# Lucky Cement Co.

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

Notice to readers
This English-version report is a summary translation of the Chinese version. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail

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## INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Lucky Cement Co.

### Opinion

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

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

### Basis of Opinion

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

### Key Audit Matters

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

The descriptions of the key audit matters of the financial statements for the year ended December 31, 2019 are as follows:

<u>The Existence of Sales Revenue from Key Customers</u>

The Company's sales revenue mainly comes from merchandise sales of cement, stone materials and other cement subsidiary products. The amount of the sales revenue in 2019 arising from the new key customers or customers whose sales revenue increased over Performance Materiality is NT$541,734,000, as 18% of the total sales revenue. Since the sales revenue from key customers fluctuates and whether the revenue has truly occurred is the presumed significant risk of the ISA, the key audit matters are listed.

Please refer to Note 4 (10) of the financial statement for accounting policies of the revenue recognition; Note 22 (1) for the disclosure related to the operating revenue.

Our key audit procedures performed in respect of the above area included the following:

1. Understood the internal control system of the sale of goods and assessed the design and effectiveness of the implementation of the internal control.

2. Gained the summary of sales transactions of the key customers across the year, adjusted and ensured the completeness of related transactions. In addition, selecting the samples from the summary, and reviewing the evidence and vouchers to verify the existence of sales revenue.

3. Obtained the post-period general ledger of sales revenue, inspecting whether significant sales return and allowance incurred, to ensure the accuracy of the revenue recognition.

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

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

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

Those charged with governance (including members of the Audit Committee) are responsible for overseeing the Company's financial reporting process.

**Auditors' Responsibilities for the Audit of the Financial Statements**

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

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

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

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

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

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

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

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

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Hai-Yueh Huang and Yung-Fu Liu.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 27, 2020

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

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

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

## LUCKY CEMENT CO.

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

| | 2019 | | 2018 | |
|---|---|---|---|---|
| **ASSETS** | **Amount** | **%** | **Amount** | **%** |
| CURRENT ASSETS | | | | |
| Cash (Note 6) | $ 165,724 | 3 | $ 142,537 | 2 |
| Financial assets at fair value through profit or loss - current (Notes 4, 7 and 28) | 980 | - | 856 | - |
| Financial assets at fair value through other comprehensive income - current (Notes 4, 8 and 28) | 15,962 | - | 105,718 | 2 |
| Notes receivable (Notes 4 and 9) | 413,731 | 6 | 252,051 | 4 |
| Notes receivable from related parties (Notes 4, 9 and 29) | 59,119 | 1 | 39,352 | 1 |
| Accounts receivable (Notes 4 and 9) | 92,559 | 2 | 87,740 | 1 |
| Accounts receivable from related parties (Notes 4, 9 and 29) | 64,786 | 1 | 36,969 | 1 |
| Other receivables (Notes 4 and 9) | 87,240 | 1 | 970 | - |
| Other receivables from related parties (Notes 9 and 29) | 59,595 | 1 | 70,307 | 1 |
| Current income tax assets (Note 24) | 17,519 | - | 17,517 | - |
| Inventories (Notes 4 and 10) | 365,885 | 6 | 465,967 | 7 |
| Prepayments (Note 11) | 146,520 | 2 | 167,615 | 2 |
| Other financial assets (Note 12) | 90,165 | 1 | 105,231 | 2 |
| Total current assets | 1,579,785 | 24 | 1,492,830 | 23 |
| NON-CURRENT ASSETS | | | | |
| Financial assets at fair value through other comprehensive income - non-current (Notes 4, 8 and 28) | 19,465 | - | 18,702 | - |
| Investments accounted for using the equity method (Notes 4 and 13) | 2,649,638 | 41 | 2,703,503 | 41 |
| Property, plant and equipment (Notes 4 and 14) | 1,628,604 | 25 | 1,785,767 | 27 |
| Right-of-use assets (Notes 4 and 15) | 115,920 | 2 | - | - |
| Deferred income tax assets (Notes 4 and 24) | 102,042 | 2 | 112,141 | 2 |
| Refundable deposits (Notes 29 and 31) | 174,728 | 3 | 240,766 | 4 |
| Other non-current assets (Note 16) | 195,377 | 3 | 193,941 | 3 |
| Total non-current assets | 4,885,774 | 76 | 5,054,820 | 77 |
| TOTAL | $ 6,465,559 | 100 | $ 6,547,650 | 100 |
| **LIABILITIES AND EQUITY** | | | | |
| CURRENT LIABILITIES | | | | |
| Short-term borrowings (Note 17) | $ 226,700 | 3 | $ 848,200 | 13 |
| Short-term bills payable (Note 17) | 99,820 | 2 | 159,912 | 2 |
| Contract liabilities (Note 22) | 267,633 | 4 | 199,333 | 3 |
| Notes payable (Note 18) | 128,089 | 2 | 98,248 | 2 |
| Notes payable to related parties (Notes 18 and 29) | 30,823 | - | 43,697 | 1 |
| Accounts payable (Note 18) | 70,584 | 1 | 81,089 | 1 |
| Accounts payable to related parties (Notes 18 and 29) | 32,138 | - | 23,657 | - |
| Other payables (Note 19) | 105,252 | 2 | 92,467 | 1 |
| Other payables to related parties (Note 29) | 4,060 | - | 1,547 | - |
| Current income tax liabilities (Note 24) | 1,201 | - | - | - |
| Lease liabilities - current (Notes 4 and 15) | 42,993 | 1 | - | - |
| Current portion of long-term borrowings (Note 17) | 310,000 | 5 | - | - |
| Other current liabilities | 464 | - | 511 | - |
| Total current liabilities | 1,319,757 | 20 | 1,548,661 | 23 |
| NON-CURRENT LIABILITIES | | | | |
| Long-term borrowings (Note 17) | 670,000 | 10 | 660,000 | 10 |
| Deferred tax liabilities (Notes 4 and 24) | 23,792 | - | 33,891 | 1 |
| Lease liabilities - non-current (Notes 4 and 15) | 74,069 | 1 | - | - |
| Net defined benefit liabilities (Notes 4 and 20) | 26,481 | 1 | 48,946 | 1 |
| Guarantee deposits received | 30,600 | 1 | 29,232 | - |
| Total non-current liabilities | 824,942 | 13 | 772,069 | 12 |
| Total liabilities | 2,144,699 | 33 | 2,320,730 | 35 |
| EQUITY (Note 21) | | | | |
| Share capital | | | | |
| Common stock | 4,047,380 | 63 | 4,047,380 | 62 |
| Capital surplus | 8 | - | 8 | - |
| Retained earnings | | | | |
| Legal reserve | 166,309 | 3 | 166,309 | 3 |
| Special reserve | 17,256 | - | 17,376 | - |
| Unappropriated earnings | 85,901 | 1 | (1,032) | - |
| Total retained earnings | 269,466 | 4 | 182,653 | 3 |
| Other equity | 4,006 | - | (3,121) | - |
| Total equity | 4,320,860 | 67 | 4,226,920 | 65 |
| TOTAL | $ 6,465,559 | 100 | $ 6,547,650 | 100 |

