

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
Six Months Ended June 30, 2020 and 2019 and
Independent Auditors' Review Report**

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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 June 30, 2020 and 2019, the related consolidated statements of comprehensive income for the three months ended June 30, 2020 and 2019 and for the six months ended June 30, 2020 and 2019, the consolidated statements of changes in equity and cash flows for the six months then ended, and the related notes to the consolidated financial statements, including a summary of the significant accounting policies (collectively referred to as the “consolidated financial statements”). Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 “Interim Financial Reporting” 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 June 30, 2020 and 2019, the combined total assets of these non-significant subsidiaries and investments accounted for using the equity method were NT\$944,302 thousand and NT\$1,044,552 thousand, respectively, collectively representing 8% of the consolidated total assets, and the combined total liabilities of these non-significant subsidiaries as of June 30, 2020 and 2019 were NT\$32,100 thousand and NT\$38,042 thousand, respectively, collectively representing 1% of the consolidated total liabilities; for the three

months ended June 30, 2020 and 2019 and for the six months ended June 30, 2020 and 2019, the amounts of combined comprehensive income of these non-significant subsidiaries were NT\$(5,883) thousand, NT\$7,309 thousand, NT\$228 thousand, and NT\$13,487 thousand, respectively, representing 13%, 12%, 0.1%, and 5%, 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 June 30, 2020 and 2019 and for the six months ended June 30, 2020 and 2019 were NT\$24,885 thousand, NT\$5,627 thousand, NT\$19,085 thousand, and NT\$18,584 thousand, respectively, representing (54%), 9%, 6%, 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 June 30, 2020 and 2019, its consolidated financial performance for the three months ended June 30, 2020 and 2019 and its consolidated financial performance and its consolidated cash flows for the six months ended June 30, 2020 and 2019 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

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August 12, 2020

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CHINA GENERAL PLASTICS CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
FOR THE MONTH ENDED JUNE 30, 2020 AND 2019, AND
FOR THE YEAR ENDED DECEMBER 31, 2019

Unit: NT\$ thousand

CODE	ASSETS	June 30, 2020 (Reviewed)		December 31, 2019 (Audited)		June 30, 2019 (Reviewed)	
		Amount	%	Amount	%	Amount	%
	CURRENT ASSETS						
1100	Cash and cash equivalents (Note 6)	\$ 600,215	5	\$ 653,347	6	\$ 925,811	7
1110	Financial assets at fair value through profit or loss (FVTPL) - current (Note 7)	1,373,406	11	776,077	6	643,086	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)	134,472	1	209,990	2	181,206	1
1170	Trade receivables (Notes 10 and 31)	965,015	8	1,268,810	10	1,829,685	14
1200	Other receivables (Note 10)	128,405	1	73,501	1	82,200	1
1210	Other receivables from related parties (Notes 10 and 31)	90,130	1	14,315	-	1,627	-
1220	Current tax assets (Note 4)	10,623	-	6,223	-	-	-
1310	Inventories (Note 11)	1,235,191	10	1,469,212	12	1,890,656	15
1410	Prepayments	37,230	-	133,470	1	172,853	1
1470	Other current assets	973	-	2,818	-	1,833	-
11XX	Total current assets	<u>4,844,812</u>	<u>39</u>	<u>4,876,866</u>	<u>40</u>	<u>5,997,960</u>	<u>46</u>
	NON-CURRENT ASSETS						
1517	Financial assets at fair value through other comprehensive income (FVTOCI) - non-current (Notes 8 and 24)	140,602	1	119,803	1	127,259	1
1550	Investments accounted for using the equity method (Notes 14)	298,420	2	280,769	2	270,129	2
1600	Property, plant and equipment (Notes 15, 19, 31 and 32)	6,348,461	51	6,157,575	50	5,973,935	45
1755	Right-of-use assets (Note 16)	283,623	2	305,108	2	329,407	3
1760	Investment properties (Note 17)	278,228	2	285,298	2	132,786	1
1780	Intangible assets (Note 18)	122	-	183	-	679	-
1840	Deferred tax assets (Note 4)	226,929	2	230,996	2	249,688	2
1990	Other non-current assets (Note 32)	61,785	1	74,635	1	51,681	-
15XX	Total non-current assets	<u>7,638,170</u>	<u>61</u>	<u>7,454,367</u>	<u>60</u>	<u>7,135,564</u>	<u>54</u>
1XXX	TOTAL	<u>\$ 12,482,982</u>	<u>100</u>	<u>\$ 12,331,233</u>	<u>100</u>	<u>\$ 13,133,524</u>	<u>100</u>
	LIABILITIES AND EQUITY						
	CURRENT LIABILITIES						
2100	Short-term borrowings (Note 19)	\$ 266,000	2	\$ -	-	\$ 60,000	1
2110	Short-term notes and bills payable (Note 19)	-	-	-	-	119,963	1
2120	Financial liabilities at fair value through profit or loss (FVTPL) - current (Note 7)	2,043	-	1,227	-	2,943	-
2150	Notes payable (Note 20)	-	-	-	-	183	-
2170	Trade payables (Note 20)	515,796	4	681,973	6	880,900	7
2180	Trade payables to related parties (Notes 20 and 31)	30,031	-	156,339	1	102,789	1
2200	Other payables (Note 21)	843,038	7	630,440	5	1,365,392	10
2220	Other payables to related parties (Note 31)	8,580	-	15,084	-	13,806	-
2230	Current tax liabilities (Note 4)	67,086	1	99,734	1	41,195	-
2280	Lease liability - current (Notes 16 and 31)	36,107	-	36,082	-	36,223	-
2300	Other current liabilities (Notes 22 and 25)	95,333	1	74,220	1	72,362	1
21XX	Total current liabilities	<u>1,864,014</u>	<u>15</u>	<u>1,695,099</u>	<u>14</u>	<u>2,695,756</u>	<u>21</u>
	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)	594,362	5	595,310	5	594,789	5
2580	Lease liabilities - non-current (Notes 16 and 31)	164,287	1	181,459	1	198,875	1
2640	Net defined benefit liabilities - non-current (Notes 4 and 23)	612,053	5	642,215	5	665,846	5
2670	Other non-current liabilities	19,372	-	4,584	-	5,207	-
25XX	Total non-current liabilities	<u>1,890,074</u>	<u>15</u>	<u>1,923,568</u>	<u>15</u>	<u>2,164,717</u>	<u>16</u>
2XXX	Total liabilities	<u>3,754,088</u>	<u>30</u>	<u>3,618,667</u>	<u>29</u>	<u>4,860,473</u>	<u>37</u>
	EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 3, 8, 14, 24 and 27)						
	Share capital						
3110	Ordinary shares	5,270,299	42	5,270,299	43	5,067,596	39
3150	Share dividends to be distributed	263,515	2	-	-	202,703	1
3100	Total share capital	<u>5,533,814</u>	<u>44</u>	<u>5,270,299</u>	<u>43</u>	<u>5,270,299</u>	<u>40</u>
3200	Capital surplus	10,050	-	10,060	-	8,934	-
	Retained earnings						
3310	Legal reserve	704,963	6	640,570	5	640,570	5
3320	Special reserve	408,223	3	408,223	3	408,223	3
3350	Unappropriated earnings	1,552,822	12	1,888,394	16	1,473,490	11
3300	Total retained earnings	<u>2,666,008</u>	<u>21</u>	<u>2,937,187</u>	<u>24</u>	<u>2,522,283</u>	<u>19</u>
3400	Other equity	48,998	1	33,266	-	60,626	1
31XX	Total equity attributable to owners of the Company	<u>8,258,870</u>	<u>66</u>	<u>8,250,812</u>	<u>67</u>	<u>7,862,142</u>	<u>60</u>
36XX	NON-CONTROLLING INTERESTS	<u>470,024</u>	<u>4</u>	<u>461,754</u>	<u>4</u>	<u>410,909</u>	<u>3</u>
3XXX	Total equity	<u>8,728,894</u>	<u>70</u>	<u>8,712,566</u>	<u>71</u>	<u>8,273,051</u>	<u>63</u>
	TOTAL	<u>\$ 12,482,982</u>	<u>100</u>	<u>\$ 12,331,233</u>	<u>100</u>	<u>\$ 13,133,524</u>	<u>100</u>

The accompanying notes are an integral part of the consolidated financial statements.
(Please refer to Deloitte & Touche auditors' review report dated August 12, 2020)

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CHINA GENERAL PLASTICS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED JUNE 30, 2020 AND 2019
AND FOR THE SIX MONTHS ENDED JUNE 30, 2020 AND 2019

(Reviewed, Not Audited)

Unit: NT\$ thousand, except Earnings (Losses) Per Share

Code		For the Three Months Ended June 30				For the Six Months Ended June 30			
		2020		2019		2020		2019	
		Amount	%	Amount	%	Amount	%	Amount	%
4100	NET REVENUE (Notes 25 and 31)	\$ 2,287,056	100	\$ 4,354,571	100	\$ 5,878,270	100	\$ 7,582,278	100
5110	COST OF REVENUE (Notes 11, 26 and 31)	<u>2,173,421</u>	<u>95</u>	<u>3,998,946</u>	<u>92</u>	<u>5,044,404</u>	<u>86</u>	<u>6,778,136</u>	<u>89</u>
5900	GROSS PROFIT	<u>113,635</u>	<u>5</u>	<u>355,625</u>	<u>8</u>	<u>833,866</u>	<u>14</u>	<u>804,142</u>	<u>11</u>
	OPERATING EXPENSES (Notes 26 and 31)								
6100	Selling and marketing expenses	139,142	6	242,571	6	348,812	6	424,605	6
6200	General and administrative expenses	62,182	3	68,694	2	132,404	2	137,840	2
6300	Research and development expenses	<u>13,573</u>	<u>-</u>	<u>14,120</u>	<u>-</u>	<u>30,710</u>	<u>-</u>	<u>27,899</u>	<u>-</u>
6000	Total operating expenses	<u>214,897</u>	<u>9</u>	<u>325,385</u>	<u>8</u>	<u>511,926</u>	<u>8</u>	<u>590,344</u>	<u>8</u>
6900	PROFIT (LOSS) FROM OPERATIONS	(<u>101,262</u>)	(<u>4</u>)	<u>30,240</u>	<u>-</u>	<u>321,940</u>	<u>6</u>	<u>213,798</u>	<u>3</u>
	NON-OPERATING INCOME AND EXPENSES (Notes 7, 14, 26 and 31)								
7100	Interest income	1,846	-	7,690	-	2,955	-	10,035	-
7010	Other income	7,247	-	10,833	-	13,299	-	22,824	-
7020	Other gain and loss	(14,257)	(1)	11,136	1	(1,894)	-	31,799	1
7510	Interest expense	(2,239)	-	(2,782)	-	(4,657)	-	(6,053)	-
7060	Share of profit of associates accounted for using the equity method	<u>10,233</u>	<u>1</u>	<u>6,829</u>	<u>-</u>	<u>15,382</u>	<u>-</u>	<u>16,707</u>	<u>-</u>
7000	Total non-operating income and expenses	<u>2,830</u>	<u>-</u>	<u>33,706</u>	<u>1</u>	<u>25,085</u>	<u>-</u>	<u>75,312</u>	<u>1</u>
7900	PROFIT (LOSS) BEFORE INCOME TAX FROM CONTINUING OPERATIONS	(98,432)	(4)	63,946	1	347,025	6	289,110	4
7950	INCOME TAX EXPENSE (BENEFIT) (Notes 4 and 27)	(<u>32,996</u>)	(<u>1</u>)	<u>19,506</u>	<u>-</u>	<u>64,476</u>	<u>1</u>	<u>54,811</u>	<u>1</u>
8000	NET PROFIT (LOSS) FROM CONTINUING OPERATIONS (Note 26)	(65,436)	(3)	44,440	1	282,549	5	234,299	3
8100	NET PROFIT FROM DISCONTINUED OPERATIONS (Note 12)	<u>737</u>	<u>-</u>	<u>3,288</u>	<u>-</u>	<u>1,456</u>	<u>-</u>	<u>4,397</u>	<u>-</u>
8200	NET PROFIT (LOSS) FOR THE PERIOD	(<u>64,699</u>)	(<u>3</u>)	<u>47,728</u>	<u>1</u>	<u>284,005</u>	<u>5</u>	<u>238,696</u>	<u>3</u>
	OTHER COMPREHENSIVE INCOME (LOSS) (Notes 8, 14, 24 and 27)								
	Items that will not be reclassified subsequently to profit or loss:								
8316	Unrealized gain on investments in equity instruments at FVTOCI	12,823	-	15,649	-	20,799	-	11,510	-

