\$ 284,379	\$ 7,811	\$ 9,321,884
Depreciation expenses	-	18,388	124,681	1,260	4,819	-	149,148
Disposals	-	( 4,967 )	( 53,552 )	( 2,200 )	( 485 )	-	( 61,204 )
Effect of foreign currency exchange differences	-	( 1,584 )	( 211 )	( 10 )	13	( 3 )	( 1,795 )
Balance at March 31, 2020	<u>\$ -</u>	<u>\$ 1,170,554</u>	<u>\$ 7,898,212</u>	<u>\$ 42,733</u>	<u>\$ 288,726</u>	<u>\$ 7,808</u>	<u>\$ 9,408,033</u>
Balance at December 31, 2019 and January 1, 2020	<u>\$ 2,090,707</u>	<u>\$ 845,581</u>	<u>\$ 2,391,245</u>	<u>\$ 15,011</u>	<u>\$ 59,307</u>	<u>\$ 755,724</u>	<u>\$ 6,157,575</u>
Carrying amounts at March 31, 2020	<u>\$ 2,090,707</u>	<u>\$ 844,285</u>	<u>\$ 2,331,693</u>	<u>\$ 14,709</u>	<u>\$ 58,314</u>	<u>\$ 859,613</u>	<u>\$ 6,199,321</u>

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

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

For the three months ended March 31, 2020 and 2019, the Group does not performed impairment assessment due to no impairment loss was recognized.

The Group set out the property, plant and equipment pledged as collateral for bank borrowings in Note 32.

## 16. LEASE ARRANGEMENTS

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

	March 31, 2020	December 31, 2019	March 31, 2019
Carrying amounts			
Land	\$ 258,069	\$ 264,921	\$ 289,519
Buildings	11,892	12,836	16,405
Machinery	<u>25,072</u>	<u>27,351</u>	<u>34,189</u>
	<u>\$ 295,033</u>	<u>\$ 305,108</u>	<u>\$ 340,113</u>
		For the Three Months Ended March 31	
		2020	2019
Depreciation charge for right-of-use assets			
Land		\$ 6,192	\$ 6,184
Buildings		1,045	1,070
Machinery		<u>2,279</u>	<u>2,279</u>
		<u>\$ 9,516</u>	<u>\$ 9,533</u>



Except for the recognition of depreciation expenses, the Group's right-of-use assets did not experience significant sublease and impairment for the three months ended March 31, 2020 and 2019.

(2) Lease liabilities

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Carrying amounts			
Current	<u>\$ 36,157</u>	<u>\$ 36,082</u>	<u>\$ 36,215</u>
Non-current	<u>\$ 173,002</u>	<u>\$ 181,459</u>	<u>\$ 207,233</u>

Range of discount rate for lease liabilities was as follows:

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Land	1.0392%	1.0392%	1.0392%
Buildings	1.0392%	1.0392%	1.0392%
Machinery	1.0392%	1.0392%	1.0392%

(3) Other lease information

	<u>For the Three Months Ended March 31</u>	
	<u>2020</u>	<u>2019</u>
Expenses relating to short-term leases	<u>\$ 3,111</u>	<u>\$ 2,937</u>
Expenses relating to low-value asset leases	<u>\$ 154</u>	<u>\$ 153</u>
Expenses relating to variable lease payments not included in the measurement of lease liabilities	<u>\$ 10,543</u>	<u>\$ 13,670</u>
Total cash outflow for leases	<u>( \$ 22,852 )</u>	<u>( \$ 25,798 )</u>

**17. INVESTMENT PROPERTIES**

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Land	<u>\$ 27,715</u>	<u>\$ 27,715</u>	<u>\$ 13,204</u>
Building and improvements	<u>254,048</u>	<u>257,583</u>	<u>120,828</u>
	<u>\$ 281,763</u>	<u>\$ 285,298</u>	<u>\$ 134,032</u>

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

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

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Year 1	\$ 9,862	\$ 7,567	\$ 11,777
Year 2	6,757	6,622	2,944
Year 3	6,622	6,622	-
Year 4	6,622	6,622	-
Year 5	6,623	6,623	-
Year 6 onwards	<u>28,144</u>	<u>29,800</u>	<u>-</u>
	<u>\$ 64,630</u>	<u>\$ 63,856</u>	<u>\$ 14,721</u>

Except for the recognition of depreciation expense, the Group's investment properties did not experience significant additions, disposals, and impairments for the three months ended March 31, 2020 and 2019. The investment properties are depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings and improvements	5 to 26 years
----------------------------	---------------

## **18. INTANGIBLE ASSETS**

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Computer Software	<u>\$ 153</u>	<u>\$ 183</u>	<u>\$ 1,166</u>

Except for the recognition of the amortization expenses, there were no material additions, disposals and impairments happening for the Group's intangible assets for the three months ended March 31, 2020 and 2019. Intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

Computer Software	3 years
-------------------	---------

## **19. BORROWINGS**

### **(1) Short-term borrowings**

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Unsecured borrowings			
Bank loans	<u>\$ 70,000</u>	<u>\$ -</u>	<u>\$ 50,000</u>

As of March 31, 2020 and 2019, the interest rates of the revolving bank loan were 0.91% and 0.90% (as of December 31, 2019: None).

(2) Long-term borrowings

	March 31, 2020	December 31, 2019	March 31, 2019
Line of credit borrowings	\$ -	\$ -	\$ 200,000
Secured loans	500,000	500,000	500,000
	<u>\$ 500,000</u>	<u>\$ 500,000</u>	<u>\$ 700,000</u>
The range of interest rate	<u>0.88%</u>	<u>1.05%</u>	<u>1.04%</u>

In order to enrich medium-term working capital, CGPCPOL entered into a 3-year credit contract with KGI Bank with a revolving credit limit of \$500,000 thousand and revolving to utilize the total credit amount within the validity period. As of March 31, 2020, the total credit amount is unused. In addition, CGPCPOL entered into another 5-year credit contract with KGI Bank with a revolving credit limit of \$1,000,000 thousand and the credit limit was reduced to \$850,000 thousand on November 30, 2019. As of March 31, 2020, the utilized credit amounted to \$500,000 thousand. The Group set out the assets as pledged collateral for bank borrowings in Note 32.