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

## LUCKY CEMENT CO.

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

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | **Amount** | **%** | **Amount** | **%** |
| OPERATING REVENUES (Notes 4 and 22) | | | | |
| Sales | $ 2,931,465 | 100 | $ 2,811,247 | 100 |
| Less: Discounts and allowances | (218) | - | (750) | - |
| Total operating revenues | 2,931,247 | 100 | 2,810,497 | 100 |
| OPERATING COSTS (Notes 10, 23 and 29) | 2,686,386 | 92 | 2,660,209 | 95 |
| GROSS PROFIT | 244,861 | 8 | 150,288 | 5 |
| OPERATING EXPENSES (Notes 23 and 29) | | | | |
| Selling and marketing expenses | 99,093 | 3 | 94,078 | 3 |
| General and administrative expenses | 78,048 | 3 | 82,976 | 3 |
| Expected credit gain | (214) | - | (30) | - |
| Total operating expenses | 176,927 | 6 | 177,024 | 6 |
| OTHER OPERATING INCOME AND EXPENSES (Note 23) | 4,120 | - | 4,717 | - |
| PROFIT/(LOSS) FROM OPERATIONS | 72,054 | 2 | (22,019) | (1) |
| NON-OPERATING INCOME AND EXPENSES (Notes 4, 8, 23 and 29) | | | | |
| Interest income | 2,932 | - | 4,925 | - |
| Rental income | 18,886 | 1 | 24,797 | 1 |
| Other gains | 9,437 | - | 8,523 | - |
| Foreign exchange gain (loss) | 1,896 | - | (65) | - |
| Fair value changes of financial assets | 124 | - | (144) | - |
| Other losses | (9,209) | - | (13,918) | - |
| Interest expense | (28,524) | (1) | (20,789) | (1) |
| Share of loss of subsidiaries and associates | (20,313) | (1) | (141,490) | (5) |
| Total non-operating income and expenses | (24,771) | (1) | (138,161) | (5) |
| PROFIT/(LOSS) BEFORE INCOME TAX | 47,283 | 1 | (160,180) | (6) |
| INCOME TAX EXPENSE (Notes 4 and 24) | (1,378) | - | (16,791) | - |
| NET PROFIT/(LOSS) | 45,905 | 1 | (176,971) | (6) |

(Continued)

# LUCKY CEMENT CO.

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

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | **Amount** | **%** | **Amount** | **%** |
| OTHER COMPREHENSIVE INCOME (LOSS) | | | | |
| Items that will not be reclassified subsequently to profit or loss: | | | | |
| Unrealized gain on investments in equity instruments designated as at fair value through other comprehensive income | $ 18,855 | 1 | $ 745 | - |
| Remeasurement of a defined benefit plan (Note 20) | 8,232 | - | 2,464 | - |
| Share of the other comprehensive income/(loss) of subsidiaries and associates accounted for using the equity method | 20,350 | 1 | (13,342) | - |
| Items that may be reclassified subsequently to profit or loss: | | | | |
| Exchange differences on translating the financial statements of foreign operations | (210) | - | 15,849 | - |
| Share of the other comprehensive income/(loss) of subsidiaries and associates accounted for using the equity method | 808 | - | (749) | - |
| Other comprehensive income, net of income tax | 48,035 | 2 | 4,967 | - |
| TOTAL COMPREHENSIVE INCOME | $ 93,940 | 3 | $ (172,004) | (6) |
| EARNINGS PER SHARE (Note 25) | | | | |
| Basic | $ 0.11 | | $ (0.44) | |
| Diluted | $ 0.11 | | $ (0.44) | |

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

## LUCKY CEMENT CO.

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

| | | | Retained Earnings | | | Other Equity | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Common Stock | Capital Surplus | Legal Reserve | Special Reserve | Unappropriated Earnings | Exchange Differences on Translating Foreign Operations | Unrealized Gain (Loss) on Available-for-sale Financial Assets | Unrealized Gain on Financial Assets at Fair Value through Other Comprehensive Income | Total Equity |
| BALANCE, JANUARY 1, 2018 | $ 4,047,380 | $ 8 | $ 166,309 | $ 14,135 | $ 177,528 | $ (8,187) | $ 4,946 | $ - | $ 4,402,119 |
| Effect of retrospective application | - | - | - | - | (2,887) | - | (4,946) | 5,716 | (2,117) |
| BALANCE AT JANUARY 1, 2018 AS RESTATED | 4,047,380 | 8 | 166,309 | 14,135 | 174,641 | (8,187) | - | 5,716 | 4,400,002 |
| Appropriation of 2017 earnings<br>Special reserve | - | - | - | 3,241 | (3,241) | - | - | - | - |
| Net loss for the year ended December 31, 2018 | - | - | - | - | (176,971) | - | - | - | (176,971) |
| Other comprehensive income (loss) for the year ended December 31, 2018 | - | - | - | - | 2,825 | 15,847 | - | (13,705) | 4,967 |
| Total comprehensive income (loss) for the year ended December 31, 2018 | - | - | - | - | (174,146) | 15,847 | - | (13,705) | (172,004) |
| Changes in percentage of ownership interests in subsidiaries | - | - | - | - | (1,078) | - | - | - | (1,078) |
| Disposal of investments in equity instruments designated as at fair value through other comprehensive income | - | - | - | - | 2,792 | - | - | (2,792) | - |
| BALANCE AT DECEMBER 31, 2018 | 4,047,380 | 8 | 166,309 | 17,376 | (1,032) | 7,660 | - | (10,781) | 4,226,920 |
| Appropriation of 2018 earnings<br>Special reserve | - | - | - | (120) | 120 | - | - | - | - |
| Net profit for the year ended December 31, 2019 | - | - | - | - | 45,905 | - | - | - | 45,905 |
| Other comprehensive income (loss) for the year ended December 31, 2019 | - | - | - | - | 5,442 | (210) | - | 42,803 | 48,035 |
| Total comprehensive income (loss) for the year ended December 31, 2019 | - | - | - | - | 51,347 | (210) | - | 42,803 | 93,940 |
| Disposal of investments in equity instruments designated as at fair value through other comprehensive income | - | - | - | - | 35,466 | - | - | (35,466) | - |
| BALANCE AT DECEMBER 31, 2019 | $ 4,047,380 | $ 8 | $ 166,309 | $ 17,256 | $ 85,901 | $ 7,450 | $ - | $ (3,444) | $ 4,320,860 |