(Continued)

Code		For the Three Months Ended June 30				For the Six Months Ended June 30			
		2020		2019		2020		2019	
		Amount	%	Amount	%	Amount	%	Amount	%
8326	Share of other comprehensive income of associates accounted for using the equity method - unrealized gain(loss) on investments in equity instruments at FVTOCI	\$ 15,260	1	(\$ 1,233)	-	\$ 4,226	-	\$ 1,225	-
8310		<u>28,083</u>	<u>1</u>	<u>14,416</u>	-	<u>25,025</u>	-	<u>12,735</u>	-
	Items that may be reclassified subsequently to profit or loss:								
8361	Exchange differences on translating the financial statements of foreign operations	(11,470)	-	(627)	-	(10,880)	-	7,072	-
8371	Share of other comprehensive income(loss) of associates accounted for using the equity method - exchange differences on translating the financial statements of foreign operations	(352)	-	(275)	-	(682)	-	221	-
8399	Income tax relating to items that may be reclassified subsequently to profit or loss	<u>2,430</u>	-	<u>127</u>	-	<u>2,312</u>	-	(<u>1,413</u>)	-
8360		(<u>9,392</u>)	-	(<u>775</u>)	-	(<u>9,250</u>)	-	<u>5,880</u>	-
8300	Other comprehensive income for the period, net of income tax	<u>18,691</u>	<u>1</u>	<u>13,641</u>	-	<u>15,775</u>	-	<u>18,615</u>	-
8500	TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	(\$ <u>46,008</u>)	(<u>2</u>)	\$ <u>61,369</u>	<u>1</u>	\$ <u>299,780</u>	<u>5</u>	\$ <u>257,311</u>	<u>3</u>
	NET PROFIT (LOSS) ATTRIBUTABLE TO:								
8610	Owners of the Company	(\$ 55,226)	(3)	\$ 49,525	1	\$ 255,851	4	\$ 233,759	3
8620	Non-controlling interests	(<u>9,473</u>)	-	(<u>1,797</u>)	-	<u>28,154</u>	<u>1</u>	<u>4,937</u>	-
8600		(\$ <u>64,699</u>)	(<u>3</u>)	\$ <u>47,728</u>	<u>1</u>	\$ <u>284,005</u>	<u>5</u>	\$ <u>238,696</u>	<u>3</u>
	TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:								
8710	Owners of the Company	(\$ 36,607)	(2)	\$ 63,176	1	\$ 271,583	5	\$ 252,368	3
8720	Non-controlling interests	(<u>9,401</u>)	-	(<u>1,807</u>)	-	<u>28,197</u>	-	<u>4,943</u>	-
8700		(\$ <u>46,008</u>)	(<u>2</u>)	\$ <u>61,369</u>	<u>1</u>	\$ <u>299,780</u>	<u>5</u>	\$ <u>257,311</u>	<u>3</u>
	EARNINGS (LOSSES) PER SHARE (Note 28)								
	From continuing and discontinued operations								
9750	Basic	(\$ <u>0.10</u>)		\$ <u>0.09</u>		\$ <u>0.46</u>		\$ <u>0.42</u>	
9850	Diluted	(\$ <u>0.10</u>)		\$ <u>0.09</u>		\$ <u>0.46</u>		\$ <u>0.42</u>	
	From continuing operations								
9710	Basic	(\$ <u>0.10</u>)		\$ <u>0.08</u>		\$ <u>0.46</u>		\$ <u>0.41</u>	
9810	Diluted	(\$ <u>0.10</u>)		\$ <u>0.08</u>		\$ <u>0.46</u>		\$ <u>0.41</u>	

The accompanying notes are an integral part of the consolidated financial statements.
(Please refer to Deloitte & Touche auditors' review report dated August 12, 2020)

(Concluded)

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CHINA GENERAL PLASTICS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2020 AND 2019
(Reviewed, Not Audited)

Equity Attributable to Owners of the Company (Notes 3, 8, 14, 24, and 27)

Unit: NT\$ thousand

											Other Equity													
											Share Capital		Capital Surplus		Retained Earnings				Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gain on Investments in Equity Instruments at FVTOCI	Total	Total	Non-controlling Interests	Total Equity
											Ordinary Shares	Share Dividends to Be Distributed	Unpaid Dividends	Others	Total	Legal Reserve	Special Reserve	Unappropriated Earnings						
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								
B1	Appropriation of 2018 earnings																							
B5	Legal reserve	-	-	-	-	-	127,616	-	(127,616)	-	-	-	-	-	-	-								
B9	Cash dividends distributed by the Company	-	-	-	-	-	-	-	(760,140)	(760,140)	-	-	-	(760,140)	-	(760,140)								
	Share dividends distributed by the Company	-	202,703	-	-	-	-	-	(202,703)	(202,703)	-	-	-	-	-	-								
O1	Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	(30,192)	(30,192)								
C17	Other changes in capital surplus	-	-	(2)	7	5	-	-	-	-	-	-	-	5	-	5								
D1	Net profit for the six months ended June 30, 2019	-	-	-	-	-	-	-	233,759	233,759	-	-	-	233,759	4,937	238,696								
D3	Other comprehensive income for the six months ended June 30, 2019, net of income tax	-	-	-	-	-	-	-	-	-	5,880	12,729	18,609	18,609	6	18,615								
D5	Total comprehensive income for the six months ended June 30, 2019	-	-	-	-	-	-	-	233,759	233,759	5,880	12,729	18,609	252,368	4,943	257,311								
Z1	BALANCE AT JUNE 30, 2019	<u>\$ 5,067,596</u>	<u>\$ 202,703</u>	<u>\$ 8,620</u>	<u>\$ 314</u>	<u>\$ 8,934</u>	<u>\$ 640,570</u>	<u>\$ 408,223</u>	<u>\$ 1,473,490</u>	<u>\$ 2,522,283</u>	(<u>\$ 9,945</u>)	<u>\$ 70,571</u>	<u>\$ 60,626</u>	<u>\$ 7,862,142</u>	<u>\$ 410,909</u>	<u>\$ 8,273,051</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								
B1	Appropriation of 2019 earnings																							
B5	Legal reserve	-	-	-	-	-	64,393	-	(64,393)	-	-	-	-	-	-	-								
B9	Cash dividends distributed by the Company	-	-	-	-	-	-	-	(263,515)	(263,515)	-	-	-	(263,515)	-	(263,515)								
	Share dividends distributed by the Company	-	263,515	-	-	-	-	-	(263,515)	(263,515)	-	-	-	-	-	-								
O1	Cash dividends distributed by subsidiaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	(\$ 19,927)	(\$ 19,927)								
C17	Other changes in capital surplus	-	-	(10)	-	(10)	-	-	-	-	-	-	-	(10)	-	(10)								
D1	Net profit for the six months ended June 30, 2020	-	-	-	-	-	-	-	255,851	255,851	-	-	-	255,851	28,154	284,005								
D3	Other comprehensive income (loss) for the six months ended June 30, 2020, net of income tax	-	-	-	-	-	-	-	-	-	(9,250)	24,982	15,732	15,732	43	15,775								
D5	Total comprehensive income (loss) for the six months ended June 30, 2020	-	-	-	-	-	-	-	255,851	255,851	(9,250)	24,982	15,732	271,583	28,197	299,780								
Z1	BALANCE AT JUNE 30, 2020	<u>\$ 5,270,299</u>	<u>\$ 263,515</u>	<u>\$ 9,736</u>	<u>\$ 314</u>	<u>\$ 10,050</u>	<u>\$ 704,963</u>	<u>\$ 408,223</u>	<u>\$ 1,552,822</u>	<u>\$ 2,666,008</u>	(<u>\$ 43,013</u>)	<u>\$ 92,011</u>	<u>\$ 48,998</u>	<u>\$ 8,258,870</u>	<u>\$ 470,024</u>	<u>\$ 8,728,894</u>								

The accompanying notes are an integral part of the consolidated financial statements.
(Please refer to Deloitte & Touche auditors' review report dated August 12, 2020)

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CHINA GENERAL PLASTICS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE SIX MONTHS ENDED JUNE 30, 2020 AND 2019

(Reviewed, Not Audited)

Unit: NT\$ thousand

Code		For the Six Months Ended June 30	
		2020	2019
	CASH FLOWS FROM OPERATING ACTIVITIES		
A00010	Income before income tax from continuing operations	\$ 347,025	\$ 289,110
A00020	Income before income tax from discontinued operations	<u>1,456</u>	<u>4,397</u>
A10000	Income before income tax	348,481	293,507
A20010	Adjustments for:		
A20100	Depreciation expenses	322,182	299,989
A20200	Amortization expenses	19,902	15,724
A20400	Net gain on fair value change on financial assets carried at FVTPL	(70,044)	(9,886)
A20900	Interest expense	4,657	6,053
A21200	Interest income	(3,076)	(10,150)
A21300	Dividend income	(1,187)	(36)
A22300	Share of profit of associates	(15,382)	(16,707)
A22500	Loss (gain) on disposal of property, plant and equipment	525	(141)
A22600	Property, plant and equipment transferred to expense	6,059	-
A23800	Write-down (reversal) of inventories	16,903	(2,867)
A30000	Changes in operating assets and liabilities		
A31115	Financial assets mandatorily classified as at FVTPL	(532,390)	812,012
A31130	Notes receivable	75,518	14,641
A31150	Trade receivables	302,405	(220,299)
A31180	Other receivables	(55,406)	2,056
A31190	Other receivables from related parties	(75,815)	9,574
A31200	Inventories	217,151	(168,429)
A31230	Prepayments	96,240	(116,899)
A31240	Other current assets	1,845	(320)
A32110	Financial liabilities held for trading	5,921	(11,207)
A32130	Notes payable	-	(105)
A32150	Trade payables	(164,977)	(34,153)
A32160	Trade payables to related parties	(126,308)	(69,071)
A32180	Other payables	(109,077)	(129,653)
A32190	Other payables to related parties	(6,504)	(468)
A32230	Other current liabilities	21,113	3,950
A32240	Net defined benefit liabilities	(<u>30,162</u>)	(<u>41,833</u>)
A33000	Cash generated from operations	248,574	625,282