**20. NOTES PAYABLE AND TRADE PAYABLES**

	March 31, 2020	December 31, 2019	March 31, 2019
<u>Notes payable</u>			
Operating	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 91</u>
<u>Trade payables (including related parties)</u>			
Operating	<u>\$ 650,266</u>	<u>\$ 838,312</u>	<u>\$ 1,117,158</u>

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

**21. OTHER PAYABLES – CURRENT**

	March 31, 2020	December 31, 2019	March 31, 2019
Payables for salaries or bonuses	\$ 177,243	\$ 236,794	\$ 155,604
Payables for purchases of equipment	102,729	66,160	52,967
Payables for freight	86,025	79,446	67,477
Payables for utilities	68,994	63,605	57,900
Payables for fuel fees	18,201	20,779	23,746
Others	123,588	163,656	201,195
	<u>\$ 576,780</u>	<u>\$ 630,440</u>	<u>\$ 558,889</u>

## **22. REFUND LIABILITIES**

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Refund Liability (presented in other current liabilities)	<u>\$ 10,910</u>	<u>\$ 21,412</u>	<u>\$ 17,433</u>

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

## **23. RETIREMENT BENEFIT PLANS**

Employee benefits expense in respect of the Group's defined benefit retirement plans was calculated using the actuarially determined pension cost rate at the end of the prior financial year which was stated in the respective 2019 and 2018 actuarial report; the employee benefits expense for the three months ended March 31, 2020 and 2019 was \$4,784 thousand and \$5,270 thousand, respectively. Under the defined benefit plans adopted by the Company and its subsidiary, TVCM, the Company and TVCM contribute amounts equal to 10% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee.

The Group contributed \$28,390 thousand and \$40,645 thousand for the three months ended March 31, 2020 and 2019, respectively, to the pension fund which was designated by the Supervisory Committee of Workers' Pension Preparation Fund.

## **24. EQUITY**

### **(1) Ordinary shares**

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Number of shares authorized (in thousands)	<u>650,000</u>	<u>650,000</u>	<u>650,000</u>
Shares authorized	<u>\$ 6,500,000</u>	<u>\$ 6,500,000</u>	<u>\$ 6,500,000</u>
Number of shares issued and fully paid (in thousands)	<u>527,030</u>	<u>527,030</u>	<u>506,760</u>
Shares issued	<u>\$ 5,270,299</u>	<u>\$ 5,270,299</u>	<u>\$ 5,067,596</u>

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

## (2) Capital surplus

The 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.

## (3) Retained earnings and dividends policy

Under the dividends policy as set forth in the Company's Articles of Incorporation, where the Company made a net income in a fiscal year, the profit shall be used first for offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. The industry that the Company operates in is in the maturity stage. Consequently, in order to take R&D needs and diversification into consideration, shareholders' dividends shall not be less than 10% of the distributable earnings in the current year, of which the cash dividends shall not be less than 10% of the total dividends. However, if the distributable earnings of the year 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 26-(6).

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

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

The appropriations of earnings for 2019 and 2018 as approved in the Company's board of directors on March 5, 2020 and shareholders' meeting on June 21, 2019, respectively, was as follows:

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

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

#### (4) Special reserve

The Company appropriated a special reserve in the amount of \$408,223 thousand after offsetting a deficit of \$428,727 thousand, which was from the net increase of retained earnings arising from the initial adoption of IFRSs. As of March 31, 2020, there was no change.

#### (5) Other equity items

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

	For the Three Months Ended March 31	
	2020	2019
Balance at January 1	(\$ 33,763)	(\$ 15,825)
Recognized for the period		
Exchange differences on translating the financial statements of foreign operations	590	7,699
Related income tax	( 118)	( 1,540)
Share of exchange differences of associates accounted for using the equity method	( 330)	496
Balance at March 31	(\$ 33,621)	(\$ 9,170)

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

	For the Three Months Ended March 31	
	2020	2019
Balance at January 1	\$ 67,029	\$ 57,842
Recognized during the period		
Unrealized gain (loss) on equity instruments	8,005	( 4,155)
Share of gain (loss) of associates accounted for using the equity method	(\$ 11,034)	\$ 2,458
Balance at March 31	\$ 64,000	\$ 56,145

## 25. REVENUE

### (1) Revenue from contracts with customers

	For the Three Months Ended March 31	
	2020	2019
Revenue from the sale of goods		
PVC products	\$ 3,404,505	\$ 2,959,617
VCM products	<u>186,709</u>	<u>268,090</u>
	<u>\$ 3,591,214</u>	<u>\$ 3,227,707</u>

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

Refer to Note 36 for information about revenue from contracts with customers.

### (2) Contract balances

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

	March 31, 2020	December 31, 2019	March 31, 2019
Contract liabilities (presented in other current liabilities)	<u>\$ 63,325</u>	<u>\$ 32,763</u>	<u>\$ 34,425</u>

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

## 26. NET PROFIT FROM CONTINUING OPERATIONS

Net profit from continuing operations was attributable to:

	For the Three Months Ended March 31	
	2020	2019
Owners of the Company	\$310,358	\$183,125
Non-controlling interests	<u>37,627</u>	<u>6,734</u>
	<u>\$347,985</u>	<u>\$189,859</u>

### (1) Other income

	For the Three Months Ended March 31	
	2020	2019
Interest income		
Bank deposits	\$ 959	\$ 2,089
Financial assets at amortized cost	114	120
Others	<u>36</u>	<u>136</u>
	1,109	2,345
Rental income	2,810	3,120
Others	<u>3,242</u>	<u>8,871</u>
	<u>\$ 7,161</u>	<u>\$ 14,336</u>

(2) Other gains and losses

	For the Three Months Ended March 31	
	2020	2019
Gain on disposal of property, plant and equipment	\$ 490	\$ 741
Gross foreign exchange gains	42,463	13,904
Gross foreign exchange losses	( 26,030)	( 5,583)
Gain (loss) on financial assets and liabilities		
Loss on financial liabilities held for trading (see Note 7)	( 3,999)	( 2,513)
Gain on financial assets mandatorily classified as at FVTPL (see Note 7)	5,486	17,017
Depreciation expenses from investment properties	( 3,535)	( 1,245)
Others	( 2,512)	( 1,658)
	<u>\$ 12,363</u>	<u>\$ 20,663</u>

(3) Interest expense

	For the Three Months Ended March 31	
	2020	2019
Interest on bank loans	\$ 1,873	\$ 2,636
Interest on lease liabilities	558	647
Less: Capitalized interest (included construction in progress)	( 13)	( 12)
	<u>\$ 2,418</u>	<u>\$ 3,271</u>

Information about capitalized interest was as follows:

	For the Three Months Ended March 31	
	2020	2019
Capitalized interest	\$ 13	\$ 12
Capitalization rate	0.71%	0.53%

(4) Depreciation and amortization

	For the Three Months Ended March 31	
	2020	2019
Property, plant and equipment	\$146,290	\$133,723
Right-of-use assets	8,699	8,668
Investment properties	3,535	1,245
Intangible assets	30	1,327
Others	9,634	5,572
	<u>\$168,188</u>	<u>\$150,535</u>
An analysis of depreciation by function		
Operating costs	\$150,760	\$138,326
Operating expenses	4,229	4,065
Non-operating expenses	3,535	1,245
	<u>\$158,524</u>	<u>\$143,636</u>

(Continued)