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

## LUCKY CEMENT CO.

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

| | 2019 | 2018 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit/(loss) before income tax | $ 47,283 | $ (160,180) |
| Adjustments for: | | |
| Depreciation expense | 218,882 | 228,255 |
| Amortization expense | 11,750 | 11,508 |
| Expected credit loss recognized on trade receivables | (214) | (30) |
| Net (gain)/loss on fair value changes of financial assets at fair value through profit or loss | (124) | 144 |
| Interest expense | 28,524 | 20,789 |
| Interest income | (2,932) | (4,925) |
| Dividend income | (5,169) | (1,545) |
| Gain on disposal of property, plant and equipment | (4,120) | (4,717) |
| Share of profit or loss of subsidiaries accounted for using the equity method | 20,313 | 141,490 |
| Changes in operating assets and liabilities | | |
| Financial assets mandatorily classified as at fair value through profit or loss | - | 5 |
| Notes receivable | (161,680) | 88,997 |
| Notes receivable from related parties | (19,767) | (27,954) |
| Accounts receivable | (4,605) | 10,783 |
| Accounts receivable from related parties | (27,817) | (24,565) |
| Other receivables | 170 | (725) |
| Other receivables from related parties | 62 | 279 |
| Inventories | 100,082 | 148,205 |
| Prepayments | 21,095 | (7,262) |
| Other financial assets | - | (80,118) |
| Contract liabilities | 68,300 | (37,358) |
| Notes payable | 29,841 | (31,527) |
| Notes payable to related parties | (12,874) | 16,942 |
| Accounts payable | (10,505) | (13,267) |
| Accounts payable to related parties | 8,481 | (42,572) |
| Other payables | 12,668 | (4,039) |
| Other payables to related parties | 2,513 | (1,328) |
| Other current liabilities | (47) | (80) |
| Net defined benefit liabilities | (14,233) | 1,072 |
| Cash generated from operations | 305,877 | 226,277 |
| Interest received | 2,947 | 5,341 |
| Interest paid | (28,499) | (20,162) |
| Income tax paid | (179) | (18,124) |
| Net cash generated from operating activities | 280,146 | 193,332 |

(Continued)

## LUCKY CEMENT CO.

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

| | **2019** | **2018** |
|---|---|---|
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of financial assets at fair value through other comprehensive income | $ (56,924) | $ (105,295) |
| Proceeds from sale of financial assets at fair value through other comprehensive income | 143,479 | 36,403 |
| Proceeds from capital reduction of financial assets at fair value through profit or loss | - | 2,890 |
| Acquisition of associates | - | (375,505) |
| Payments for property, plant and equipment | (17,968) | (456,314) |
| Proceeds from disposal of property, plant and equipment | 4,120 | 4,717 |
| Decrease in other receivables from related parties | 10,650 | 186,550 |
| Decrease (increase) in refundable deposits | 876 | (2,882) |
| Decrease in financial assets | 15,066 | 105,231 |
| Increase in other non-current assets | (13,186) | (52,134) |
| Dividends received from subsidiaries associates | 58,076 | 2,469 |
| Proceeds from capital reduction of subsidiaries | 1,593 | - |
| Net cash generated from/(used in) investing activities | 145,782 | (653,870) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Decrease in short-term borrowings | (621,500) | (22,800) |
| (Decrease) increase in short-term bills payable | (60,000) | 80,000 |
| Proceeds from long-term borrowings | 320,000 | 580,000 |
| Repayments of long-term borrowings | - | (200,000) |
| Increase (decrease) in guarantee deposits received | 1,368 | (4,387) |
| Repayment of the principal portion of lease liabilities | (42,609) | - |
| Net cash (used in)/generated from financing activities | (402,741) | 432,813 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 23,187 | (27,725) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | 142,537 | 170,262 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | $ 165,724 | $ 142,537 |

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

## 1. GENERAL INFORMATION

Lucky Cement Corporation (hereinafter referred to as the “Company”) established in 1974. The stocks of which are listed on the Taiwan Stock Exchange started from June 1990, to produce and sell Portland cement as the main business.

The accompanying parent company only financial statements the New Taiwan dollars (NT$) are presented in Company’s functional currency.

## 2. APPROVAL OF FINANCIAL STATEMENTS

The accompanying financial statements were approved by the Company’s board of directors on March 24, 2020.

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

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

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

   - IFRS 16 “Leases”

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

     Definition of a lease

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

The Company as lessee

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

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

Lease liabilities were recognized on January 1, 2019 for leases previously classified as operating leases under IAS 17. Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments but discounted using the aforementioned incremental borrowing rate. The Company applies IAS 36 to all right-of-use assets.

The Company also applies the following practical expedients:

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

2) The Company adjusts the right-of-use assets January 1, 2019 by the amount of any provisions for onerous lease recognized on December 31, 2018, instead of assessing the impairment under IAS 36.

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

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

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

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 are 1.55%. The difference between the (i) lease liabilities recognized and (ii) operating lease commitments disclosed under IAS 17 on December 31, 2018 is explained as follows:

| | |
|---|---|
| The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018 | $ 161,790 |
| Less: Recognition exemption for short-term leases and leases of low value assets | (462) |
| Undiscounted amounts on January 1, 2019 | $ 161,328 |
| Discounted amounts using the incremental borrowing rate on January 1, 2019 | $ 156,999 |

The Company as lessor

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

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

| | As Originally Stated on January 1, 2019 | Adjustments Arising from Initial Application | Restated on January 1, 2019 |
|---|---|---|---|
| Right-of-use assets | $ - | $ 156,999 | $ 156,999 |
| Total effect on assets | $ - | $ 156,999 | $ 156,999 |
| Lease liabilities - current | $ - | $ 44,619 | $ 44,619 |
| Lease liabilities - non-current | - | 112,380 | 112,380 |
| Total effect on liabilities | $ - | $ 156,999 | $ 156,999 |

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

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

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

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

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

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

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

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

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

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

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

b. Basis of preparation

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

The fair value measurements 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, which 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 the 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 the asset or liability.

When preparing the Company's financial statements, the Company accounts for its investments in subsidiaries by using the equity method. In order for the amounts of the net income and other comprehensive income and equity for the year in the Company's financial statements to be the same as the amounts attributable to the owners of the Company in its consolidated financial statements, adjustments arising from the differences of the accounting treatment between the Company-only basis and the consolidated basis were made to the investments accounted for by the equity method, the share of other comprehensive income of subsidiaries and the related equity items, as appropriate, in the parent company only financial statements.

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

Current assets include:

1) Assets held primarily for the purpose of trading;

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

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

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

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

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

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

d. Foreign currencies

Transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Such exchange differences are recognized in profit or loss in the year in which they arise.

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

Non-monetary items that are measured at historical cost in foreign currencies are not retranslated.

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

e. Inventories

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

f. Investment in subsidiaries

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

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

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

Changes in the Company's ownership interests in subsidiaries that do not result in the Company losing control over the subsidiaries are equity transactions. The Company recognizes directly in equity any difference between the carrying amount of the investments and the fair value of the consideration paid or received.

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

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

g. Property, plant and equipment

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

Depreciation on property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

h. Impairment of tangible assets

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

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

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

i. Financial instruments

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

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

1) Financial assets

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

a) Measurement category

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

i. Financial asset at FVTPL

Financial asset is classified as at FVTPL when the financial asset is mandatorily classified or it is designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 28.

ii. Financial assets at amortized cost

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

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

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

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

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

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

ii) Financial asset that has subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset.

A financial asset is credit impaired when one or more of the following events have occurred:

i) Significant financial difficulty of the issuer or the borrower;

ii) Breach of contract, such as a default;

iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or

iv) The disappearance of an active market for that financial asset because of financial difficulties.

iii. Investments in equity instruments at FVTOCI

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

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

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

b) Impairment of financial assets

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

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

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

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

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

The Company recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

c) Derecognition of financial assets

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

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

2) Financial liabilities

a) Subsequent measurement

All financial liabilities are measured at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

The Company can only derecognize the financial liabilities when the obligation is resolved, cancelled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

j. Revenue recognition

The Company identifies the contract with the customers, allocates the transaction price to the performance obligations, and recognizes revenue when performance obligations are satisfied.