(Continued)

		For the Six Months Ended June 30	
Code		2020	2019
A33100	Interest received	\$ 3,571	\$ 10,579
A33300	Interest paid	(4,511)	(6,302)
A33500	Income tax paid	(96,090)	(183,770)
AAAA	Net cash generated from operating activities	<u>151,544</u>	<u>445,789</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
B00030	Proceeds from capital reduction of financial assets at FVTOCI	-	6,891
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	(459,682)	(326,252)
B02800	Proceeds from disposal of property, plant and equipment	1,775	1,505
B03700	Increase in refundable deposits	(20,718)	(16,552)
B03800	Decrease in refundable deposits	20,595	12,921
B06700	Increase in other non-current assets	(6,872)	-
B07600	Dividends received	1,187	-
B09900	Proceeds from liquidation of investments accounted for using equity method	<u>1,274</u>	<u>-</u>
BBBB	Net cash used in investing activities	(<u>462,490</u>)	(<u>321,536</u>)
CASH FLOWS FROM FINANCING ACTIVITIES			
C00100	Proceeds from short-term borrowings	266,000	60,000
C00500	Increase in short-term notes and bills payable	-	119,963
C01700	Repayments of long-term borrowings	-	(300,000)
C03000	Proceeds from guarantee deposits received	15,071	2,941
C03100	Refunds of guarantee deposits received	(290)	(1,381)
C04020	Repayment of the principal portion of lease liabilities	(17,019)	(16,873)
C04300	Increase (decrease) in other non-current liabilities	7	(3)
C04500	Dividends paid to owner of the company	(<u>51</u>)	(<u>88</u>)
CCCC	Net cash generated (used) in financing activities	<u>263,718</u>	(<u>135,441</u>)
DDDD	EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	(<u>5,904</u>)	<u>2,319</u>
EEEE	NET DECREASE IN CASH AND CASH EQUIVALENTS	(53,132)	(8,869)

(Continued)

<u>Code</u>		<u>For the Six Months Ended June 30</u>	
		<u>2020</u>	<u>2019</u>
E00100	CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	\$ <u>653,347</u>	\$ <u>934,680</u>
E00200	CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	\$ <u>600,215</u>	\$ <u>925,811</u>

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

(Please refer to Deloitte & Touche auditors' review report dated August 12, 2020)

(Concluded)

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CHINA GENERAL PLASTICS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 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 August 12, 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 1)
“Annual Improvements to IFRS Standards 2018–2020”	January 1, 2022 (Note 2)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 3)
Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”	Effective immediately upon promulgation by the IASB
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 4)
Amendments to IAS 37 “Onerous Contracts–Cost of Fulfilling a Contract”	January 1, 2022 (Note 5)

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

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

Note 3: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2022.

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

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

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 JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The Group has taken the economic impact of COVID-19 pandemic into consideration in critical accounting estimates, and the management will continue to review the estimates and basic assumptions. For other critical accounting judgement and key sources of estimation uncertainty, please refer to the consolidated financial statements for the year ended December 31, 2019.

6. CASH AND CASH EQUIVALENTS

	June 30, 2020	December 31, 2019	June 30, 2019
Cash on hand and petty cash	\$ 487	\$ 527	\$ 547
Checking accounts and demand deposits	300,761	216,911	238,980
Cash equivalents			
Time deposits	298,967	435,909	597,284
Reverse repurchase agreements collateralized by bonds	-	-	89,000
	<u>\$ 600,215</u>	<u>\$ 653,347</u>	<u>\$ 925,811</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:

	June 30, 2020	December 31, 2019	June 30, 2019
Cash in banks	0.001%-1.30%	0.001%-2.20%	0.001%-2.51%
Reverse repurchase agreements collateralized by bonds	-	-	0.67%

7. FINANCIAL INSTRUMENTS AT FVTPL

	June 30, 2020	December 31, 2019	June 30, 2019
<u>Financial assets mandatorily classified as at FVTPL</u>			
Derivative financial assets (not under hedge accounting)			
— Foreign exchange forward contracts	\$ 2,485	\$ 7,446	\$ 6,818
Non-derivative financial assets			
— Open-end fund beneficiary certificates	1,325,565	528,164	412,042
— Closed-end fund beneficiary certificates	45,356	240,467	224,226
— Overseas unlisted equity investments	-	-	-
	<u>\$1,373,406</u>	<u>\$ 776,077</u>	<u>\$ 643,086</u>
<u>Financial liabilities held for trading</u>			
Derivative financial liabilities (not under hedge accounting)			
— Foreign exchange forward contracts	<u>\$ 2,043</u>	<u>\$ 1,227</u>	<u>\$ 2,943</u>

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

	Currency	Maturity Date	Contract Amount (In Thousands)		
<u>June 30, 2020</u>					
Buy	NTD/USD	2020.08.04-2020.08.25	NTD	127,375	/USD 4,280
Sell	USD/NTD	2020.07.06-2020.10.16	USD	14,510	/NTD 430,347
<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>June 30, 2019</u>					
Buy	NTD/USD	2019.07.15-2019.09.16	NTD	237,265	/USD 7,600
Sell	USD/NTD	2019.07.02-2019.10.16	USD	27,310	/NTD 852,503

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

	June 30, 2020	December 31, 2019	June 30, 2019
<u>Non-current</u>			
Domestic equity investments			
Listed ordinary shares			
Asia Polymer Corporation	\$ 2,256	\$ 1,921	\$ 1,636
Unlisted ordinary shares			
KHL IB Venture Capital Co., Ltd.	138,346	117,882	125,623
	<u>\$ 140,602</u>	<u>\$ 119,803</u>	<u>\$ 127,259</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>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
<u>Current</u>			
Domestic investments			
Pledged time deposits	<u>\$ 269,152</u>	<u>\$ 269,103</u>	<u>\$ 269,003</u>

As of June 30, 2020, December 31, 2019, and June 30, 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

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
<u>Notes receivable</u>			
Notes receivable - operating	<u>\$ 134,472</u>	<u>\$ 209,990</u>	<u>\$ 181,206</u>
<u>Trade receivables (including related parties)</u>			
At amortized cost			
Gross carrying amount	\$ 978,579	\$ 1,282,410	\$ 1,843,392
Less: Allowance for impairment loss	(<u>13,564</u>)	(<u>13,600</u>)	(<u>13,707</u>)
	<u>\$ 965,015</u>	<u>\$ 1,268,810</u>	<u>\$ 1,829,685</u>
<u>Other receivables</u>			
Lend raw materials receivables	\$ 95,262	\$ -	\$ -
Tax refund receivables	30,274	68,620	73,363
Interest receivables	316	811	510
Others	2,790	4,314	8,583
Less: Allowance for impairment loss	(<u>237</u>)	(<u>244</u>)	(<u>256</u>)
	<u>\$ 128,405</u>	<u>\$ 73,501</u>	<u>\$ 82,200</u>
Other receivables from related parties (Note 31)	<u>\$ 90,130</u>	<u>\$ 14,315</u>	<u>\$ 1,627</u>

(1) Trade receivables

The Group's credit period for the sale of goods ranges from 10 days to 60 days. In order to minimize credit risk, the management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Before accepting a new customer, the Group surveys the customers' credit history and measures the potential customer's credit

quality to set a credit limit. A customer's credit limit and rating are reviewed annually. In addition, the Group reviews the recoverable amount of trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced.

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

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

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

June 30, 2020

	<u>Credit Rating A</u>	<u>Credit Rating B</u>	<u>Credit Rating C</u>	<u>Others</u>	<u>Total</u>
Gross carrying amount	\$ 78,884	\$ 318,987	\$ 118,052	\$ 462,656	\$ 978,579
Loss allowance (lifetime ECLs)	-	(2,792)	(2,851)	(7,921)	(13,564)
Amortized cost	<u>\$ 78,884</u>	<u>\$ 316,195</u>	<u>\$ 115,201</u>	<u>\$ 454,735</u>	<u>\$ 965,015</u>

December 31, 2019

	<u>Credit Rating A</u>	<u>Credit Rating B</u>	<u>Credit Rating C</u>	<u>Others</u>	<u>Total</u>
Gross carrying amount	\$ 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>

June 30, 2019

	<u>Credit Rating A</u>	<u>Credit Rating B</u>	<u>Credit Rating C</u>	<u>Others</u>	<u>Total</u>
Gross carrying amount	\$ 172,001	\$ 403,196	\$ 227,885	\$1,040,310	\$1,843,392
Loss allowance (lifetime ECLs)	-	(3,638)	(5,185)	(4,884)	(13,707)
Amortized cost	<u>\$ 172,001</u>	<u>\$ 399,558</u>	<u>\$ 222,700</u>	<u>\$1,035,426</u>	<u>\$1,829,685</u>

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

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Not past due	\$ 1,069,670	\$ 1,448,401	\$ 1,990,984
Less than and including 60 days	38,640	40,017	29,731
Over 60 days	<u>4,741</u>	<u>3,982</u>	<u>3,883</u>
	<u>\$ 1,113,051</u>	<u>\$ 1,492,400</u>	<u>\$ 2,024,598</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 Six Months Ended June 30	
	2020	2019
Balance at January 1	\$ 13,600	\$ 13,735
Less: Amounts written off	-	(62)
Foreign exchange gains and losses	(36)	34
Balance at June 30	<u>\$ 13,564</u>	<u>\$ 13,707</u>

(2) Other receivables

As of June 30, 2020, December 31, 2019 and June 30, 2019, the Group assessed the impairment loss of other receivables using expected credit losses.