	For the Three Months Ended March 31	
	2020	2019
An analysis of amortization by function		
Operating costs	\$ 9,634	\$ 5,995
General and administrative expenses	30	904
	<u>\$ 9,664</u>	<u>\$ 6,899</u>

(Concluded)

(5) Employee benefits expense

	For the Three Months Ended March 31	
	2020	2019
Post-employment benefits		
Defined contribution plans	\$ 7,149	\$ 6,718
Defined benefit plans (see Note 23)	4,784	5,270
	11,933	11,988
Other employee benefits	320,336	285,456
Total employee benefits expense	<u>\$332,269</u>	<u>\$297,444</u>
An analysis of employee benefits expense by function		
Operating costs	\$262,898	\$234,412
Operating expenses	69,371	63,032
	<u>\$332,269</u>	<u>\$297,444</u>

(6) Employees' compensation and remuneration of directors

The Company accrued employees' compensation and remuneration of directors at rates of no less than 1% and no higher than 1%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. For the three months ended March 31, 2020 and 2019, the employees' compensation and remuneration of directors were as follows:

Accrual rate

	For the Three Months Ended March 31	
	2020	2019
Employees' compensation	1%	1%
Remuneration of directors	-	-

Amount

	For the Three Months Ended March 31	
	2020	2019
Employees' compensation	<u>\$ 3,369</u>	<u>\$ 2,062</u>

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

The employees' compensation and remuneration of directors for 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:

Amount

	<u>2019</u>	<u>2018</u>
Employees' compensation	\$ 6,967	\$ 13,975

There was no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2019 and 2018.

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

## **27. INCOME TAX RELATING TO CONTINUING OPERATIONS**

(1) Major components of income tax expense recognized in profit or loss

	<u>For the Three Months Ended March 31</u>	
	<u>2020</u>	<u>2019</u>
Current tax		
In respect of the current period	\$ 88,550	\$ 25,881
Deferred tax		
In respect of the current period	<u>8,922</u>	<u>9,424</u>
Income tax expense recognized in profit or loss	<u>\$ 97,472</u>	<u>\$ 35,305</u>

When calculating the additional income tax leviable on undistributed earnings, the Group has deducted the amount of undistributed earnings that has actually used for reinvestment in accordance with the revised Statute for Industrial Innovation announced in July 2019.

(2) Income tax recognized in other comprehensive income

	<u>For the Three Months Ended March 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Deferred tax</u>		
In respect of the current year		
— Translation of foreign operations	( \$ <u>118</u> )	( \$ <u>1,540</u> )

### (3) Income tax assessments

The income tax returns of TVCM through 2018 have been assessed by the tax authorities. The income tax returns of the Company and CGPCPOL through 2017 have been assessed by the tax authorities.

### (4) Income tax related to subsidiaries

CGPC (BVI) had no income tax expense for the three months ended March 31, 2020 and 2019 due to relevant tax exemptions in compliance with the regulations of the location where the entities were established.

## 28. EARNINGS PER SHARE

	Unit: NT\$ Per Share	
	For the Three Months Ended	
	March 31	
	2020	2019
Basic earnings per share		
From continuing operations and discontinued operations	\$ 0.59	\$ 0.35
From discontinued operations	-	-
From continuing operations	<u>\$ 0.59</u>	<u>\$ 0.35</u>
Diluted earnings per share		
From continuing operations and discontinued operations	\$ 0.59	\$ 0.35
From discontinued operations	-	-
From continuing operations	<u>\$ 0.59</u>	<u>\$ 0.35</u>

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

	Unit: NT\$ Per Share	
	Before	After
	Retrospective	Retrospective
	Adjustment	Adjustment
Basic and Diluted earnings per share		
From continuing and discontinued operations	\$ 0.36	\$ 0.35
From discontinued operations	-	-
From continuing operations	<u>\$ 0.36</u>	<u>\$ 0.35</u>

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

### Net Profit for the Period

	For the Three Months Ended March 31	
	2020	2019
Profit for the period attributable to owners of the Company (earnings used in computation of basic and diluted earnings per share)	\$311,077	\$184,234
Less: Profit for the period from discontinued operations	( 719 )	( 1,109 )
Earnings used in the computation of basic and diluted earnings per share from continuing operations	<u>\$310,358</u>	<u>\$183,125</u>

### Ordinary shares outstanding

	Unit: thousands of shares	
	For the Three Months Ended March 31	
	2020	2019
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	<u>529</u>	<u>564</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>527,559</u>	<u>527,594</u>

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

## **29. CAPITAL MANAGEMENT**

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

### 30. FINANCIAL INSTRUMENTS

#### (1) Fair value of financial instruments not measured at fair value

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

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

##### 1) Fair value hierarchy

##### March 31, 2020

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at FVTPL</u>				
Derivative financial assets	\$ -	\$ 954	\$ -	\$ 954
Fund beneficiary certificates	709,398	-	-	709,398
Investments in equity instruments				
— Overseas unlisted equity investments	-	-	-	-
	<u>\$ 709,398</u>	<u>\$ 954</u>	<u>\$ -</u>	<u>\$ 710,352</u>
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments				
— Domestic listed equity investments	\$ 1,696	\$ -	\$ -	\$ 1,696
— Domestic unlisted equity investments	-	-	126,083	126,083
	<u>\$ 1,696</u>	<u>\$ -</u>	<u>\$ 126,083</u>	<u>\$ 127,779</u>
<u>Financial liabilities at FVTPL</u>				
Derivative financial liabilities	\$ -	\$ 2,072	\$ -	\$ 2,072

##### December 31, 2019

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at FVTPL</u>				
Derivative financial assets	\$ -	\$ 7,446	\$ -	\$ 7,446
Fund beneficiary certificates	768,631	-	-	768,631
Investments in equity instruments				
— Overseas unlisted equity investments	-	-	-	-
	<u>\$ 768,631</u>	<u>\$ 7,446</u>	<u>\$ -</u>	<u>\$ 776,077</u>

(Continued)

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments				
— Domestic listed equity investments	\$ 1,921	\$ -	\$ -	\$ 1,921
— Domestic unlisted equity investments	-	-	117,882	117,882
	<u>\$ 1,921</u>	<u>\$ -</u>	<u>\$ 117,882</u>	<u>\$ 119,803</u>
<u>Financial liabilities at FVTPL</u>				
Derivative financial liabilities	<u>\$ -</u>	<u>\$ 1,227</u>	<u>\$ -</u>	<u>\$ 1,227</u> (Concluded)

### March 31, 2019

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Derivative financial assets	\$ -	\$ 403	\$ -	\$ 403
Fund beneficiary certificates	630,671	-	-	630,671
Investments in equity instruments				
— Overseas unlisted equity investments	-	-	-	-
	<u>\$ 630,671</u>	<u>\$ 403</u>	<u>\$ -</u>	<u>\$ 631,074</u>
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments				
— Domestic listed equity investments	\$ 1,715	\$ -	\$ -	\$ 1,715
— Domestic unlisted equity investments	-	-	116,786	116,786
	<u>\$ 1,715</u>	<u>\$ -</u>	<u>\$ 116,786</u>	<u>\$ 118,501</u>
<u>Financial liabilities at FVTPL</u>				
Derivative financial liabilities	<u>\$ -</u>	<u>\$ 1,384</u>	<u>\$ -</u>	<u>\$ 1,384</u>

There were no transfers between Levels 1 and 2 for the three months ended March 31 of 2020 and 2019.