<u>Revenue from sale of goods</u>

Revenue from sale of goods comes from sales of cement, stone. Sales of materials and other cement subsidiary products are recognized as revenue when the goods are shipped because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, and bears the risks of obsolescence. Trade receivables are recognized concurrently.

k. Leasing

2019

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

1) The Company as lessor

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

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

2) The Company as lessee

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

Right-of-use assets are initially measured at cost. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

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

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

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

2018

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

1) The Company as lessor

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

2) The Company as lessee

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

l. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

Payments to the benefit plan are recognized as an expense when the employees have rendered service entitling them to the contribution.

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

The net defined benefit liability (asset) represents the actual deficit (surplus) in the Company's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reduction in future contributions to the plans.

m. Taxation

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

1) Current tax

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

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

2) Deferred tax

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

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carryforwards, and development expenditures and personnel training expenditures, to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recovered. The deferred tax assets which originally were not recognized are also reviewed at the end of each reporting period and recognized to the extent that it is probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be recovered.

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

3) Current and deferred tax for the year

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

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

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future years.

In the application of the Company's accounting policies, estimates and underlying assumptions, management of the Company did not recognize critical accounting judgments and key sources of estimation uncertainty.

## 6. CASH

| | December 31 | |
|---|---|---|
| | **2019** | **2018** |
| Cash on hand and revolving funds | $ 1,139 | $ 1,139 |
| Checking accounts and demand deposits | 163,644 | 113,360 |
| Foreign currency demand deposits | 941 | 28,038 |
| | $ 165,724 | $ 142,537 |

Market interest rate range for Cash in banks on the end of the reporting period is as follows:

| | December 31 | |
|---|---|---|
| | **2019** | **2018** |
| Bank balance | 0.001%-0.33% | 0.05%-0.48% |

## 7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Current | | |
| Mutual funds | $ 980 | $ 856 |

## 8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

### Investments in Equity Instruments at FVTOCI

| | December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Current | | |
| Domestic investments-Common Stocks | | |
| Far Eastern New Century Corporation | $ 5,970 | $ 22,320 |
| U-Ming Marine Transport Corporation | 4,301 | 4,128 |
| Winbond Electronics Corp. | 2,545 | 1,764 |
| Medigen Biotechnology Corp. | 1,778 | 1,289 |
| United Microelectronics Corp. | 1,190 | 814 |
| China Development Financial | 131 | 131 |
| First Financial Holding Co., Ltd. | 21 | 18 |
| Capital Securities Corp. | 10 | 8 |
| Hua Nan Financial Holdings Co., Ltd. | 10 | 7 |
| Taiwan Cement Corp | 6 | 15,664 |
| Formosa Plastics Corporation | - | 40,400 |
| Asia Cement Corporation | - | 16,975 |
| Excelsior Medical Co., Ltd. | - | 1,840 |
| Highwealth Construction | - | 360 |
| | $ 15,962 | $ 105,718 |
| Non-current | | |
| Domestic investments-Common Stocks | | |
| Jonfeng Mining Co., Ltd. | $ 8,175 | $ 9,536 |
| Global Securities Finance Corp. | 6,433 | 4,583 |
| WK Technology Fund | 4,857 | 4,583 |
| | $ 19,465 | $ 18,702 |

For the above investment information, please refer to the “State of Securities held at the end of the period” please refer to Note 34 Schedule 3.

For other relevant information on financial assets measured at FVOCI, please refer to Note 21(5).

The Company invests in the above ordinary shares for the purpose of long-term strategies and expects to profit from long-term investments. The management of the Company considers that if the short-term fair value fluctuations of these investments are recognized in profit or loss, they are not consistent with the aforementioned long-term investment plan, and therefore the designated investment is selected to FVOCI.

Dividends of $5,169 thousand and $1,545 thousand were recognized during 2019 and 2018, respectively.

## 9. NOTES RECEIVABLES, TRADE RECEIVABLES AND OTHER RECEIVABLES

| | December 31 | |
|---|---|---|
| | **2019** | **2018** |
| Notes receivables | | |
| At amortized cost | | |
| Gross carrying amount | $ 413,731 | $ 252,051 |
| Notes receivables from related parties | | |
| At amortized cost | | |
| Gross carrying amount | $ 59,119 | $ 39,352 |
| Trade receivables | | |
| At amortized cost | | |
| Gross carrying amount | $ 92,828 | $ 88,223 |
| Less: Allowance for impairment loss | (269) | (483) |
| | $ 92,559 | $ 87,740 |
| Trade receivables from related parties | | |
| At amortized cost | | |
| Gross carrying amount | $ 64,786 | $ 36,969 |
| Other receivables | | |
| Non-related parties | | |
| Deposits | $ 65,162 | $ - |
| Sale of securities | 21,393 | - |
| Other | 685 | 970 |
| | $ 87,240 | $ 970 |
| Other receivables from related parties | $ 59,595 | $ 70,307 |

The guarantee fund receivable above is the deposit that the Company makes for mining. The guarantee fund receivable will be transferred to the related party-Fuan Mining Co., Ltd in March 2020, and the Company will receive payment of $20,000 thousand in March 2020 and $45,000 thousand note due in April 2020.

a. Note receivable

The average credit period of sales of goods was 90-150 days from invoice date. No interest was charged on trade receivables. In order to minimize credit risk, the management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Company reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Company’s credit risk was significantly reduced.

The Company adopts the simplified approach of IFRS 9 to recognize the loss allowance of notes receivable according to lifetime expected credit losses. The lifetime expected credit losses are calculated using the preparation matrix, which takes into account the customer's past default records, current financial status, and industrial economic conditions, and also considers GDP forecast and industry outlook. As the Company's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for losses based on the past due status of receivables is not further distinguished according to different segments of the Company's customer base. The expected credit loss rate is based on the overdue days of the note receivable. However, the expected credit loss rate of the Company based on the provision matrix at the end of reporting period was zero because it did not recognize the expected credit losses of the notes receivable. Information on the pledge of notes receivables, please refer to Note 30.

b. Trade receivable

The average credit period of sales of goods was 90-150 days from invoice date. No interest was charged on trade receivables. In order to minimize credit risk, the management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Company reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Company's credit risk was significantly reduced.

The Company adopts the simplified approach of IFRS 9 to recognize the loss allowance of notes receivable according to lifetime expected credit losses. The lifetime expected credit losses are calculated using the preparation matrix, which takes into account the customer's past default records, current financial status, and industrial economic conditions, and also considers GDP forecast and industry outlook. The of preparation matrix of the Company is distinguished by the segment of the Company's customer base whether who has financial difficulty or not. Once the customer is indicated that it is facing financial difficulty, the Company will recognized 100% loss allowance. For those who is not in the financial difficulty, as the Company's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status without further distinguished according to the Company's different customer base. The expected credit loss rate is based on the overdue days of the trade receivables.

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

The following table details the loss allowance of trade receivables (related parties included) based on the Company's provision matrix.