11. INVENTORIES

	June 30, 2020	December 31, 2019	June 30, 2019
Finished goods	\$ 535,377	\$ 722,447	\$ 1,127,646
Work in progress	30,695	37,077	39,157
Raw materials	669,119	709,688	723,853
	<u>\$ 1,235,191</u>	<u>\$ 1,469,212</u>	<u>\$ 1,890,656</u>

The cost of inventories recognized as cost of goods sold for the three months ended June 30, 2020 and 2019 and for the six months ended June 30, 2020 and 2019 were \$2,173,421 thousand, \$3,998,946 thousand, \$5,044,404 thousand, and \$6,778,136, respectively. The cost of goods sold for the three months ended June 30, 2020 and for the six months ended June 30, 2020 included inventory write-down of \$14,281 thousand and \$16,903 thousand, respectively. The cost of goods sold for the three months ended June 30, 2019 and for the six months ended June 30, 2019 included reversals of inventory write-downs of \$2,748 thousand and \$2,867 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 June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Administrative expenses	(\$ 5,020)	(\$ 5,822)	(\$ 10,170)	(\$ 12,384)
Loss from operations	(5,020)	(5,822)	(10,170)	(12,384)
Non-operating income	5,757	9,110	11,626	16,781
Net profit from discontinued operations	\$ 737	\$ 3,288	\$ 1,456	\$ 4,397

For the six months ended June 30, 2020 and 2019, the cash flows from the discontinued operations were as follows:

	For the Six Months Ended June 30	
	2020	2019
Net cash generated from operating activities	\$ 7,771	\$ 3,033
Effect of exchange rate changes	(2,305)	723
Net cash inflow	\$ 5,466	\$ 3,756

13. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements:

Investor	Subsidiary	Nature of Activities	Proportion of Ownership (%)			Note
			June 30, 2020	December 31, 2019	June 30, 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 and 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 and 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, 2020 and May 6, 2019, the TVCM shareholders in their meeting passed a resolution to increase TVCM's capital by declaring a share dividend of \$155,892 thousand and \$236,200 thousand, representing 15,589 thousand shares and 23,620 thousand shares, respectively. The record date of the capital increase was July 3, 2020 and July 5, 2019 respectively.
- c. In October 2011, the board of directors of the Company resolved to dissolve CGPC (ZS) and CGPC (CP). As of June 30, 2020, the dissolution procedures have not yet been completed.
- d. Krystal Star was dissolved in December 2019. The Company collected repayment of shares which amounted to \$78,556 thousand and recognized profit of \$2,549 thousand.

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>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Listed company			
Acme Electronics Corporation ("ACME")	\$ 21,579	\$ 21,739	\$ 23,867
Unlisted company			
China General Terminal & Distribution Corporation ("CGTD")	276,668	257,584	244,817
Thintec Materials Corporation ("TMC")	<u>173</u>	<u>1,446</u>	<u>1,445</u>
	<u>\$ 298,420</u>	<u>\$ 280,769</u>	<u>\$ 270,129</u>

Aggregate information of associates that are not individually material

	<u>For the Three Months Ended June 30</u>		<u>For the Six Months Ended June 30</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
The Group's share of:				
Gain from continuing operations	\$ 10,233	\$ 6,829	\$ 15,382	\$ 16,707
Other comprehensive income (loss)	<u>14,908</u>	<u>(1,508)</u>	<u>3,544</u>	<u>1,446</u>
Total comprehensive income for the period	<u>\$ 25,141</u>	<u>\$ 5,321</u>	<u>\$ 18,926</u>	<u>\$ 18,153</u>

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

Name of Associates	June 30, 2020	December 31, 2019	June 30, 2019
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 approved the proposal for dissolution and liquidation of the Company starting from the dissolution date of May 25, 2019. The Company retrieved the residual assets of \$1,274 thousand in May 2020. TMC have been completed dissolution procedures on July 22, 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	June 30, 2020	December 31, 2019	June 30, 2019
ACME	<u>\$ 32,237</u>	<u>\$ 38,906</u>	<u>\$ 39,065</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 six months ended June 30, 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
Cost							
Balance at January 1, 2019	\$ 2,105,218	\$ 2,102,358	\$ 9,750,059	\$ 64,478	\$ 341,757	\$ 719,920	\$ 15,083,790
Additions	-	-	148	-	-	276,119	276,267
Disposals	-	(19,994)	(50,531)	(6,114)	(4,547)	-	(81,186)
Reclassification	-	23,273	438,433	1,729	4,722	(501,820)	(33,663)
Effect of foreign currency exchange differences	-	3,083	364	35	73	76	3,631
Balance at June 30, 2019	<u>\$ 2,105,218</u>	<u>\$ 2,108,720</u>	<u>\$ 10,138,473</u>	<u>\$ 60,128</u>	<u>\$ 342,005</u>	<u>\$ 494,295</u>	<u>\$ 15,248,839</u>
Accumulated depreciation and impairment							
Balance at January 1, 2019	\$ -	\$ 1,142,183	\$ 7,595,905	\$ 46,767	\$ 280,977	\$ 8,069	\$ 9,073,901
Depreciation expenses	-	36,393	229,931	2,967	9,119	-	278,410
Disposals	-	(19,921)	(49,825)	(5,556)	(4,520)	-	(79,822)
Effect of foreign currency exchange differences	-	1,931	342	17	48	77	2,415
Balance at June 30, 2019	<u>\$ -</u>	<u>\$ 1,160,586</u>	<u>\$ 7,776,353</u>	<u>\$ 44,195</u>	<u>\$ 285,624</u>	<u>\$ 8,146</u>	<u>\$ 9,274,904</u>
Carrying amounts at June 30, 2019	<u>\$ 2,105,218</u>	<u>\$ 948,134</u>	<u>\$ 2,362,120</u>	<u>\$ 15,933</u>	<u>\$ 56,381</u>	<u>\$ 486,149</u>	<u>\$ 5,973,935</u>
Cost							
Balance at January 1, 2020	\$ 2,090,707	\$ 2,004,298	\$ 10,218,539	\$ 58,694	\$ 343,686	\$ 763,535	\$ 15,479,459
Additions	-	-	-	-	123	497,739	497,862
Disposals	-	(4,352)	(68,152)	(2,200)	(152)	-	(74,856)
Reclassification	-	31,699	115,418	8,275	4,467	(165,918)	(6,059)
Effect of foreign currency exchange differences	-	(8,091)	(878)	(63)	(103)	(11)	(9,146)
Balance at June 30, 2020	<u>\$ 2,090,707</u>	<u>\$ 2,023,554</u>	<u>\$ 10,264,927</u>	<u>\$ 64,706</u>	<u>\$ 348,021</u>	<u>\$ 1,095,345</u>	<u>\$ 15,887,260</u>
Accumulated depreciation and impairment							
Balance at January 1, 2020	\$ -	\$ 1,158,717	\$ 7,827,294	\$ 43,683	\$ 284,379	\$ 7,811	\$ 9,321,884
Depreciation expenses	-	36,757	246,929	2,643	9,776	-	296,105
Disposals	-	(4,318)	(65,886)	(2,200)	(152)	-	(72,556)
Effect of foreign currency exchange differences	-	(5,642)	(860)	(51)	(70)	(11)	(6,634)
Balance at June 30, 2020	<u>\$ -</u>	<u>\$ 1,185,514</u>	<u>\$ 8,007,477</u>	<u>\$ 44,075</u>	<u>\$ 293,933</u>	<u>\$ 7,800</u>	<u>\$ 9,538,799</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 June 30, 2020	<u>\$ 2,090,707</u>	<u>\$ 838,040</u>	<u>\$ 2,257,450</u>	<u>\$ 20,631</u>	<u>\$ 54,088</u>	<u>\$ 1,087,545</u>	<u>\$ 6,348,461</u>

The additions of construction in progress and machinery in transit during the current period are mainly due to the Company's machinery and equipment system construction, and subsidiary TVCM's terminal facilities and its turbine assembly construction of petrochemical oil storage center in Kaohsiung Intercontinental Container Terminal (Phase II).

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	(Continued)

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
(Concluded)	

For the six months ended June 30, 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

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Carrying amounts			
Land	\$ 250,201	\$ 264,921	\$ 282,042
Buildings	10,629	12,836	15,455
Machinery	<u>22,793</u>	<u>27,351</u>	<u>31,910</u>
	<u>\$ 283,623</u>	<u>\$ 305,108</u>	<u>\$ 329,407</u>
	<u>For the Three Months Ended June 30</u>	<u>For the Six Months Ended June 30</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u> <u>2019</u>
Depreciation charge for right-of-use assets			
Land	\$ 6,173	\$ 6,194	\$ 12,365 \$ 12,378
Buildings	1,038	1,081	2,083 2,151
Machinery	<u>2,280</u>	<u>2,280</u>	<u>4,559</u> <u>4,559</u>
	<u>\$ 9,491</u>	<u>\$ 9,555</u>	<u>\$ 19,007</u> <u>\$ 19,088</u>

(2) Lease liabilities

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Carrying amounts			
Current	<u>\$ 36,107</u>	<u>\$ 36,082</u>	<u>\$ 36,223</u>
Non-current	<u>\$ 164,287</u>	<u>\$ 181,459</u>	<u>\$ 198,875</u>

Range of discount rate for lease liabilities was as follows:

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 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 June 30</u>		<u>For the Six Months Ended June 30</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Expenses relating to short-term leases	<u>\$ 3,077</u>	<u>\$ 2,886</u>	<u>\$ 6,188</u>	<u>\$ 5,823</u>
Expenses relating to low-value asset leases	<u>\$ 147</u>	<u>\$ 139</u>	<u>\$ 301</u>	<u>\$ 292</u>
Expenses relating to variable lease payments not included in the measurement of lease liabilities	<u>\$ 10,893</u>	<u>\$ 13,144</u>	<u>\$ 21,436</u>	<u>\$ 26,814</u>
Total cash outflow for leases			<u>(\$ 46,038)</u>	<u>(\$ 51,075)</u>

17. INVESTMENT PROPERTIES

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Land	<u>\$ 27,715</u>	<u>\$ 27,715</u>	<u>\$ 13,204</u>
Building and improvements	<u>250,513</u>	<u>257,583</u>	<u>119,582</u>
	<u>\$ 278,228</u>	<u>\$ 285,298</u>	<u>\$ 132,786</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>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Year 1	<u>\$ 9,187</u>	<u>\$ 7,567</u>	<u>\$ 2,565</u>
Year 2	<u>6,622</u>	<u>6,622</u>	<u>-</u>
Year 3	<u>6,622</u>	<u>6,622</u>	<u>-</u>
Year 4	<u>6,622</u>	<u>6,622</u>	<u>-</u>
Year 5	<u>6,622</u>	<u>6,623</u>	<u>-</u>
Year 6 onwards	<u>26,489</u>	<u>29,800</u>	<u>-</u>
	<u>\$ 62,164</u>	<u>\$ 63,856</u>	<u>\$ 2,565</u>

Except for the recognition of depreciation expense, the Group's investment properties did not experience significant additions, disposals, and

impairments for the six months ended June 30, 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
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18. INTANGIBLE ASSETS

	June 30, 2020	December 31, 2019	June 30, 2019
Computer Software	<u>\$ 122</u>	<u>\$ 183</u>	<u>\$ 679</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 six months ended June 30, 2020 and 2019. Intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

Computer Software	3 years
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19. BORROWINGS

(1) Short-term borrowings

	June 30, 2020	December 31, 2019	June 30, 2019
Unsecured borrowings			
Bank loans	<u>\$ 266,000</u>	<u>\$ -</u>	<u>\$ 60,000</u>

As of June 30, 2020 and 2019, the interest rates of the revolving bank loan were 0.85%~0.88% and 0.94% (as of December 31, 2019: None).