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

### For the Three Months Ended March 31, 2020

	<u>Financial Assets at FVTOCI</u>
Balance at January 1, 2020	\$ 117,882
Recognized in other comprehensive income (included in unrealized gain on financial assets at FVTOCI)	8,201
Balance at March 31, 2020	<u>\$126,083</u>

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

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

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

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

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

To determine the fair value for Level 3 financial instruments, the Group's financial department conducts independent fair value verification using independent resources so as to better reflect the market conditions, as well as periodically reviewing the valuation results in order to guarantee the rationality of the measurement. For unlisted domestic equity investments, the Group utilizes the asset approach and takes into account the most recent net asset value, observable financial status as well as the financing activities of investees in order to determine their net asset value. The unobservable input used was a discount for the lack of marketability of 15% on March 31, 2020, December 31, 2019, and March 31, 2019. When other inputs remain unchanged, the fair value will decrease by \$1,483 thousand, \$1,387 thousand, and \$1,374 thousand, respectively if the discount for lack of marketability increases by 1%.

(3) Categories of financial instruments

	March 31, 2020	December 31, 2019	March 31, 2019
<u>Financial assets</u>			
Financial assets at FVTPL			
Mandatorily classified at FVTPL	\$ 710,352	\$ 776,077	\$ 631,074
Financial assets at amortized cost			
Cash and cash equivalents	688,163	653,347	763,955
Pledge time deposits	269,152	269,103	269,003
Notes receivable	197,466	209,990	199,270
Trade receivables (including related parties)	1,411,060	1,268,810	1,440,572
Other receivables (including related parties and excluding tax refund receivable)	8,387	19,196	56,131
Refundable deposits	26,796	26,636	17,025
Financial assets at FVTOCI—			
Equity instruments	127,779	119,803	118,501

(Continued)

	March 31, 2020	December 31, 2019	March 31, 2019
<u>Financial liabilities</u>			
Financial liabilities at FVTPL -			
held for trading	2,072	1,227	1,384
Financial liabilities measured at			
amortized cost			
Short-term borrowings	70,000	-	50,000
Notes payable	-	-	91
Trade payables (including			
related parties)	650,266	838,312	1,117,158
Other payables (Note 1)	417,756	406,998	410,606
Long-term borrowings	500,000	500,000	700,000
Guarantee deposits	19,250	4,240	3,418
			(Concluded)

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

#### (4) Financial risk management objectives and policies

The Group's conduct of risk controlling and hedging strategy is influenced by the operational environment. The Group monitors and manages the financial risk by business nature and risk dispersion. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

##### 1) Market risk

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

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

##### a) Foreign currency risk

The Group conducted foreign currency sales and purchases, which exposed the Group to foreign currency risk. In order to avoid the impact of foreign currency exchange rate changes, which lead to deductions in foreign currency denominated assets and fluctuations in their future cash flows, the Group maintains a balance of hedged net foreign currency denominated assets and liabilities. The Group also utilizes foreign exchange forward contracts to hedge the currency exposure. The use of foreign exchange forward contracts is regulated by the policies passed by the Group's board of directors. Internal auditors focus on reviewing the observance of the



policies and the quota of risk exposures. The foreign exchange forward contracts that the Group engaged in were not for speculation purposes.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are set out in Note 34.

#### Sensitivity analysis

The Group's sensitivity analysis mainly focuses on the foreign currency risk of U.S. dollars at the end of the reporting period. Assuming a 3% strengthening/weakening of the functional currency against U.S. dollars, the net income before tax for the three months ended March 31, 2020 and 2019 would have decreased/increased by \$34,484 thousand and \$24,990 thousand, respectively.

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

#### b) Interest rate risk

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

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

	March 31, 2020	December 31, 2019	March 31, 2019
Fair value interest rate risk			
— Financial assets	\$ 605,529	\$ 724,184	\$ 795,262
— Financial liabilities	279,160	217,541	293,448
Cash flow interest rate risk			
— Financial assets	330,615	187,120	220,600
— Financial liabilities	500,000	500,000	700,000

### Sensitivity analysis

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

If interest rates had been 50 points higher/lower and all other variables were held constant, the Group's pre-tax profit for the three months ended March 31, 2020 and 2019 would have decreased/increased by \$212 thousand and \$599 thousand, respectively.

### (3) Other price risk

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

### Sensitivity analysis

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

If marketable equity securities prices had fluctuated by 5%, the pre-tax profit for the three months ended March 31, 2020 and 2019 would have increased/decreased by \$35,470 thousand and \$31,534 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 three months ended March 31, 2020 and 2019 would have increased/decreased by \$6,389 thousand and \$5,925 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 counter party will default on its contractual obligations resulting in financial loss to the Group. As at the end of the reporting period, the Group's maximum exposure to credit risk, which would cause a financial loss to the Group due to the failure of

counterparties to discharge an obligation and financial guarantees provided by the Group, could arise from:

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

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

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

### 3) Liquidity risk

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

#### a) Liquidity and interest rate risk tables

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

#### March 31, 2020

	Weighted Average Interest Rate (%)	On Demand or Less than 1 Year	1-5 Years	5+ Years
<u>Non-derivative financial liabilities</u>				
Non-interest bearing liabilities		\$1,072,403	\$ 3,285	\$ -
Lease liabilities	1.04%	36,384	97,372	84,903
Floating interest rate liabilities	0.88%	-	500,000	-
Fixed interest rate liabilities	0.91%	70,000	-	-
		<u>\$1,178,787</u>	<u>\$ 600,657</u>	<u>\$ 84,903</u>

Additional information about the maturity analysis for lease liabilities:

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years
Lease liabilities	<u>\$ 36,384</u>	<u>\$ 97,372</u>	<u>\$ 73,410</u>	<u>\$ 11,493</u>

December 31, 2019

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

Additional information about the maturity analysis for lease liabilities:

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

March 31, 2019

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

Additional information about the maturity analysis for lease liabilities:

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

b) Financing facilities

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

	March 31, 2020	December 31, 2019	March 31, 2019
Bank loan facilities			
— Amount unused	<u>\$ 6,574,117</u>	<u>\$ 5,724,081</u>	<u>\$ 5,859,707</u>

### 31. TRANSACTIONS WITH RELATED PARTIES

As of March 31, 2020, December 31, 2019, and March 31, 2019, USI Corporation held through its subsidiary, Union Polymer Int'l Investment Corporation, 24.97% of the Company's outstanding ordinary shares.