December 31, 2019

| | Customers without Financial Difficulty | | | | | |
|---|---|---|---|---|---|---|
| | **Not Past Due** | **Past due within 30 Days** | **Past due 31 to 60 Days** | **Past due 61 to 180 Days** | **Past due Over 181 Days** | **Total** |
| Expected credit loss rate | - | - | - | - | 100% | - |
| Gross carrying amount | $ 630,195 | $ - | $ - | $ - | $ 269 | $ 630,464 |
| Loss allowance (Lifetime ECLs) | - | - | - | - | (269) | (269) |
| Amortized cost | $ 630,195 | $ - | $ - | $ - | $ - | $ 630,195 |

December 31, 2018

| | Customers without Financial Difficulty | | | | | |
|---|---|---|---|---|---|---|
| | Not Past Due | Past due within 30 Days | Past due 31 to 60 Days | Past due 61 to 180 Days | Past due Over 181 Days | Total |
| Expected credit loss rate | 0%-0.24% | - | - | - | 100% | - |
| Gross carrying amount | $ 416,236 | $ - | $ - | $ - | $ 269 | $ 416,595 |
| Loss allowance (Lifetime ECLs) | (214) | - | - | - | (269) | (483) |
| Amortized cost | $ 416,112 | $ - | $ - | $ - | $ - | $ 416,112 |

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

| | For the Year Ended December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Balance at January 1 | $ 483 | $ 513 |
| Less: Net remeasurement of loss allowance | (214) | (30) |
| Balance at December 31 | $ 269 | $ 483 |

## 10. INVENTORIES

| | December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Raw materials | $ 134,698 | $ 204,678 |
| Work in progress | 91,310 | 112,815 |
| Finished goods | 107,472 | 115,806 |
| Supplies and spare parts | 32,045 | 32,668 |
| | $ 365,885 | $ 465,967 |

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2019 and 2018 was $2,686,386 thousand and $2,660,209 thousand, respectively. The cost of goods sold included losses on inventory write-downs of $0 thousand and $3,856 thousand, respectively.

## 11. PREPAYMENTS

| | December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Office supplies | $ 103,704 | $ 98,523 |
| Prepaid expenses | 37,871 | 66,716 |
| Prepaid purchase materials | 4,837 | 937 |
| Other | 108 | 1,439 |
| | $ 146,520 | $ 167,615 |

## 12. OTHER FINANCIAL ASSETS

| | December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Restricted assets | $ 90,165 | $ 105,231 |

The restricted assets are savings and certificate of deposit that are provided for bank loan guarantees, market interest rate range for other financial assets on the end of the reporting period is as follows:

| | December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Restricted assets | 0.04-2.65% | 0.13-3.5% |

For information on pledge of other financial assets, please refer to Note 30.

## 13. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

| | December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Investment in subsidiary | | |
| Domestic unlisted companies | | |
| Dasheng Enterprise Co., Ltd. (Dasheng Enterprise) | $ 2,294,648 | $ 2,334,592 |
| Luckicon Ready-mixed Concrete Factory Co., Ltd. (Luckicon Ready-mixed Co.) | 286,548 | 260,907 |
| Just Bright Ltd | - | 31,154 |
| Lucky Cement Corp., Japan (Lucky Cement Japan) | 24,578 | 24,059 |
| Luckyship Marine Co., Ltd. (Luckyship Co.) | 43,864 | 52,791 |
| ELUMINA Technology Inc. (ELUMINA Inc.) | - | - |
| | $ 2,649,638 | $ 2,703,503 |

The Company's proportion of ownership and voting rights in the associates on the balance sheet date were as follows:

| | December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Dasheng Enterprise | 99.99% | 99.99% |
| Luckicon Ready-mixed Co. | 99.99% | 99.99% |
| Just Bright Ltd | 100.00% | 100.00% |
| Lucky Cement Japan | 100.00% | 100.00% |
| Luckyship Co. | 99.99% | 99.99% |
| ELUMINA Inc. | - | - |

The major business of Dasheng Development is the sale and lease of real estate. The cost of its construction and development accounts is listed as "developing property and property to be developed". The amounts recognized $3,133,578 thousand and $3,132,049 thousand respectively on December 31, 2019 and 2018. Dasheng Development evaluates the developing property and property to be developed based on the real estate appraisal report issued by external experts on each the end of reporting period in balance sheet.

In the years 2019 and 2018, the share of profit (loss) of subsidiaries and the share of other comprehensive income of subsidiaries for using equity method were recognized based on the financial statements audited by the accountants in the same period.

On July 3, 2015, the board of directors of Elumina Technology Inc. decided to dissolve Elumina Technology Inc. and its subsidiaries. The dissolution process completed in November 2018.

In August 2018, the Company subscribed the cash capital increase of $290,000 thousand, $80,000 thousand and $5,507 thousand for Dasheng Development Company, Luckyship Co., Aviation Company and Dongrui ELUMIMA Inc., Ltd. in proportion to their shareholding.

In 2019 and 2018, the Company received cash dividends of the aforementioned subsidiaries of $52,907 thousand and $924 thousand respectively.

On the date of December 27, 2019, the board of directors decided, by resolution, to discontinue the operation of the subsidiary Just Bright Ltd., and to close its securities account and bank account. The estimated complete date of the cancellation procedure is May 1, 2021.

Please refer to the “State of Securities held at the end of the period” in Schedule 6 Note 34 for the disclosure of reinvestment information dated December 31, 2019.

## 14. PROPERTY, PLANT AND EQUIPMENT

| | Land | Buildings | Machinery and Equipment | Electrical Equipment | Transportation Equipment | Other Equipment | Total |
|---|---|---|---|---|---|---|---|
| Cost | | | | | | | |
| Balance at January 1, 2018 | $ 698,918 | $ 2,101,667 | $ 6,039,270 | $ 1,193,958 | $ 794,250 | $ 483,327 | $ 11,311,390 |
| Additions | 359,427 | 86,785 | 5,233 | 2,364 | - | 2,505 | 456,314 |
| Disposals | - | - | - | - | (94,006) | - | (94,006) |
| Balance at December 31, 2018 | $ 1,058,345 | $ 2,188,452 | $ 6,044,503 | $ 1,196,322 | $ 700,244 | $ 485,832 | $ 11,673,698 |
| Accumulated depreciation and impairment | | | | | | | |
| Balance at January 1, 2018 | $ - | $ 1,695,133 | $ 5,743,227 | $ 1,162,322 | $ 680,648 | $ 472,352 | $ 9,753,682 |
| Depreciation expenses | - | 60,010 | 109,509 | 8,070 | 42,635 | 8,031 | 228,255 |
| Disposals | - | - | - | - | (94,006) | - | (94,006) |
| Balance at December 31, 2018 | $ - | $ 1,755,143 | $ 5,852,736 | $ 1,170,392 | $ 629,277 | $ 480,383 | $ 9,887,931 |
| Carrying amounts at December 31, 2018 | $ 1,058,345 | $ 433,309 | $ 191,767 | $ 25,930 | $ 70,967 | $ 5,449 | $ 1,785,767 |
| Cost | | | | | | | |
| Balance at January 1, 2019 | $ 1,058,345 | $ 2,188,452 | $ 6,044,503 | $ 1,196,322 | $ 700,244 | $ 485,832 | $ 11,673,698 |
| Additions | - | - | 11,180 | - | 2,465 | 4,323 | 17,968 |
| Disposals | - | - | - | - | (39,700) | (783) | (40,483) |
| Balance at December 31, 2019 | $ 1,058,345 | $ 2,188,452 | $ 6,055,683 | $ 1,196,322 | $ 663,009 | $ 489,372 | $ 11,651,183 |
| Accumulated depreciation and impairment | | | | | | | |
| Balance at January 1, 2019 | $ - | $ 1,755,143 | $ 5,852,736 | $ 1,170,392 | $ 629,277 | $ 480,383 | $ 9,887,931 |
| Depreciation expenses | - | 60,538 | 77,660 | 7,913 | 26,157 | 2,863 | 175,131 |
| Disposals | - | - | - | - | (39,700) | (783) | (40,483) |
| Balance at December 31, 2019 | $ - | $ 1,815,681 | $ 5,930,396 | $ 1,178,305 | $ 615,734 | $ 482,463 | $ 10,022,579 |
| Carrying amounts at December 31, 2019 | $ 1,058,345 | $ 372,771 | $ 125,287 | $ 18,017 | $ 47,275 | $ 6,909 | $ 1,628,604 |