(2) Short-term notes and bills payable

	June 30, 2020	December 31, 2019	June 30, 2019
Commercial paper	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 120,000</u>
Less: Unamortized discounts on short-term notes and bills payable	<u>-</u>	<u>-</u>	<u>(37)</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 119,963</u>

Outstanding short-term notes and bills payable were as follows (as of June 30, 2020 and December 31, 2019: None):

June 30, 2019

Promissory Institution	Nominal Amount	Discount Amount	Carrying Amount	The Range of Interest Rate
<u>Commercial paper</u>				
Mega Bills Finance Co., Ltd.	<u>\$120,000</u>	<u>\$ 37</u>	<u>\$119,963</u>	0.988%

(3) Long-term borrowings

	June 30, 2020	December 31, 2019	June 30, 2019
Line of credit borrowings	\$ 500,000	\$ -	\$ 200,000
Secured loans	<u>-</u>	<u>500,000</u>	<u>500,000</u>
	<u>\$ 500,000</u>	<u>\$ 500,000</u>	<u>\$ 700,000</u>
The range of interest rate	<u>0.94%</u>	<u>1.05%</u>	<u>1.04%</u>

In order to enrich the medium and long term working capital, the Company entered into a medium and long term credit contract with a bank, with a total credit limit of \$1,000,000 thousand. The credit contract will expire in July 2023, and the total credit amount will be revolved to utilize within the validity period. As of June 30, 2020, the Company has not yet used its credit.

In order to enrich the medium and long term working capital, CGPCPOL entered into a medium and long term credit contract with a bank, with a total credit limit of \$1,300,000 thousand. The credit contract will expire before March 2022, and the total credit amount will be revolved to utilize within the validity period. As of June 30, 2020, the utilized credit amounted to \$500,000 thousand.

In order to enrich the medium and long term working capital, TVCM entered into a medium and long term credit contract with a bank, with a total credit limit of \$1,100,000 thousand. The credit contract will expire before May 2023, and the total credit amount will be revolved to utilize within the validity period. As of June 30, 2020, TVCM has not yet used its credit.

With part of contracts under the credit agreement, the current ratio and debt ratio in the financial statements of the Group shall not be lower than the specified ratio. If there is any discrepancy, improvement measures must be reported to the bank. As of June 30, 2020, the Group has not violated the above-mentioned terms. The Group set out the assets as pledged collateral for bank borrowings in Note 32.

20. NOTES PAYABLE AND TRADE PAYABLES

	June 30, 2020	December 31, 2019	June 30, 2019
<u>Notes payable</u>			
Operating	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 183</u>
<u>Trade payables (including related parties)</u>			
Operating	<u>\$ 545,827</u>	<u>\$ 838,312</u>	<u>\$ 983,689</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

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Payables for dividends	\$ 290,613	\$ 7,212	\$ 796,358
Payables for salaries or bonuses	166,978	236,794	161,202
Payables for purchases of equipment	104,340	66,160	50,639
Payables for utilities	64,628	63,605	68,348
Payables for freight	56,446	79,446	97,936
Payables for fuel fees	40,554	64,849	73,157
Others	<u>119,479</u>	<u>112,374</u>	<u>117,752</u>
	<u>\$ 843,038</u>	<u>\$ 630,440</u>	<u>\$ 1,365,392</u>

The payables for dividends, which were for dividends that were approved in the shareholders' meetings, were not yet paid as of June 30, 2020 and 2019; refer to Note 24 for the related disclosures.

22. REFUND LIABILITIES

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Refund Liability (presented in other current liabilities)	<u>\$ 10,574</u>	<u>\$ 21,412</u>	<u>\$ 20,365</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 June 30, 2020 and 2019 and for the six months ended June 30, 2020 and 2019 were \$4,595 thousand, \$5,270 thousand, \$9,379 thousand, and \$10,540 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 \$39,540 thousand and \$52,372 thousand for the six months ended June 30, 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

	June 30, 2020	December 31, 2019	June 30, 2019
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>
Number of share dividends to be distributed (in thousands)	<u>26,351</u>	<u>-</u>	<u>20,270</u>
Share dividends to be distributed	<u>\$ 263,515</u>	<u>\$ -</u>	<u>\$ 202,703</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 are less than \$0.1 per share, it shall not be distributed. For the policies on the distribution of employees' compensation and remuneration of directors after amendment, refer to "Employees' compensation and remuneration of directors" in Note 26-(7).

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

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

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

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For the 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

(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 June 30, 2020, there was no change.

(5) Other equity items

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

	For the Six Months Ended June 30	
	2020	2019
Balance at January 1	(\$ 33,763)	(\$ 15,825)
Recognized for the period		
Exchange differences on translating the financial statements of foreign operations	(10,880)	7,072
Share of exchange differences of associates accounted for using the equity method	(682)	221
Related income tax	<u>2,312</u>	<u>(1,413)</u>
Balance at June 30	<u>(\$ 43,013)</u>	<u>(\$ 9,945)</u>

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

	For the Six Months Ended June 30	
	2020	2019
Balance at January 1	\$ 67,029	\$ 57,842
Recognized during the period		
Unrealized gain (loss) on equity instruments	20,756	11,504
Share of gain (loss) of associates accounted for using the equity method	<u>4,226</u>	<u>1,225</u>
Balance at June 30	<u>\$ 92,011</u>	<u>\$ 70,571</u>

25. REVENUE

(1) Revenue from contracts with customers

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Revenue from the sale of goods				
PVC products	\$ 2,284,686	\$ 4,117,309	\$ 5,689,191	\$ 7,076,926
VCM products	<u>2,370</u>	<u>237,262</u>	<u>189,079</u>	<u>505,352</u>
	<u>\$ 2,287,056</u>	<u>\$ 4,354,571</u>	<u>\$ 5,878,270</u>	<u>\$ 7,582,278</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.

	June 30, 2020	December 31, 2019	June 30, 2019	January 1, 2019
Contract liabilities (presented in other current liabilities)	<u>\$ 62,422</u>	<u>\$ 32,763</u>	<u>\$ 29,030</u>	<u>\$ 23,211</u>

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

26. NET PROFIT FROM CONTINUING OPERATIONS

Net profit from continuing operations was attributable to:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Owners of the Company	(\$ 55,963)	\$ 46,237	\$ 254,395	\$ 229,362
Non-controlling interests	(9,473)	(1,797)	28,154	4,937
	<u>(\$ 65,436)</u>	<u>\$ 44,440</u>	<u>\$ 282,549</u>	<u>\$ 234,299</u>

(1) Interest income

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Interest income				
Bank deposits	\$ 619	\$ 3,083	\$ 1,578	\$ 5,172
Financial assets at FVTPL	1,077	4,393	1,077	4,393
Financial assets at amortized cost	131	122	245	242
Others	19	92	55	228
	<u>\$ 1,846</u>	<u>\$ 7,690</u>	<u>\$ 2,955</u>	<u>\$ 10,035</u>

(2) Other income

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Rental income	\$ 2,829	\$ 1,390	\$ 5,639	\$ 4,510
Others	4,418	9,443	7,660	18,314
	<u>\$ 7,247</u>	<u>\$ 10,833</u>	<u>\$ 13,299</u>	<u>\$ 22,824</u>

(3) Other gains and losses

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Gain (Loss) on disposal of property, plant and equipment	(\$ 1,015)	(\$ 600)	(\$ 525)	\$ 141
Gross foreign exchange gains	1,403	28,564	43,866	42,468
Gross foreign exchange losses	(15,500)	(11,529)	(41,530)	(17,112)
Loss on financial liabilities held for trading (see Note 7)	(1,106)	(10,418)	(5,105)	(12,931)
Gain on financial assets mandatorily classified as at FVTPL (see Note 7)	7,700	9,090	13,186	26,107
Depreciation expenses from investment properties	(3,535)	(1,246)	(7,070)	(2,491)
Others	(2,204)	(2,725)	(4,716)	(4,383)
	<u>(\$ 14,257)</u>	<u>\$ 11,136</u>	<u>(\$ 1,894)</u>	<u>\$ 31,799</u>

(4) Interest expense

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Interest on bank loans	\$ 1,721	\$ 2,167	\$ 3,594	\$ 4,803
Interest on lease liabilities	536	626	1,094	1,273
Less: Capitalized interest (included construction in progress)	(18)	(11)	(31)	(23)
	<u>\$ 2,239</u>	<u>\$ 2,782</u>	<u>\$ 4,657</u>	<u>\$ 6,053</u>

Information about capitalized interest was as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Capitalized interest	\$ 18	\$ 11	\$ 31	\$ 23
Capitalization rate	0.73%	0.76%	0.72%	0.62%

(5) Depreciation and amortization

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Property, plant and equipment	\$ 144,166	\$ 138,638	\$ 290,456	\$ 272,361
Right-of-use assets	8,691	8,690	17,390	17,358
Investment properties	3,535	1,246	7,070	2,491
Intangible assets	31	487	61	1,814
Others	10,207	8,338	19,841	13,910
	<u>\$ 166,630</u>	<u>\$ 157,399</u>	<u>\$ 334,818</u>	<u>\$ 307,934</u>

(Continued)

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
An analysis of depreciation by function				
Operating costs	\$ 148,681	\$ 143,287	\$ 299,441	\$ 281,613
Operating expenses	4,176	4,041	8,405	8,106
Non-operating expenses	<u>3,535</u>	<u>1,246</u>	<u>7,070</u>	<u>2,491</u>
	<u>\$ 156,392</u>	<u>\$ 148,574</u>	<u>\$ 314,916</u>	<u>\$ 292,210</u>
An analysis of amortization by function				
Operating costs	\$ 10,207	\$ 8,338	\$ 19,841	\$ 14,333
General and administrative expenses	<u>31</u>	<u>487</u>	<u>61</u>	<u>1,391</u>
	<u>\$ 10,238</u>	<u>\$ 8,825</u>	<u>\$ 19,902</u>	<u>\$ 15,724</u>

(Concluded)

(6) Employee benefits expense

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Post-employment benefits				
Defined contribution plans	\$ 7,242	\$ 6,806	\$ 14,391	\$ 13,524
Defined benefit plans (see Note 23)	<u>4,595</u>	<u>5,270</u>	<u>9,379</u>	<u>10,540</u>
	11,837	12,076	23,770	24,064
Other employee benefits	<u>241,333</u>	<u>266,510</u>	<u>561,669</u>	<u>551,966</u>
Total employee benefits expense	<u>\$ 253,170</u>	<u>\$ 278,586</u>	<u>\$ 585,439</u>	<u>\$ 576,030</u>
An analysis of employee benefits expense by function				
Operating costs	\$ 194,849	\$ 217,392	\$ 457,747	\$ 451,804
Operating expenses	<u>58,321</u>	<u>61,194</u>	<u>127,692</u>	<u>124,226</u>
	<u>\$ 253,170</u>	<u>\$ 278,586</u>	<u>\$ 585,439</u>	<u>\$ 576,030</u>

(7) Employees' compensation and remuneration of directors

The Company accrued employees' compensation and remuneration of directors at rates of no less than 1% and no higher than 1%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. For the three months ended June 30, 2020 and 2019 and for the six months ended June 30, 2020 and 2019, the employees' compensation and remuneration of directors were as follows:

Accrual rate

	For the Six Months Ended June 30	
	2020	2019
Employees' compensation	1%	1%
Remuneration of directors	-	-

Amount

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Employees' compensation	(\$ 636)	\$ 685	\$ 2,733	\$ 2,747

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

	2019	2018
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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
<u>Current tax</u>				
In respect of the current period	(\$ 22,914)	\$ 2,500	\$ 65,636	\$ 28,381
Income tax on unappropriated earnings	2,625	14,390	2,625	14,390
Adjustments for prior periods	(9,216)	703	(9,216)	703
	(29,505)	17,593	59,045	43,474
<u>Deferred tax</u>				
In respect of the current period	(3,101)	2,613	5,821	12,037
Adjustments for prior periods	(390)	(700)	(390)	(700)
	(3,491)	1,913	5,431	11,337
Income tax expense recognized in profit or loss	(\$ 32,996)	\$ 19,506	\$ 64,476	\$ 54,811

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
<u>Deferred tax</u>				
In respect of the current year				
— Translation of foreign operations	\$ 2,430	\$ 127	\$ 2,312	(\$ 1,413)

(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 six months ended June 30, 2020 and 2019 due to relevant tax exemptions in compliance with the regulations of the location where the entities were established.