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

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

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

#### (2) Sales of goods

Related Party Category	For the Three Months Ended March 31	
	2020	2019
Investor with significant influence	\$ 783	\$ 615
Fellow subsidiary	276	169
	<u>\$ 1,059</u>	<u>\$ 784</u>

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

#### (3) Purchase of goods

Related Party Category/Name	For the Three Months Ended March 31	
	2020	2019
Fellow subsidiary	\$ 5,195	\$ 1,072
Parent company		
USI	53	56
	<u>\$ 5,248</u>	<u>\$ 1,128</u>

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

(4) Trade receivables

Related Party Category	March 31, 2020	December 31, 2019	March 31, 2019
Investor with significant influence	\$ 497	\$ 822	\$ 497
Fellow subsidiary	214	-	-
	<u>\$ 711</u>	<u>\$ 822</u>	<u>\$ 497</u>

The outstanding trade receivables from related parties were unsecured. From January 1 to March 31, 2020 and 2019, no impairment loss was recognized for trade receivables from related parties.

(5) Trade payables to related parties

Related Party Category/Name	March 31, 2020	December 31, 2019	March 31, 2019
Parent company			
USI	\$ 153,272	\$ 155,788	\$ 125,988
Fellow subsidiary	4,596	551	608
	<u>\$ 157,868</u>	<u>\$ 156,339</u>	<u>\$ 126,596</u>

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

The outstanding trade payables to related parties were unsecured.

(6) Other receivables from related parties

Related Party Category/Name	March 31, 2020	December 31, 2019	March 31, 2019
Parent company			
USI	\$ 880	\$ 727	\$ 29,732
Investor with significant influence			
APC	416	13,019	13,325
Others	746	537	690
Fellow subsidiary	31	28	88
Associate	3	3	-
Subsidiary of investor with significant influence	1	1	4,202
	<u>\$ 2,077</u>	<u>\$ 14,315</u>	<u>\$ 48,037</u>

(7) Other payables to related parties

Related Party Category/Name	March 31, 2020	December 31, 2019	March 31, 2019
Associate			
CGTD	\$ 16,503	\$ 12,550	\$ 10,922
Others	4	-	-
Parent company			
USI	2,152	1,993	2,113
Fellow subsidiary	372	128	611
Investor with significant influence	312	376	1,296
Subsidiary of investor with significant influence	43	37	1,750
Related party in substance			
USIF	-	-	2,000
	<u>\$ 19,386</u>	<u>\$ 15,084</u>	<u>\$ 18,692</u>

(8) Acquisitions of property, plant and equipment

Related Party Category/Name	Purchase Price	
	For the Three Months Ended March 31	
	2020	2019
Fellow subsidiary		
INOMA	<u>\$ -</u>	<u>\$ 633</u>

(9) Lease arrangements

Related Party Category/Name	March 31, 2020	December 31, 2019	March 31, 2019
<u>Lease liabilities</u>			
Investor with significant influence			
APC	\$ 146,477	\$ 149,693	\$ 159,289
TTC	28,588	30,918	37,874
Associate			
CGTD	<u>21,376</u>	<u>23,289</u>	<u>28,999</u>
	<u>\$ 196,441</u>	<u>\$ 203,900</u>	<u>\$ 226,162</u>
Related Party Category/Name	For the Three Months Ended March 31		
	2020	2019	
<u>Interest expense</u>			
Investor with significant influence			
APC	\$ 386	\$ 419	
Others	78	102	
Associate	<u>59</u>	<u>79</u>	
	<u>\$ 523</u>	<u>\$ 600</u>	
<u>Lease expense</u>			
Parent company			
USI	\$ 1,973	\$ 1,777	
Investor with significant influence	<u>839</u>	<u>812</u>	
	<u>\$ 2,812</u>	<u>\$ 2,589</u>	

The Company leases offices in Neihu from USI and APC. The rentals are paid on a monthly basis.

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

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

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

(10) Storage tank operating expenses

Related Party Category/Name	For the Three Months Ended March 31	
	2020	2019
Associate		
CGTD	<u>\$ 28,429</u>	<u>\$ 32,055</u>

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

(11) Management service revenue

Related Party Category/Name	For the Three Months Ended March 31	
	2020	2019
Parent company		
USI	<u>\$ 810</u>	<u>\$ 591</u>

(12) Management service expenses

Related Party Category/Name	For the Three Months Ended March 31	
	2020	2019
Fellow subsidiary		
UM	\$ 20,716	\$ 20,638
Others	29	29
Parent company		
USI	<u>934</u>	<u>1,183</u>
	<u>\$ 21,679</u>	<u>\$ 21,850</u>



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

(13) Donations

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

(14) Rental income

Related Party Category/Name	For the Three Months Ended March 31	
	2020	2019
Fellow subsidiary USIO	\$ 845	\$ 3,002
Investor with significant influence	<u>66</u>	<u>22</u>
	<u>\$ 911</u>	<u>\$ 3,024</u>

USIO signed a factory lease contract with the Company with lease term until April 15, 2021. The Company collects fixed rental amount on a monthly basis. USIO does not have bargain purchase option to acquire the leased factory at the expiry of the lease period.

(15) Compensation of key management personnel

The compensation of directors and key executives for the three months ended March 31, 2020 and 2019 were as follows:

	For the Three Months Ended March 31	
	2020	2019
Salaries and others	\$ 3,659	\$ 3,591
Post-employment benefits	<u>76</u>	<u>74</u>
	<u>\$ 3,735</u>	<u>\$ 3,665</u>

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

### **32. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY**

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

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Pledge deposits (classified as debt investments with no active market or other non-current assets)	\$ 288,469	\$ 288,275	\$ 282,055
Property, plant and equipment			
Land	1,650,957	1,650,957	1,650,957
Buildings and improvements, net	479,538	486,815	510,178
Machinery and equipment, net	<u>491,673</u>	<u>511,933</u>	<u>585,406</u>
	<u>\$ 2,910,637</u>	<u>\$ 2,937,980</u>	<u>\$ 3,028,596</u>

The Company signed a long-term secured loan contract with a revolving credit limit of \$1,000,000 thousand for 5 years with Chang Hwa Commercial Bank to enrich working capital. The Company set the land and plants, which are owned by the Company, as collateral. As of March 31, 2020, December 31, 2019, and March 31, 2018, the Company has not yet used its revolving credit.

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

### **33. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS**

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

(1) As of March 31, 2020, December 31, 2019, and March 31, 2019, the Group's unused letters of credit amounted to \$399,606 thousand, \$574,076 thousand and \$1,058,116 thousand, respectively.