The part of the parent company's land is aboriginal reserve ions which use rights is temporarily registered in the name of a third person. The trustee has issued a closing statement and applied land to set up a mortgage at the parent company.

In December 2018, the Company purchased the portion land adjacent to the Puxin factory from the non-related parties and obtained 4,011 pings of land. The price was based on the court's judgment and paid the compensation amount was $356,996 thousand.

The Company's property, plant and equipment are depreciated on a straight-line method basis over their estimated useful lives as follows:

| | |
|---|---|
| Buildings | |
| Main building of plant | 30-50 years |
| Electrical power equipment | 10-15 years |
| Engineering system | 3-5 years |
| Machinery and equipment | 2-10 years |
| Electrical equipment | 5-15 years |
| Transportation equipment | 3-10 years |
| Office equipment | 3-10 years |

For the years ended December 31, 2019 and 2018, the Company evaluated Property, Plant and Equipment and no impairment loss recognized. The mortgage information of Property, Plant and Equipment, please refer to Note 30.

## 15. LEASE ARRANGEMENTS

a. Right-of-use assets - 2019

| | December 31, 2019 |
|---|---|
| Carrying amounts | |
| Land | $ 32,702 |
| Buildings | 81,159 |
| Transportation equipment | 2,059 |
| | $ 115,920 |

| | For the Year Ended December 31, 2019 |
|---|---|
| Additions to right-of-use assets | $ 2,672 |
| Depreciation charge for right-of-use assets | |
| Land | $ 12,833 |
| Buildings | 29,017 |
| Transportation equipment | 1,901 |
| | $ 43,751 |

b. Lease liabilities - 2019

| | December 31, 2019 |
|---|---|
| Carrying amounts | |
| Current | $ 42,993 |
| Non-current | $ 74,069 |

Range of discount rate for lease liabilities was as follows:

| | December 31, 2019 |
|---|---|
| Land | 1.55% |
| Buildings | 1.55% |
| Transportation equipment | 1.55% |

c. Other lease information

2019

| | For the Year Ended December 31, 2019 |
|---|---|
| Expenses relating to short-term leases | $ 476 |
| Expenses relating to low-value asset leases | 341 |
| Interest relating to leases liabilities | 1,999 |
| Principal repayment to leases | 42,609 |
| Total cash outflow for leases | $ 45,425 |

2018

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

| | December 31, 2018 |
|---|---|
| Not later than 1 year | $ 44,478 |
| Later than 1 year and not later than 5 years | 117,009 |
| | $ 161,790 |

The lease payments recognized in profit or loss were as follows:

| | For the Year Ended December 31, 2018 |
|---|---|
| Minimum lease payments | $ 37,813 |

## 16. OTHER NON-CURRENT ASSETS

| | December 31 2019 | December 31 2018 |
|---|---|---|
| Long-term prepaid expenses | $ 69,690 | $ 66,373 |
| Restricted assets | 106,908 | 108,787 |
| Net limestone mining rights | 18,779 | 18,781 |
| | $ 195,377 | $ 193,941 |

The restricted asset refers to certificate of deposit in the bank that is pledged as the security of mining right, which has the market interest rate range at the end of reporting period is as follows:

| | December 31 2019 | December 31 2018 |
|---|---|---|
| Restricted assets | 0.13%-1.065% | 0.13%-1.065% |

Other informant ion regarding to non-current asset col laterals, please refer to Note 30.

## 17. BORROWINGS

a. Short-term borrowings

| | December 31 2019 | December 31 2018 |
|---|---|---|
| Secured borrowings (Note 30) | | |
| Bank loans | $ 200,000 | $ 748,200 |
| Unsecured borrowings | | |
| Line of credit borrowings | 26,700 | 100,000 |
| | $ 226,700 | $ 848,200 |

The interest rate of the bank loan is as follows:

| | December 31 2019 | December 31 2018 |
|---|---|---|
| Secured borrowings | 1.6% | 1.45%-1.55% |
| Unsecured borrowings | 1.465% | 1.30%-1.45% |

b. Short-term bills payable

| | December 31 2019 | December 31 2018 |
|---|---|---|
| Commercial paper | $ 100,000 | $ 160,000 |
| Less: Unamortized discounts on bills payable | (180) | (88) |
| | $ 99,820 | $ 159,912 |

Outstanding short-term bills payable were as follows:

December 31, 2019

| Guarantee/Promissory Institution | Par Value | Discount Amount | Carrying Amount | Interest Rate |
|---|---|---|---|---|
| Commercial paper | | | | |
| Ta Ching Bills Finance Corporation | $ 50,000 | $ 124 | $ 49,874 | 1.458% |
| Grand Bills Finance Corporation | 50,000 | 54 | 49,946 | 1.640% |
| | $ 100,000 | $ 180 | $ 99,820 | |

December 31, 2018

| Guarantee/Promissory Institution | Par Value | Discount Amount | Carrying Amount | Interest Rate |
|---|---|---|---|---|
| Commercial paper | | | | |
| Ta Ching Bills Finance Corporation | $ 50,000 | $ 32 | $ 49,968 | 1.438% |
| Mega Bills Finance Corporation | 60,000 | 39 | 59,961 | 1.438% |
| Grand Bills Finance Corporation | 50,000 | 17 | 49,983 | 1.228% |
| | $ 160,000 | $ 88 | $ 159,912 | |

c. Long-term borrowings

| | December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Secured borrowings (Note 30) | | |
| Bank loans | $ 750,000 | $ 500,000 |
| Unsecured borrowings | | |
| Loans from bank | 230,000 | 160,000 |
| Less: Current portions | (310,000) | - |
| | $ 670,000 | $ 660,000 |

| | Details | December 31 2019 | December 31 2018 |
|---|---|---|---|
| Secured borrowings | | | |
| Taiwan Cooperative Bank | The period is from April 12, 2018 to April 12, 2023, the grace period is 2 years, every 3 months was served as an installment, pay by 12 installments for the principle after the grace period. | $ 500,000 | $ 500,000 |
| Bank of Taiwan | The period is from November 12, 2019 to November 12, 2022. The principal will be repaid by $40 million in February 2021. The remaining balance is divided into 7 quarters (2,5,8,11) and $3,000 each. Ten thousand. | 250,000 | - |
| Unsecured borrowings | | | |
| The Export-Import Bank of the Republic of China | The period is from June 14, 2019 to July 14, 2020, the principle will be repaid at once in maturity date. | 70,000 | - |
| O-Bank | The period is from April 23, 2018 to April 23, 2020, the principle will be repaid at once in maturity date. | 80,000 | 80,000 |
| KGI Bank | The period is from March 9, 2018 to March 9, 2020, the principle will be repaid at once in maturity date. | 80,000 | 80,000 |
| | | 980,000 | 660,000 |
| Less: Current portions | | (310,000) | - |
| Long-term borrowings | | $ 670,000 | $ 660,000 |

The annual interest rates of long-term borrowings were 1.3957%-1.9186% and 1.3894%-1.9100% respectively for December 31, 2019 and 2018.