28. EARNINGS (LOSSES) PER SHARE

Unit: NT\$ Per Share				
	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Basic earnings (losses) per share				
From continuing operations and discontinued operations	(\$ 0.10)	\$ 0.09	\$ 0.46	\$ 0.42
From discontinued operations	-	(0.01)	-	(0.01)
From continuing operations	(\$ 0.10)	\$ 0.08	\$ 0.46	\$ 0.41
Diluted earnings (losses) per share				
From continuing operations and discontinued operations	(\$ 0.10)	\$ 0.09	\$ 0.46	\$ 0.42
From discontinued operations	-	(0.01)	-	(0.01)
From continuing operations	(\$ 0.10)	\$ 0.08	\$ 0.46	\$ 0.41

The weighted average number of shares outstanding used for the earnings per share computation was adjusted retroactively for the issuance of bonus shares on July 29, 2020. The basic and diluted earnings (losses) per share adjusted retrospectively for the three months ended June 30, 2019 and for the six months ended June 30, 2019 were as follows:

Unit: NT\$ Per Share				
	Before		After	
	Retrospective Adjustment	Retrospective Adjustment	Retrospective Adjustment	Retrospective Adjustment
	For the Three Months Ended June 30, 2019	For the Six Months Ended June 30, 2019	For the Three Months Ended June 30, 2019	For the Six Months Ended June 30, 2019
Basic earnings per share				
From continuing and discontinued operations	\$ 0.09	\$ 0.44	\$ 0.09	\$ 0.42
From discontinued operations	-	-	(0.01)	(0.01)
From continuing operations	\$ 0.09	\$ 0.44	\$ 0.08	\$ 0.41
Diluted earnings per share				
From continuing and discontinued operations	\$ 0.09	\$ 0.44	\$ 0.09	\$ 0.42
From discontinued operations	-	(0.01)	(0.01)	(0.01)
From continuing operations	\$ 0.09	\$ 0.43	\$ 0.08	\$ 0.41

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

Net Profit (Loss) for the Period

	<u>For the Three Months Ended June 30</u>		<u>For the Six Months Ended June 30</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Profit (loss) for the period attributable to owners of the Company [earnings (losses) used in computation of basic and diluted earnings per share]	(\$ 55,226)	\$ 49,525	\$ 255,851	\$ 233,759
Less: Profit for the period from discontinued operations	(<u>737</u>)	(<u>3,288</u>)	(<u>1,456</u>)	(<u>4,397</u>)
Earnings (losses) used in the computation of basic and diluted earnings per share from continuing operations	(<u>\$ 55,963</u>)	<u>\$ 46,237</u>	<u>\$ 254,395</u>	<u>\$ 229,362</u>

Ordinary shares outstanding

	<u>For the Three Months Ended June 30</u>		<u>Unit: thousands of shares</u> <u>For the Six Months Ended June 30</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Weighted average number of ordinary shares used in computation of basic earnings (losses) per share	553,381	553,381	553,381	553,381
Effect of potentially dilutive ordinary shares:				
Employees' compensation	<u>156</u>	<u>128</u>	<u>291</u>	<u>357</u>
Weighted average number of ordinary shares used in the computation of diluted earnings (losses) per share	<u>553,537</u>	<u>553,509</u>	<u>553,672</u>	<u>553,738</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 cannot be reliably measured.

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

1) Fair value hierarchy

June 30, 2020

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Derivative financial assets	\$ -	\$ 2,485	\$ -	\$ 2,485
Fund beneficiary certificates	1,370,921	-	-	1,370,921
Investments in equity instruments				
— Overseas unlisted equity investments	-	-	-	-
	<u>\$ 1,370,921</u>	<u>\$ 2,485</u>	<u>\$ -</u>	<u>\$ 1,373,406</u>
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments				
— Domestic listed equity investments	\$ 2,256	\$ -	\$ -	\$ 2,256
— Domestic unlisted equity investments	-	-	138,346	138,346
	<u>\$ 2,256</u>	<u>\$ -</u>	<u>\$ 138,346</u>	<u>\$ 140,602</u>
<u>Financial liabilities at FVTPL</u>				
Derivative financial liabilities	\$ -	\$ 2,043	\$ -	\$ 2,043

December 31, 2019

	Level 1	Level 2	Level 3	Total
<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>
<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	\$ -	\$ 1,227	\$ -	\$ 1,227

June 30, 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	\$ -	\$ 6,818	\$ -	\$ 6,818
Fund beneficiary certificates	636,268	-	-	636,268
Investments in equity instruments				
— Overseas unlisted equity investments	-	-	-	-
	<u>\$ 636,268</u>	<u>\$ 6,818</u>	<u>\$ -</u>	<u>\$ 643,086</u>
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments				
— Domestic listed equity investments	\$ 1,636	\$ -	\$ -	\$ 1,636
— Domestic unlisted equity investments	-	-	125,623	125,623
	<u>\$ 1,636</u>	<u>\$ -</u>	<u>\$ 125,623</u>	<u>\$ 127,259</u>
<u>Financial liabilities at FVTPL</u>				
Derivative financial liabilities	\$ -	\$ 2,943	\$ -	\$ 2,943

There were no transfers between Levels 1 and 2 for the six months ended June 30 of 2020 and 2019.

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

For the Six Months Ended June 30, 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)	20,464
Balance at June 30, 2020	<u>\$138,346</u>

For the Six Months Ended June 30, 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)	4,576
Balance at June 30, 2019	<u>\$125,623</u>

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

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

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

To determine the fair value for Level 3 financial instruments, the Group's financial department conducts independent fair value verification using independent resources so as to better reflect the market conditions, as well as periodically reviewing the valuation results in order to guarantee the rationality of the measurement. For unlisted domestic equity investments, the Group utilizes the asset approach and takes into account the most recent net asset value, observable financial status as well as the financing activities of investees in order to determine their net asset value. The unobservable input used was a discount for the lack of marketability of 15% on June 30, 2020, December 31, 2019, and June 30, 2019. When other inputs remain unchanged, the fair value will decrease by \$1,628 thousand, \$1,387 thousand, and \$1,478 thousand, respectively if the discount for lack of marketability increases by 1%.

(3) Categories of financial instruments

	June 30, 2020	December 31, 2019	June 30, 2019
<u>Financial assets</u>			
Financial assets at FVTPL			
Mandatorily classified at FVTPL	\$ 1,373,406	\$ 776,077	\$ 643,086
Financial assets at amortized cost			
Cash and cash equivalents	600,215	653,347	925,811
Pledge time deposits	269,152	269,103	269,003
Notes receivable	134,472	209,990	181,206
Trade receivables (including related parties)	965,015	1,268,810	1,829,685
Other receivables (including related parties and excluding tax refund receivable)	188,261	19,196	10,464
Refundable deposits	26,755	26,636	20,527
Financial assets at FVTOCI—Equity instruments	140,602	119,803	127,259
<u>Financial liabilities</u>			
Financial liabilities at FVTPL - held for trading	2,043	1,227	2,943
Financial liabilities measured at amortized cost			
Short-term borrowings	266,000	-	60,000
Short-term notes and bills payable	-	-	119,963
Notes payable	-	-	183
Trade payables (including related parties)	545,827	838,312	983,689
Other payables (Note 1)	684,640	406,998	1,217,996
Long-term borrowings	500,000	500,000	700,000
Guarantee deposits	19,021	4,240	4,860

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 six months ended June 30, 2020 and 2019

would have decreased/increased by \$25,121 thousand and \$41,746 thousand, respectively.

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

b) Interest rate risk

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

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

	June 30, 2020	December 31, 2019	June 30, 2019
Fair value interest rate risk			
— Financial assets	\$ 587,442	\$ 724,184	\$ 968,338
— Financial liabilities	466,394	217,541	415,061
Cash flow interest rate risk			
— Financial assets	264,425	187,120	196,982
— 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 six months ended

June 30, 2020 and 2019 would have decreased/increased by \$589 thousand and \$1,258 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 six months ended June 30, 2020 and 2019 would have increased/decreased by \$68,546 thousand and \$31,813 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 six months ended June 30, 2020 and 2019 would have increased/decreased by \$7,030 thousand and \$6,363 thousand, respectively as a result of the changes in fair value of financial assets at FVTOCI.

2) Credit risk

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

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

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

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

3) Liquidity risk

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

a) Liquidity and interest rate risk tables

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

June 30, 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		\$1,235,164	\$ 3,523	\$ -
Lease liabilities	1.04%	36,299	91,822	81,233
Floating interest rate liabilities	0.94%	-	500,000	-
Fixed interest rate liabilities	0.87%	266,000	-	-
		<u>\$1,537,463</u>	<u>\$ 595,345</u>	<u>\$ 81,233</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>\$ 36,299</u>	<u>\$ 91,822</u>	<u>\$ 73,410</u>	<u>\$ 7,823</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>

June 30, 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		\$2,209,178	\$ 11,488	\$ -
Lease liabilities	1.04%	36,449	113,984	95,914
Floating interest rate liabilities	1.04%	-	700,000	-
Fixed interest rate liabilities	0.97%	180,000	-	-
		<u>\$2,425,627</u>	<u>\$ 825,472</u>	<u>\$ 95,914</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>\$ 36,449</u>	<u>\$ 113,984</u>	<u>\$ 73,410</u>	<u>\$ 22,504</u>

b) Financing facilities

The Group relies on bank loans as a significant source of liquidity. As of June 30, 2020, December 31, 2019, and June 30, 2019, the unused amounts of bank loan facilities were as follows:

	June 30, 2020	December 31, 2019	June 30, 2019
Bank loan facilities			
— Amount unused	<u>\$ 7,055,968</u>	<u>\$ 5,724,081</u>	<u>\$ 5,702,192</u>

31. TRANSACTIONS WITH RELATED PARTIES

As of June 30, 2020, December 31, 2019, and June 30, 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 ("SPC")	Fellow subsidiary
Taiwan United Venture Management Corporation	Fellow subsidiary
Chong Loong Trading Co., Ltd.	Fellow subsidiary
Dynamic Ever Investments Limited	Fellow subsidiary
INOMA Corporation ("INOMA")	Fellow subsidiary
Taita Chemical (Zhong Shan) Co., Ltd. ("TTC (ZS)")	Subsidiary of investor with significant influence
APC Investment Corporation	Subsidiary of investor with significant influence
USI Educational Foundation ("USIF")	Related party in substance

(2) Sales of goods

Related Party Category	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Investor with significant influence	\$ 310	\$ 783	\$ 1,093	\$ 1,398
Fellow subsidiary	101	-	377	169
	<u>\$ 411</u>	<u>\$ 783</u>	<u>\$ 1,470</u>	<u>\$ 1,567</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 June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Fellow subsidiary	\$ 5,190	\$ 1,326	\$ 10,385	\$ 2,398
Parent company				
USI	<u>-</u>	<u>55</u>	<u>53</u>	<u>111</u>
	<u>\$ 5,190</u>	<u>\$ 1,381</u>	<u>\$ 10,438</u>	<u>\$ 2,509</u>

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

(4) Trade receivables

Related Party Category	June 30, 2020	December 31, 2019	June 30, 2019
Investor with significant influence	<u>\$ 325</u>	<u>\$ 822</u>	<u>\$ -</u>

The outstanding trade receivables from related parties were unsecured. For the six months ended June 30, 2020 and 2019, no impairment loss was recognized for trade receivables from related parties.