(2) Description of Kaohsiung gas explosions:

Regarding the associate, China General Terminal & Distribution Corporation (hereinafter "CGTD"), who was commissioned to operate the LCY Chemical Corp.'s propylene pipeline resulting in a gas explosion on July 31, 2014, the 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 was pronounced on April 24, 2020, and all three employees of were innocent.

CGTD arrived at an agreement with the Kaohsiung City Government on February 12, 2015, pledging certificates of bank deposits of \$227,351 thousand, interests included, to the Kaohsiung City Government as collateral for the loss caused by the gas explosion. The Kaohsiung City Government also filed civil procedure requests in succession against LCY Chemical Corp., CGTD and CPC Corporation, Taiwan ("CPC"). Taiwan Power Company applied for provisional attachment against CGTD's property on August 27 and November 26, 2015. Taiwan Water Corporation also applied for provisional attachment against CGTD's property on February 3 and March 2, 2017. As of April 30, 2020, the provisionally attached property was worth \$146,706 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 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 April 30, 2020, victims and their families have filed civil (including supplementary civil action) lawsuits against LCY Chemical Corp., CGTD and CPC for compensation. To reduce the lawsuit costs, CGTD had reached a settlement on the original claim of \$26,890 thousand, and the amount of the settlement was \$4,019 thousand. Along with the case still under litigation and the above-mentioned compensation, the accumulated amount of compensation is \$3,876,234 thousand. The first-instance judgments of some of the above-mentioned civil cases (with a total amount of compensation of approximately \$1,199,809 thousand) have been gradually announced, starting from June 22, 2018. The proportion of fault liability of the Kaohsiung City Government, LCY Chemical Corp. and CGTD is 4:3:3 in most judgments.

The total amount of compensation that CGTD, LCY Chemical Corp. and the other defendants should pay is around \$390,304 thousand. In particular, CGTD was exempted to pay \$6,194 thousand according to the court's judgment. CGTD has appealed some civil cases which were announced but were not yet settled and gradually entered into the second-instance trials. CGTD has signed settlement agreements with insurance companies, and has estimated the amount of settlement and civil litigation compensation for the victims of casualties and serious injuries according to the proportion of fault liability announced in the first-instance judgment, after deducting the upper limit of insurance claims (including settled cases). The total amount that CGTD estimated and recognized is \$136,375 thousand. However, the actual payment still depends on the judgments of the remaining civil cases in the future.

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

#### **34. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES**

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

Unit: Except for the exchange rate, all in thousands

March 31, 2020

	Foreign Currencies	Exchange Rate (In Single Dollars)	Functional Currencies	NT\$
<u>Financial Assets</u>				
<u>Monetary items</u>				
USD	\$46,719	30.225 (USD : NTD)	\$ 1,412,079	\$ 1,412,079
AUD	680	18.635 (AUD : NTD)	12,671	12,671
EUR	462	33.240 (EUR : NTD)	15,362	15,362
USD	293	7.085 (USD : CNY)	2,073	8,841
GBP	66	37.250 (GBP : NTD)	2,441	2,441
<u>Financial Liabilities</u>				
<u>Monetary items</u>				
USD	8,981	30.225 (USD : NTD)	271,442	271,442
GBP	33	37.250 (GBP : NTD)	1,244	1,244

## December 31, 2019

	Foreign Currencies	Exchange Rate (In Single Dollars)	Functional Currencies	NT\$
<u>Financial Assets</u>				
<u>Monetary items</u>				
USD	\$ 41,131	29.980 (USD : NTD)	\$ 1,233,097	\$ 1,233,097
AUD	611	21.005 (AUD : NTD)	12,835	12,835
EUR	343	33.590 (EUR : NTD)	11,505	11,505
USD	292	6.976 (USD : CNY)	2,040	8,769
GBP	60	39.360 (GBP : NTD)	2,371	2,371
<u>Financial Liabilities</u>				
<u>Monetary items</u>				
USD	11,406	29.980 (USD : NTD)	341,947	341,947

## March 31, 2019

	Foreign Currencies	Exchange Rate (In Single Dollars)	Functional Currencies	NT\$
<u>Financial Assets</u>				
<u>Monetary items</u>				
USD	\$ 44,418	30.820 (USD : NTD)	\$ 1,368,973	\$ 1,368,973
AUD	588	21.855 (AUD : NTD)	12,847	12,847
EUR	412	34.610 (EUR : NTD)	14,255	14,255
USD	296	6.734 (USD : CNY)	1,996	9,134
GBP	105	40.110 (GBP : NTD)	4,227	4,227
<u>Financial Liabilities</u>				
<u>Monetary items</u>				
USD	17,687	30.820 (USD : NTD)	545,103	545,103
GBP	69	40.110 (GBP : NTD)	2,773	2,773

For the three months ended March 31, 2020 and 2019, net foreign exchange gains were \$16,433 thousand and \$8,321 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the group entities.

### **35. SEPARATELY DISCLOSED ITEMS**

(1) Information about significant transactions and investees.

- 1) Financing provided to others: None;
- 2) Endorsements/guarantees provided: See Table 1 attached;
- 3) Marketable securities held: See Table 2 attached;
- 4) Marketable securities acquired and disposed of at costs or prices of at least \$300 million or 20% of the paid-in capital: See Table 3 attached;
- 5) Acquisitions of individual real estate at costs of at least \$300 million or 20% of the paid-in capital: None;

- 6) Disposals of individual real estate at prices of at least \$300 million or 20% of the paid-in capital: None;
- 7) Total purchases from or sales to related parties amounting to at least \$100 million or 20% of the paid-in capital: See Table 4 attached;
- 8) Receivables from related parties amounting to at least \$100 million or 20% of the paid-in capital: See Table 5 attached;
- 9) Trading in derivative instruments: See Note 7;
- 10) Intercompany relationships and significant intercompany transactions: See Table 6 attached; and
- 11) Information on investees: See Table 7 attached.

(2) Information on investments in mainland China

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area: See Table 8 attached; and
- 2) The following information on any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: None.
  - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
  - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
  - c) The amount of property transactions and the amount of the resultant gains or losses.
  - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.
  - e) The highest balance during the period, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.
  - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services.
- (3) Information of major shareholders: List of all shareholders with ownership of 5% or greater showing the names and the number shares and percentage of ownership held by each shareholder: See Table 9 attached.