## 18. NOTES PAYABLE AND TRADE PAYABLES

| | December 31 2019 | December 31 2018 |
|---|---|---|
| Notes payable | | |
| From operating activities | | |
| Non-related parties | $ 128,089 | $ 98,248 |
| Related parties | $ 30,823 | $ 43,697 |
| Trade payables | | |
| From operating activities | | |
| Non-related parties | $ 70,584 | $ 81,089 |
| Related parties | $ 32,138 | $ 23,657 |

The Company's notes payable and trade payables (including related parties) are arising from operating. The activities average credit period for purchases is 3 months. The Company has designed the financial risk management policies to ensure that all payables are repaid within the pre-agreed credit period.

## 19. OTHER PAYABLES

| | December 31 | |
|---|---|---|
| | **2019** | **2018** |
| Payables for salaries and bonuses | $ 36,300 | $ 33,850 |
| Payables for taxes | 40,996 | 22,571 |
| Payables for utilities expense | 15,050 | 18,676 |
| Payables for maintenance fee | 264 | 372 |
| Others | 12,642 | 16,998 |
| | $ 105,252 | $ 92,467 |

## 20. RETIREMENT BENEFIT PLANS

a. Defined contribution plan

The plan under the Labor Pension Act (the "Act") is deemed a defined contribution plan. Pursuant to the Act, the Company has made monthly contributions equal to 6% of each employee's monthly salary to employees' pension accounts.

b. Defined benefit plans

The defined benefit plans adopted by the Company and in accordance with the Labor Standards Law is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contribute amounts equal to X% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Company has no right to influence the investment policy and strategy.

The amount in the balance sheet of the Company's defined benefit plan is as follows:

| | December 31 | |
|---|---|---|
| | **2019** | **2018** |
| Present value of funded defined benefit obligation | $ 235,945 | $ 247,654 |
| Fair value of plan assets | (209,464) | (198,708) |
| Net defined benefit liabilities | $ 26,481 | $ 48,946 |

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

| | Present Value of the Defined Benefit Obligation | Fair Value of the Plan Assets | Net Defined Benefit Liabilities (Assets) |
|---|---|---|---|
| Balance at January 1, 2018 | $ 273,613 | $ (223,275) | $ 50,338 |
| Service costs | | | |
| Current service costs | 2,446 | - | 2,446 |
| Net interest expense (income) | 2,733 | (2,240) | 493 |
| Recognized in profit or loss | 5,179 | (2,240) | 2,939 |
| Remeasurement | | | |
| Return on plan assets (excluding amounts included in net interest) | - | (7,210) | (7,210) |
| Actuarial loss | | | |
| Changes in financial assumptions | 2,282 | - | 2,282 |
| Experience adjustments | 2,464 | - | 2,464 |
| Recognized in other comprehensive income | 4,746 | (7,210) | 2,464 |
| Contributions from the employer | - | (1,867) | (1,867) |
| Benefit paid | (35,884) | 35,884 | - |
| Balance at December 31, 2018 | $ 247,654 | $ (198,708) | $ 48,946 |
| Balance at January 1, 2019 | $ 247,654 | $ (198,708) | $ 48,946 |
| Service costs | | | |
| Current service costs | 1,641 | - | 1,641 |
| Net interest expense (income) | 2,167 | (1,746) | 421 |
| Recognized in profit or loss | 3,808 | (1,746) | 2,062 |
| Remeasurement | | | |
| Return on plan assets (excluding amounts included in net interest) | - | (8,055) | (8,055) |
| Actuarial (gain) loss | | | |
| Changes in financial assumptions | 4,330 | - | 4,330 |
| Experience adjustments | (4,507) | - | (4,507) |
| Recognized in other comprehensive income | (177) | (8,055) | (8,232) |
| Contributions from the employer | - | (16,295) | (16,295) |
| Benefit paid | (15,340) | 15,340 | - |
| Balance at December 31, 2019 | $ 235,945 | $ (209,464) | $ 26,481 |

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

| | For the Year Ended December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Operating costs | $ 1,500 | $ 2,064 |
| Selling and marketing expenses | 240 | 360 |
| General and administrative expenses | 322 | 515 |
| | $ 2,062 | $ 2,939 |

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

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

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

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

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

| | December 31 | |
|---|---|---|
| | **2019** | **2018** |
| Discount rate | 0.625% | 0.875% |
| Expected rate of salary increase | 1.25% | 1.25% |

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

| | December 31 | |
|---|---|---|
| | **2019** | **2018** |
| Discount rate | | |
| 0.25% increase | $ (4,330) | $ (4,889) |
| 0.25% decrease | $ 4,455 | $ 5,036 |
| Expected rate of salary increase | | |
| 0.25% increase | $ 4,345 | $ 4,925 |
| 0.25% decrease | $ (4,245) | $ (4,804) |

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

| | December 31 | |
|---|---|---|
| | **2019** | **2018** |
| Expected contributions to the plans for the next year | $ 1,712 | $ 1,777 |
| Average duration of the defined benefit obligation | 7.6 years | 8.1 years |

## 21. EQUITY

a. Share capital

Ordinary shares

| | December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Number of shares authorized (in thousands) | 498,646 | 498,646 |
| Shares authorized | $ 4,986,460 | $ 4,986,460 |
| Number of shares issued and fully paid (in thousands) | 404,738 | 404,738 |
| Shares issued | $ 4,047,380 | $ 4,047,380 |

A holder of issued ordinary shares with a par value of $10 is entitled to voting rights and to the receipt of distributed dividends.

b. Capital surplus

| | December 31 | |
|---|---|---|
| | 2019 | 2018 |
| May be used to offset a deficit only* | | |
| Changes in percentage of ownership interests in subsidiaries | $ 8 | $ 8 |

* Such capital surplus arises from the effect of changes in ownership interest in a subsidiary, with these changes treated as equity transactions instead of actual disposal or acquisition of ownership interests, or from changes in capital surplus of subsidiaries.

c. Retained earnings and dividend policy

The Company has passed an amendment to the Articles of Association on June 12, 2019, which stipulates that the Company’s surplus distribution or loss allowance shall be obtained after each half of the fiscal year or the end of the fiscal year., Together with the business report and financial statements should be submitted to the Audit Committee for review, and the Board of Directors shall make a resolution.