(5) Trade payables to related parties

Related Party Category/Name	June 30, 2020	December 31, 2019	June 30, 2019
Parent company			
USI	\$ 26,871	\$ 155,788	\$ 102,334
Fellow subsidiary	<u>3,160</u>	<u>551</u>	<u>455</u>
	<u>\$ 30,031</u>	<u>\$ 156,339</u>	<u>\$ 102,789</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	June 30, 2020	December 31, 2019	June 30, 2019
Parent company			
USI	\$ 88,987	\$ 727	\$ 481
Investor with significant influence			
TTC	818	537	694
APC	272	13,019	298
Fellow subsidiary	49	28	53
Associate	3	3	3
Subsidiary of investor with significant influence			
TTC (ZS)	-	-	97
Others	<u>1</u>	<u>1</u>	<u>1</u>
	<u>\$ 90,130</u>	<u>\$ 14,315</u>	<u>\$ 1,627</u>

Other receivables from parent company as of June 30, 2020 are mainly due to lending raw materials receivables.

(7) Other payables to related parties

Related Party Category/Name	June 30, 2020	December 31, 2019	June 30, 2019
Associate			
CGTD	\$ 5,392	\$ 12,550	\$ 9,394
Parent company			
USI	2,784	1,993	2,693
Investor with significant influence			
APC	273	344	1,527
Others	6	32	30
Fellow subsidiary	104	128	118
Subsidiary of investor with significant influence	21	37	44
	<u>\$ 8,580</u>	<u>\$ 15,084</u>	<u>\$ 13,806</u>

(8) Acquisitions of property, plant and equipment

Related Party Category/Name	Purchase Price	
	For the Six Months Ended June 30	
	2020	2019
Fellow subsidiary		
INOMA	\$ -	\$ 743

(9) Lease arrangements

Related Party Category/Name	June 30, 2020	December 31, 2019	June 30, 2019	
<u>Lease liabilities</u>				
Investor with significant influence				
APC	\$ 143,253	\$ 149,693	\$ 156,099	
TTC	26,252	30,918	35,561	
Associate				
CGTD	19,458	23,289	27,101	
	<u>\$ 188,963</u>	<u>\$ 203,900</u>	<u>\$ 218,761</u>	
	For the Three Months Ended June 30	For the Six Months Ended June 30		
Related Party Category/Name	2020	2019	2020	2019
<u>Interest expense</u>				
Investor with significant influence				
APC	\$ 378	\$ 412	\$ 764	\$ 831
Others	72	97	150	199
Associate	54	73	113	152
	<u>\$ 504</u>	<u>\$ 582</u>	<u>\$ 1,027</u>	<u>\$ 1,182</u>
<u>Lease expense</u>				
Parent company				
USI	\$ 1,974	\$ 1,789	\$ 3,947	\$ 3,566
Investor with significant influence	729	834	1,568	1,646
	<u>\$ 2,703</u>	<u>\$ 2,623</u>	<u>\$ 5,515</u>	<u>\$ 5,212</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 June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Associate				
CGTD	<u>\$ 10,091</u>	<u>\$ 23,055</u>	<u>\$ 38,520</u>	<u>\$ 55,110</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 June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Parent company				
USI	<u>\$ 810</u>	<u>\$ 428</u>	<u>\$ 1,620</u>	<u>\$ 1,019</u>

(12) Management service expenses

Related Party Category/Name	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Fellow subsidiary				
UM	\$ 17,601	\$ 22,185	\$ 38,317	\$ 42,823
Others	-	28	29	57
Parent company				
USI	<u>943</u>	<u>1,581</u>	<u>1,877</u>	<u>2,764</u>
	<u>\$ 18,544</u>	<u>\$ 23,794</u>	<u>\$ 40,223</u>	<u>\$ 45,644</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 June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Related party in substance				
USIF	<u>\$ 1,000</u>	<u>\$ -</u>	<u>\$ 1,250</u>	<u>\$ 2,500</u>

(14) Rental income

Related Party Category/Name	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Fellow subsidiary				
USIO	\$ 845	\$ 1,217	\$ 1,690	\$ 4,219
Investor with significant influence	<u>67</u>	<u>57</u>	<u>133</u>	<u>79</u>
	<u>\$ 912</u>	<u>\$ 1,274</u>	<u>\$ 1,823</u>	<u>\$ 4,298</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 June 30, 2020 and 2019 and for the six months ended June 30, 2020 and 2019 were as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Salaries and others	\$ 4,314	\$ 4,152	\$ 7,973	\$ 7,743
Post-employment benefits	76	89	152	163
	<u>\$ 4,390</u>	<u>\$ 4,241</u>	<u>\$ 8,125</u>	<u>\$ 7,906</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:

	June 30, 2020	December 31, 2019	June 30, 2019
Pledge deposits (classified as debt investments with no active market or other non-current assets)	\$ 288,475	\$ 288,275	\$ 282,055
Property, plant and equipment			
Land	1,650,957	1,650,957	1,650,957
Buildings and improvements, net	472,422	486,815	502,874
Machinery and equipment, net	<u>473,453</u>	<u>511,933</u>	<u>560,609</u>
	<u>\$ 2,885,307</u>	<u>\$ 2,937,980</u>	<u>\$ 2,996,495</u>

By setting the land and plants as collateral, the Company signed a medium and long term secured loan contract with a credit limit of \$1,000,000 thousand with a bank to enrich working capital. The total credit amount will be revolved to utilize within the validity period.

The Company's subsidiary, CGPCPOL, pledged its land, plants, machinery and equipment as collateral for a medium and long term credit contract with a Bank.

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 June 30, 2020, December 31, 2019, and June 30, 2019, the Group's unused letters of credit amounted to \$289,399 thousand, \$574,076 thousand and \$891,575 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 \$227,396 thousand, interests included, to the Kaohsiung City Government as collateral for the loss caused by the gas explosion. The Kaohsiung City Government also filed civil procedure requests in succession against LCY Chemical Corp., CGTD and CPC Corporation, Taiwan ("CPC"). Taiwan Power Company applied for provisional attachment against CGTD's property on August 27 and November 26, 2015. CGTD had deposited \$99,207 thousand in cash to the court to be exempted from provisional attachment. Taiwan Water Corporation also applied for provisional attachment against CGTD's property on February 3 and March 2, 2017. As of July 31, 2020, the provisionally attached property was worth \$8,309 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 July 31, 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 \$1,360,916 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 \$406,679 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

June 30, 2020

	Foreign Currencies	Exchange Rate (In Single Dollars)	Functional Currencies	NT\$
<u>Financial Assets</u>				
<u>Monetary items</u>				
USD	\$ 33,089	29.630 (USD : NTD)	\$ 980,429	\$ 980,429
AUD	559	20.335 (AUD : NTD)	11,362	11,362
USD	292	7.0795 (USD : CNY)	2,071	8,667
EUR	203	33.270 (EUR : NTD)	6,763	6,763
GBP	179	36.430 (GBP : NTD)	6,507	6,507
<u>Financial Liabilities</u>				
<u>Monetary items</u>				
USD	5,121	29.630 (USD : NTD)	151,723	151,723

December 31, 2019

	Foreign Currencies	Exchange Rate (In Single Dollars)	Functional Currencies	NT\$
<u>Financial Assets</u>				
<u>Monetary items</u>				
USD	\$ 41,131	29.980 (USD : NTD)	\$ 1,233,097	\$ 1,233,097
AUD	611	21.005 (AUD : NTD)	12,835	12,835
EUR	343	33.590 (EUR : NTD)	11,505	11,505
USD	292	6.9762 (USD : CNY)	2,040	8,769
GBP	60	39.360 (GBP : NTD)	2,371	2,371
<u>Financial Liabilities</u>				
<u>Monetary items</u>				
USD	11,406	29.980 (USD : NTD)	341,947	341,947

June 30, 2019

	Foreign Currencies	Exchange Rate (In Single Dollars)	Functional Currencies	NT\$
<u>Financial Assets</u>				
<u>Monetary items</u>				
USD	\$ 59,284	31.060 (USD : NTD)	\$ 1,841,364	\$ 1,841,364
AUD	566	21.795 (AUD : NTD)	12,341	12,341
EUR	374	35.380 (EUR : NTD)	13,226	13,226
USD	296	6.8747 (USD : CNY)	2,038	9,205
GBP	74	39.390 (GBP : NTD)	2,901	2,901
<u>Financial Liabilities</u>				
<u>Monetary items</u>				
USD	14,779	31.060 (USD : NTD)	459,035	459,035
JPY	6,000	0.2886 (JPY : NTD)	1,732	1,732

For the three months ended June 30, 2020 and 2019 and for the six months ended June 30, 2020 and 2019, net foreign exchange gains (losses) were \$(14,097) thousand, \$17,035 thousand, \$2,336 thousand, and \$25,356 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 Six Months Ended June 30, 2020

	VCM Products	PVC Products	Total
Revenue from external customers	\$ 189,079	\$ 5,689,191	\$ 5,878,270
Inter-segment revenue	3,276,647	205,161	3,481,808
Segment revenue	<u>\$ 3,465,726</u>	<u>\$ 5,894,352</u>	9,360,078
Eliminations			(3,481,808)
Consolidated revenue			<u>\$ 5,878,270</u>
Segment income	<u>\$ 14,372</u>	<u>\$ 307,568</u>	\$ 321,940
Share of gain of associates accounted for using the equity method			15,382
Interest income			2,955
Rental income			5,639
Gain on disposal of property, plant and equipment			(525)
Foreign exchange gains			2,336
Loss on financial instruments held for trading			(5,105)
Gain on financial assets mandatorily classified as at FVTPL			13,186
Depreciation expenses of investment properties			(7,070)
Interest expense			(4,657)
Others			2,944
Profit before tax from continuing operations			<u>\$ 347,025</u>

For the Six Months Ended June 30, 2019

	VCM Products	PVC Products	Total
Revenue from external customers	\$ 505,352	\$ 7,076,926	\$ 7,582,278
Inter-segment revenue	4,466,071	219,407	4,685,478
Segment revenue	<u>\$ 4,971,423</u>	<u>\$ 7,296,333</u>	12,267,756
Eliminations			(4,685,478)
Consolidated revenue			<u>\$ 7,582,278</u>
Segment income	<u>\$ 3,108</u>	<u>\$ 210,690</u>	\$ 213,798
Share of gain of associates accounted for using the equity method			16,707
Interest income			10,035
Rental income			4,510
Gain on disposal of property, plant and equipment			141
Foreign exchange gains			25,356
Loss on financial instruments held for trading			(12,931)
Gain on financial assets mandatorily classified as at FVTPL			26,107
Interest expense			(6,053)
Others			11,440
Profit before tax from continuing operations			<u>\$ 289,110</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 SIX MONTHS ENDED JUNE 30, 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	\$ 4,955,322	\$ 2,200,000	\$ 2,150,000	\$ 564,815	None	26.03%	\$ 8,258,870	Yes	No	No

Note 1: The ratio is calculated using the ending balance of equity of the Company as of June 30, 2020.