### 36. SEGMENT INFORMATION

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

#### Segment revenue and results

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

#### For the Three Months Ended March 31, 2020

	<u>VCM Products</u>	<u>PVC Products</u>	<u>Total</u>
Revenue from external customers	\$ 186,709	\$ 3,404,505	\$ 3,591,214
Inter-segment revenue	2,340,591	104,892	2,445,483
Segment revenue	<u>\$ 2,527,300</u>	<u>\$ 3,509,397</u>	<u>6,036,697</u>
Eliminations			(2,445,483)
Consolidated revenue			<u>\$ 3,591,214</u>
Segment income	<u>\$ 26,976</u>	<u>\$ 396,226</u>	\$ 423,202
Share of gain of associates accounted for using the equity method			5,149
Interest income			1,109
Rental income			2,810
Gain on disposal of property, plant and equipment			490
Foreign exchange gains			16,433
Loss on financial instruments held for trading			( 3,999)
Gain on financial assets mandatorily classified as at FVTPL			5,486
Depreciation expenses of investment properties			( 3,535)
Interest expense			( 2,418)
Others			730
Profit before tax from continuing operations			<u>\$ 445,457</u>

For the Three Months Ended March 31, 2019

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

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



**CHINA GENERAL PLASTICS CORPORATION AND SUBSIDIARIES**  
**ENDORSEMENTS/GUARANTEES PROVIDED**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2020**

Table 1

Unit: In Thousands of New Taiwan Dollars

No.	Endorser/Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note 2)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%) (Note 1)	Aggregate Endorsement/ Guarantee Limit (Note 2)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship										
0	China General Plastics Corporation	CGPC Polymer Corporation	Subsidiary	\$ 8,558,996	\$ 2,200,000	\$ 2,200,000	\$ 15,113	None	25.70%	\$ 8,558,996	Yes	No	No

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

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.

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

Table 2

Unit: In Thousands of New Taiwan Dollars

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	March 31, 2020				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
China General Plastics Corporation	<u>Closed-end fund beneficiary certificates</u>							
	Cathay No. 1 Real Estate Investment Trust	—	Financial assets at FVTPL - current	2,668,000	\$ 44,796	-	\$ 44,796	1
	<u>Open-end fund beneficiary certificates</u>							
Taiwan VCM Corporation	Jih Sun Money Market Fund	—	Financial assets at FVTPL - current	2,684,906	40,001	-	40,001	1
	<u>Ordinary shares</u>							
	KHL IB Venture Capital Co., Ltd.	—	Financial assets at FVTOCI - non-current	7,664,611	126,083	5.95%	126,083	1
	<u>Open-end fund beneficiary certificates</u>							
	Shin Kong Chi-Shin Money-Market Fund	—	Financial assets at FVTPL - current	3,213,492	50,010	-	50,010	1
	Nomura Taiwan Money Market Fund	—	Financial assets at FVTPL - current	3,049,394	50,010	-	50,010	1
	UPAMC James Bond Money Market Fund	—	Financial assets at FVTPL - current	2,977,041	50,010	-	50,010	1
	FSITC Money Market Fund	—	Financial assets at FVTPL - current	278,876	50,010	-	50,010	1
	Taishin Ta-Chong Money Market Fund	—	Financial assets at FVTPL - current	3,362,074	48,010	-	48,010	1
	Taishin 1699 Money Market Fund	—	Financial assets at FVTPL - current	2,720,628	37,008	-	37,008	1
	Capital Money Market Fund	—	Financial assets at FVTPL - current	2,281,880	37,008	-	37,008	1
	Cathay Taiwan Money Market Fund	—	Financial assets at FVTPL - current	1,440,058	18,004	-	18,004	1
	<u>Ordinary shares</u>							
	Asia Polymer Corporation	The major shareholders are the same as the those of the Company	Financial assets at FVTOCI - non-current	121,611	1,696	0.02%	1,696	1
CGPC Polymer Corporation	<u>Open-end fund beneficiary certificates</u>							
	Jih Sun Money Market Fund	—	Financial assets at FVTPL - current	9,868,558	147,025	-	147,025	1
	Taishin 1699 Money Market Fund	—	Financial assets at FVTPL - current	7,609,163	103,506	-	103,506	1
	FSITC Taiwan Money Market Fund	—	Financial assets at FVTPL - current	2,210,074	34,000	-	34,000	1
CGPC (BVI) Holding Co., Ltd.	<u>Ordinary shares</u>							
	Teratech Corporation	—	Financial assets at FVTPL - non-current	112,000	-	0.67%	-	1, 3
	SOHOware, Inc - preference shares	—	Financial assets at FVTPL - non-current	100,000	-	-	-	1, 2, and 3

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

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

Note 3: As of March 31, 2020, the Group evaluates the fair value of the equity instrument as \$0.

**CHINA GENERAL PLASTICS CORPORATION AND SUBSIDIARIES**  
**MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2020**

Table 3

Unit: In Thousands of New Taiwan Dollars

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counter-party	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Number of Shares	Amount (Note)	Number of Shares	Amount	Number of Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Number of Shares	Amount (Note)
CGPC Polymer Corporation	<u>Beneficiary certificates</u>													
	Jih Sun Money Market Fund	Financial assets at FVTPL - current	—	—	12,751,358	\$ 189,601	24,108,007	\$ 359,000	26,990,807	\$ 401,883	\$ 401,601	\$ 282	9,868,558	\$ 147,000

Note: The amounts as of March 31, 2020 was accounted for as the original investment cost.

**CHINA GENERAL PLASTICS CORPORATION AND SUBSIDIARIES**  
**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2020**

Table 4

Unit: In Thousands of New Taiwan Dollars

Buyer/Seller	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Trade Receivables (Payables)	
			Purchase/ Sale	Amount(Note)	% of Total	Payment Terms	Unit Price	Payment Terms	Financial Statement Account and Ending Balance(Note)	% of Total
China General Plastics Corporation	Taiwan VCM Corporation	Subsidiary	Purchase	\$ 1,223,418	76%	45 days	No major difference	No major difference	Trade payables to related parties (\$828,969)	( 77% )
Taiwan VCM Corporation	China General Plastics Corporation	Parent company	Sale	( 1,223,418 )	( 48% )	45 days	No major difference	No major difference	Trade receivables from related parties 828,969	49%
	CGPC Polymer Corporation	Fellow subsidiary	Sale	( 1,117,173 )	( 44% )	45 days	No major difference	No major difference	Trade receivables from related parties 760,501	45%
CGPC Polymer Corporation	Taiwan VCM Corporation	Fellow subsidiary	Purchase	1,117,173	97%	45 days	No major difference	No major difference	Trade payables to related parties (760,501)	( 97% )

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

**CHINA GENERAL PLASTICS CORPORATION AND SUBSIDIARIES**  
**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL**  
**MARCH 31, 2020**

Table 5

Unit: In Thousands of New Taiwan Dollars

Company Name	Related Party	Relationship	Financial Statement Account and Ending Balance (Note 3)	Turnover Rate	Overdue		Amounts Received in Subsequent Period (Note 2)	Allowance for Impairment Loss
					Amount	Actions Taken		
China General Plastics Corporation	CGPC America Corporation	Subsidiary	Trade receivables from related parties <u>\$ 125,411</u>	3.33	\$ -	—	\$ 37,519	( Note 1 )
Taiwan VCM Corporation	China General Plastics Corporation	Parent company	Trade receivables from related parties <u>\$ 828,969</u>	5.77	-	—	412,707	( Note 1 )
	CGPC Polymer Corporation	Fellow subsidiary	Trade receivables from related parties <u>\$ 760,501</u>	5.94	-	—	380,840	( Note 1 )

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

Note 2: The subsequent period is between April 1 and April 27, 2020.