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

CHINA GENERAL PLASTICS CORPORATION AND SUBSIDIARIES
MARKETABLE SECURITIES HELD
JUNE 30, 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	June 30, 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	\$ 45,356	-	\$ 45,356	1
Taiwan VCM Corporation	<u>Open-end fund beneficiary certificates</u>							
	Shin Kong Chi-Shin Money-Market Fund	—	Financial assets at FVTPL - current	5,841,399	91,006	-	91,006	1
	Capital Money Market Fund	—	Financial assets at FVTPL - current	2,586,764	42,001	-	42,001	1
	FSITC Taiwan Money Market Fund	—	Financial assets at FVTPL - current	2,532,172	39,003	-	39,003	1
	Nomura Taiwan Money Market Fund	—	Financial assets at FVTPL - current	1,827,998	30,010	-	30,010	1
	CTBC Hua-win Money Market Fund	—	Financial assets at FVTPL - current	2,617,140	29,021	-	29,021	1
	<u>Ordinary shares</u>							
	KHL IB Venture Capital Co., Ltd.	—	Financial assets at FVTOCI - non-current	7,664,611	138,346	5.95%	138,346	1
	<u>Open-end fund beneficiary certificates</u>							
	Taishin 1699 Money Market Fund	—	Financial assets at FVTPL - current	10,068,950	137,132	-	137,132	1
	CTBC Hua -win Money Market Fund	—	Financial assets at FVTPL - current	9,926,512	110,075	-	110,075	1
	Hua Nan Phoenix Money Market Fund	—	Financial assets at FVTPL - current	6,117,555	100,070	-	100,070	1
	Nomura Taiwan Money Market Fund	—	Financial assets at FVTPL - current	4,876,763	80,062	-	80,062	1
	Hua Nan Kirin Money Market Fund	—	Financial assets at FVTPL - current	5,816,148	70,056	-	70,056	1
	FSITC Taiwan Money Market Fund	—	Financial assets at FVTPL - current	3,249,391	50,051	-	50,051	1
	Capital Money Market Fund	—	Financial assets at FVTPL - current	3,081,132	50,028	-	50,028	1
	Eastspring Investments Well Pool Money Market Fund	—	Financial assets at FVTPL - current	3,654,597	50,026	-	50,026	1
	<u>Open-end fund beneficiary certificates</u>							
	Prudential Financial Money Market Fund	—	Financial assets at FVTPL - current	3,140,723	50,009	-	50,009	1
	Shin Kong Chi-Shin Money-Market Fund	—	Financial assets at FVTPL - current	3,209,902	50,008	-	50,008	1
	Fuh Hwa Money Market Fund	—	Financial assets at FVTPL - current	3,443,550	50,008	-	50,008	1
	Cathay Taiwan Money Market Fund	—	Financial assets at FVTPL - current	3,996,068	50,008	-	50,008	1
	Taishin Ta-Chong Money Market Fund	—	Financial assets at FVTPL - current	3,362,074	48,063	-	48,063	1
	FSITC Money Market Fund	—	Financial assets at FVTPL - current	55,731	10,006	-	10,006	1
	UPAMC James Bond Money Market Fund	—	Financial assets at FVTPL - current	594,792	10,002	-	10,002	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	2,256	0.02%	2,256	1

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	June 30, 2020				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
CGPC Polymer Corporation	<u>Open-end fund beneficiary certificates</u>							
	FSITC Money Market Fund	—	Financial assets at FVTPL - current	317,525	57,006	-	57,006	1
	Capital Money Market Fund	—	Financial assets at FVTPL - current	3,079,671	50,004	-	50,004	1
	Hua Nan Phoenix Money Market Fund	—	Financial assets at FVTPL - current	3,056,664	50,000	-	50,000	1
	Taishin 1699 Money Market Fund	—	Financial assets at FVTPL - current	1,608,733	21,910	-	21,910	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

(Concluded)

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

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

Note 3: As of June 30, 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 SIX MONTHS ENDED JUNE 30, 2020

Table 3

Unit: In Thousands of New Taiwan Dollars

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counter-party	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Number of Shares	Amount (Note)	Number of Shares	Amount	Number of Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Number of Shares	Amount (Note)
China General Plastics Corporation	<u>Beneficiary certificates</u>													
	Jih Sun Money Market Fund	Financial assets at FVTPL - current	—	—	6,722,102	\$ 100,000	14,639,820	\$ 218,000	21,361,922	\$ 318,089	\$ 318,000	\$ 89	-	\$ -
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	36,859,365	548,937	548,601	336	-	-
	Taishin 1699 Money Market Fund	Financial assets at FVTPL - current	—	—	8,813,848	119,700	17,158,745	233,400	24,363,860	331,300	331,200	100	1,608,733	21,900

Note: The amounts as of June 30, 2020 were accounted for as the original investment cost.

CHINA GENERAL PLASTICS CORPORATION AND SUBSIDIARIES
TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE SIX MONTHS ENDED JUNE 30, 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	\$ 1,758,467	71%	45 days	No major difference	No major difference	Trade payables to related parties (\$375,638)	(66%)
	CGPC America Corporation	Subsidiary	Sale	(189,748)	(5%)	90 days	No major difference	No major difference	Trade receivables from related parties 98,979	13%
Taiwan VCM Corporation	China General Plastics Corporation	Parent company	Sale	(1,758,467)	(51%)	45 days	No major difference	No major difference	Trade receivables from related parties 375,638	58%
	CGPC Polymer Corporation	Fellow subsidiary	Sale	(1,518,180)	(44%)	45 days	No major difference	No major difference	Trade receivables from related parties 275,063	42%
CGPC Polymer Corporation	Taiwan VCM Corporation	Fellow subsidiary	Purchase	1,518,180	95%	45 days	No major difference	No major difference	Trade payables to related parties (275,063)	(97%)
CGPC America Corporation	China General Plastics Corporation	Parent company	Purchase	189,748	85%	90 days	No major difference	No major difference	Trade payables to related parties (98,979)	(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
JUNE 30, 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		
Taiwan VCM Corporation	China General Plastics Corporation	Parent company	Trade receivables from related parties <u>\$ 375,638</u>	5.66	\$ -	—	\$ 75,224	(Note 1)
	CGPC Polymer Corporation	Fellow subsidiary	Trade receivables from related parties <u>\$ 275,063</u>	5.96	-	—	33,108	(Note 1)

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

Note 2: The subsequent period is between July 1 and July 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 SIX MONTHS ENDED JUNE 30, 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	\$ 375,638	No major difference	3%
			1	Purchases	1,758,467	No major difference	30%
		CGPC America Corporation	1	Trade receivables from related parties	98,979	No major difference	1%
			1	Sales revenue	189,748	No major difference	3%
		CGPC Polymer Corporation	1	Other receivables from related parties	980	No major difference	-
			1	Trade payables to related parties	5,181	No major difference	-
			1	Purchases	15,413	No major difference	-
1	CGPC Polymer Corporation	Taiwan VCM Corporation	3	Trade payables to related parties	275,063	No major difference	2%
			3	Other payables to related parties	13,076	No major difference	-
			3	Purchases	1,518,180	No major difference	26%

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 SIX MONTHS ENDED JUNE 30, 2020

Table 7

Unit: In Thousands of New Taiwan Dollars

Investor Company	Investee Company	Location	Business Content	Original Investment Amount		As of June 30, 2020			Net Income (Loss) of Investee	Share of Profit (Loss)	Note
				June 30, 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	226,609,751	87.22%	\$ 3,190,796	\$ 220,260	\$ 200,333	Subsidiary
	CGPC Polymer Corporation	12F., No. 37, Jihu Rd., Neihsu Dist., Taipei City 114, Taiwan (R.O.C.)	Manufacturing & marketing of PVC resins	800,000	800,000	80,000,000	100.00%	886,548	(7,878)	(7,878)	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%	340,481	2,001	2,001	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%	276,668	44,573	14,858	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%	199,314	7,668	7,668	Subsidiary
	Acme Electronics Corporation	8F., No. 39, Jihu Rd., Neihsu Dist., Taipei City 114, Taiwan (R.O.C.)	Manufacturing & marketing of Mn-Zn and Ni-Zn ferrite cores.	33,995	33,995	3,176,019	1.74%	21,579	30,108	523	Associate accounted for using the equity method
	Thintec Materials Corporation	12F., No. 37, Jihu Rd., Neihsu Dist., Taipei City 114, Taiwan (R.O.C.)	Manufacturing & marketing of reinforced plastic products	13,725	15,000	600,000	10.00%	173	15	1	Associate accounted for using the equity method (Note 1)

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

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 SIX MONTHS ENDED JUNE 30, 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 June 30, 2020 (Note 1)	Net Income (Loss) of Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Notes 5)	Carrying Amount as of June 30, 2020 (Notes 1 and 5)	Accumulated Repatriation of Investment Income as of June 30, 2020
					Outflow	Inflow						
Continental General Plastics (Zhong Shan) Co., Ltd. (“CGPC (ZS)”) (Note 4)	Manufacturing & marketing of PVC film and consumer products	\$ 592,600 (US\$20,000 thousand)	Investment through CGPC (BVI) Holding Co., Ltd. (“CGPC (BVI)”)	\$ 592,600 (US\$20,000 thousand)	\$ -	\$ -	\$ 592,600 (US\$20,000 thousand)	\$ 1,440 (US\$48 thousand)	100%	\$ 1,440 (US\$48 thousand)	\$ 252,664 (US\$8,527 thousand)	\$ -
CGPC Consumer Products Corporation (“CGPC (CP)”) (Note 4)	Manufacturing & marketing of PVC consumer products	44,445 (US\$1,500 thousand)	Investment through CGPC (BVI) Holding Co., Ltd. (“CGPC (BVI)”)	44,445 (US\$1,500 thousand)	-	-	44,445 (US\$1,500 thousand)	16 (US\$1 thousand)	100%	16 (US\$1 thousand)	12,976 (US\$438 thousand)	-

Accumulated Outward Remittance for Investment in Mainland China as of June 30, 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
\$ 802,440 (US\$ 27,082 thousand)	\$ 930,382 (US\$ 31,400 thousand)	(Note2)

Note 1: The calculation was based on the spot exchange rate of June 30, 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 \$20,267 thousand (US\$684 thousand), the investment amount of Union (ZS) of \$26,608 thousand (US\$898 thousand) and the investment amount of CGPC (SH) of \$118,520 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 June 30, 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
JUNE 30, 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.