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

**CHINA GENERAL PLASTICS CORPORATION AND SUBSIDIARIES**  
**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2020**

Table 6

Unit: In Thousands of New Taiwan Dollars

No. (Note 1)	Investee Company	Counterparty	Relationship (Note 2)	Transactions Details			
				Financial Statement Accounts	Amount	Transaction Terms	% of Total Sales or Assets (Note 3)
0	China General Plastics Corporation	Taiwan VCM Corporation	1	Trade payables to related parties	\$ 828,969	No major difference	7%
			1	Purchases	1,223,418	No major difference	34%
		CGPC America Corporation	1	Trade receivables from related parties	125,411	No major difference	1%
			1	Sales revenue	97,535	No major difference	3%
		CGPC Polymer Corporation	1	Other trade receivables from related parties	4,845	No major difference	-
			1	Trade payables to related parties	5,550	No major difference	-
			1	Purchases	7,357	No major difference	-
1	CGPC Polymer Corporation	Taiwan VCM Corporation	3	Trade payables to related parties	760,501	No major difference	6%
			3	Other trade payables to related parties	22,793	No major difference	-
			3	Purchases	1,117,173	No major difference	31%

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

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

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

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

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

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

**CHINA GENERAL PLASTICS CORPORATION AND SUBSIDIARIES**  
**INFORMATION ON INVESTEEES**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2020**

Table 7 Unit: In Thousands of New Taiwan Dollars

Investor Company	Investee Company	Location	Business Content	Original Investment Amount		As of March 31, 2020			Net Income (Loss) of Investee	Share of Profit (Loss)	Note
				March 31, 2020	December 31, 2019	Number of Shares	%	Carrying Amount			
China General Plastics Corporation	Taiwan VCM Corporation	No. 1, Gongye 1st Rd., Linyuan Dist., Kaohsiung City 832, Taiwan (R.O.C.)	Manufacturing & marketing of VCM	\$ 2,930,995	\$ 2,930,995	222,609,751	87.22%	\$ 3,320,010	\$ 294,373	\$ 194,069	Subsidiary
	CGPC Polymer Corporation	12F., No. 37, Jihu Rd., Neihu Dist., Taipei City 114, Taiwan (R.O.C.)	Manufacturing & marketing of PVC resins	800,000	800,000	80,000,000	100.00%	975,387	44,161	44,161	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%	346,145	1,052	1,052	Subsidiary
	China General Terminal & Distribution Corporation	No. 1, Jianji St., Qianzhen Dist., Kaohsiung City 806, Taiwan (R.O.C.)	Warehouse & transportation of petrochemical raw materials	41,106	41,106	18,667,465	33.33%	251,783	15,697	5,232	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%	201,828	4,686	4,686	Subsidiary
	Acme Electronics Corporation	8F., No. 39, Jihu Rd., Neihu Dist., Taipei City 114, Taiwan (R.O.C.)	Manufacturing & marketing of Mn-Zn and Ni-Zn ferrite cores.	33,995	33,995	3,176,019	1.74%	21,322	( 4,906 )	( 85 )	Associate accounted for using the equity method
	Thintec Materials Corporation	12F., No. 37, Jihu Rd., Neihu Dist., Taipei City 114, Taiwan (R.O.C.)	Manufacturing & marketing of reinforced plastic products	15,000	15,000	600,000	10.00%	1,448	15	2	Associate accounted for using the equity method (Note 1)

Note 1: On April 12, 2019, the board of directors of Thintec Materials Corporation resolved to dissolve the company from May 25, 2019. As of March 31, 2020, the dissolution procedures have not yet been completed.

Note 2: All the transactions were written off when preparing the consolidated financial statements.

**CHINA GENERAL PLASTICS CORPORATION AND SUBSIDIARIES**  
**INFORMATION ON INVESTMENTS IN MAINLAND CHINA**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2020**

Table 8

Unit: In Thousands of New Taiwan Dollars, Unless Stated Otherwise

Investee Company	Business Content	Paid-in Capital (Note 1)	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2020 (Note 1)	Investment Flows		Accumulated Outward Remittance for Investment from Taiwan as of March 31, 2020 (Note 1)	Net Income (Loss) of Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Notes 5)	Carrying Amount as of March 31, 2020 (Notes 1 and 5)	Accumulated Repatriation of Investment Income as of March 31, 2020
					Outflow	Inflow						
Continental General Plastics (Zhong Shan) Co., Ltd. (“CGPC (ZS)”) (Note 4)	Manufacturing & marketing of PVC film and consumer products	\$ 604,500 (US\$20,000 thousand)	Investment through CGPC (BVI) Holding Co., Ltd. (“CGPC (BVI)”)	\$ 604,500 (US\$ 20,000 thousand)	\$ -	\$ -	\$ 604,500 (US\$20,000 thousand)	\$ 711 (US\$ 24 thousand)	100%	\$ 711 (US\$ 24 thousand)	\$ 256,798 (US\$ 8,496 thousand)	\$ -
CGPC Consumer Products Corporation (“CGPC (CP)”) (Note 4)	Manufacturing & marketing of PVC consumer products	45,338 (US\$1,500 thousand)	Investment through CGPC (BVI) Holding Co., Ltd. (“CGPC (BVI)”)	45,338 (US\$ 1,500 thousand)	-	-	45,338 (US\$1,500 thousand)	8 (US\$ - thousand)	100%	8 (US\$ - thousand)	13,217 (US\$ 437 thousand)	-

Accumulated Outward Remittance for Investment in Mainland China as of March 31, 2020 (Notes 1 and 3)	Investment Amounts Authorized by Investment Commission, MOEA (Note 1)	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$ 818,553 (US\$ 27,082 thousand)	\$ 949,065 (US\$ 31,400 thousand)	(Note2)

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

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 \$20,674 thousand (US\$684 thousand), the investment amount of Union (ZS) of \$27,142 thousand (US\$898 thousand) and the investment amount of CGPC (SH) of \$120,900 thousand (US\$4,000 thousand).

Note 4: The board of directors of the Company passed a resolution to dissolve CGPC (ZS) and CGPC (CP) on October 24, 2011. As of March 31, 2020, the dissolution procedures have not yet been completed.

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



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

Table 9

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership
Union Polymer Int'l Investment Corporation	131,591,144	24.97%
Asia Polymer Corporation	42,527,153	8.06%

Note 1:

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