Under the dividends policy as set forth in the amended Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, 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. However, this shall not apply when the legal reserve amounts reach the authorized capital. The Company should also follow the Article 240 under the Company Act in the case of distributing the surplus profits in the form of issuing new shares; in the case of distributing in cash, the board of directors is authorized to resolve adopted by a majority vote of a meeting of the board of directors attended by two thirds of all the directors, and then report to the shareholders’ meeting.

The earning allocation policy in the Articles of Incorporation states that in case of earning upon settled annually, the Company shall appropriate its 10% as legal surplus reserve first and account equity deduction occurred in the current year as special surplus reserve, addition to legal payment of business tax and compensation of historical annual loss, wherein if the dividend per share from the sum of balance thereafter and 40%-80% of aggregated surplus yet allocated in the previous year has not reached NT$0.1 with calculation of the upper limit, 80%, it shall be reserved, not for allocation and allocation case shall be proposed in the Board of Directors, further presented for acknowledgement in the Meeting of Shareholders. Please refer to (7) of Note 23, Employee Benefits for the revised remuneration allocation policy of employee and directors, supervisors before/after the versions of the Articles of Association. The appropriation and allocation ratio of the preceding surplus and stock to cash ratio shall be paid in cash dividend or stock dividend subject to real profit and situation of fund in the current year, with consideration of fund for investment and diluted level of surplus per share in the Meeting of Board of Directors. However, the allocated stock dividend shall be limited to 20% of the issued stock; in case that the aggregated equity deduction or equity deduction that is insufficient to account as surplus w/tax in the current year, it shall account equivalent amount of special surplus reserve from the aggregated surplus yet be allocated in the previous year and deduct it prior to the appropriation and allocation earlier. Thereafter, whenever equity deduction is turned, the turned amount shall be allocated as surplus. The allocation of related surplus shall be passed and acknowledged in the General Meeting of Shareholders held in the next year and shall be accounted in the current year.

The Company shall account and turn special surplus reserve pursuant to the provisions set forth in the Letter, Letter No. Jin-Kuang-Fa-Tzi No. 1010012865, Letter No. Jin-Kuang-Fa-Tzi No. 1010047490 and “Following the adoption of the International Financial Reporting Standards (IFRSs), the question and answer of the applicable special surplus reserve”. Thereafter, whenever equity deduction is turned, the turned amount shall be allocated as surplus.

Legal surplus reserve shall be appropriated to its balance until it reaches the gross amount of paid-up capital of the Company. Legal surplus reserve shall be used to compensate the loss. In case of zero loss, its legal surplus reserve which goes beyond 25% of the total paid-up capital shall be allocated in cash after being appropriated as capital.

On November 12, 2019, the Company’s board of directors decided that the first half of 2019 loss appropriation plan and decided not to distribute dividends.

The Company’s shareholders’ meeting on June 12, 2019 resolved the 2018 loss appropriation plan and decided not to distribute dividends.

The appropriations of 2019 earnings have been approved by shareholders meeting held on March 24, 2020. The resolution of dividends per share was as follows:

| | **Appropriation of Earnings** | **Dividend Per Share (NT$1.00)** |
|---|---|---|
| Legal reserve | $ 4,590 | |
| Special reserve | (3,121) | |
| Cash dividends | 60,711 | $0.15 |

In addition to the cash dividend business in the above-mentioned 2019 earnings distribution plan, in accordance with the Company’s amendment to the Articles of Association, more than two-thirds of the directors of the board of directors attended the meeting, with more than half of the directors attended the resolution and voted, is expected to for report to the shareholders’ meeting to be held on June 18, 2020, the rest is waiting for the approval of the shareholders’ meeting.

d Special reserve

| | For the Year Ended December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Beginning at January 1 | $ 17,376 | $ 14,135 |
| Appropriations in respect of | | |
| Mention (turn) special surplus reserve number of other equity items deducted (turned) | (120) | 3,241 |
| Balance at December 31 | $ 17,256 | $ 17,376 |

Upon initial application of IFRS, the amount of the accumulated conversion of the Company is $14,135,000 transferred to the retained surplus, and the same amount of special reserve has been added.

The Company's board of directors proposed to of fest deficits of 2018 on March 22, 2019. For the other equity accounted negative value at the end of the reporting period, it intended to recognize the reversal of special reserve $120 thousand, the proposal to offset deficits is still subject to the resolution of the shareholders meeting held in 2019.

The Company offset deficits for the year of 2017, it recognized negative values of other equity for the end of the reporting period, and proposed to set aside a special reserve of $3,241 thousand.

e. Other equity items

Exchange differences on translating the financial statements of foreign operations:

| | For the Year Ended December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Balance at January 1 | $ 7,660 | $ (8,187) |
| Exchange differences on translating the financial statements of foreign operations | (210) | 15,849 |
| Share of conversion differences of subsidiaries using equity method | - | (2) |
| Balance at December 31 | $ 7,450 | $ 7,660 |

Unrealized gains (losses) on financial assets at FVTOCI

| | For the Year Ended December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Balance at January 1 | $ (130,389) | $ 5,716 |
| Unrealized gains (losses) on financial assets at FVTOCI | 18,855 | 745 |
| Share of conversion differences of subsidiaries using equity method | 23,948 | (14,450) |
| Disposal is transferred to retained earnings through other comprehensive profit and loss based on fair value of equity instruments measured at fair value | (35,466) | (2,792) |
| Balance at December 31 | $ (3,444) | $ (10,781) |

## 22. REVENUE

a. Segmentation of customer contract revenue

| | For the Year Ended December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Cement | $ 1,941,630 | $ 1,893,491 |
| Stone | 559,145 | 491,371 |
| Cement products | 99,825 | 89,910 |
| Other | 330,647 | 335,725 |
| | $ 2,931,247 | $ 2,810,497 |

b. Balance of assets and liabilities related to the sales contract

| | December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Notes receivables (Note 9) | $ 413,731 | $ 251,051 |
| Notes receivables from related parties (Note 9) | 59,119 | 39,352 |
| Trade receivables (Note 9) | 92,559 | 87,740 |
| Trade receivables from related parties (Note 9) | 64,786 | 36,969 |
| Receivables | $ 630,195 | $ 416,112 |
| Contract liability | | |
| Receivables | $ 267,633 | $ 199,333 |

The changes in contract liabilities primarily result from the timing difference between the satisfaction of performance obligation and the customer's payment.

The amount of contract liabilities from the beginning of the year which has been complete satisfaction of a performance obligation is recognized as revenue in the current year as follows:

| | December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Contract liability from the beginning of the year | | |
| Sales of goods | $ 199,333 | $ 236,692 |

c. Customer contracts were not yet fully complete

The timing when the performance obligation that has not been fully met is expected to be recognized as revenue is as follows:

| | For the Year Ended December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Sales of goods | | |
| Fulfill in 2019 | $ - | $ 199,333 |
| Fulfill in 2020 | $ 267,633 | $ - |

## 23. NET LOSS FROM CONTINUING OPERATIONS

Net loss from continuing operations are as follows:

a. Other operating expenses

| | December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Gains on disposals of property, plant and equipment | $ 4,120 | $ 4,717 |

b. Other income

| | December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Revenue from dividends | $ 5,169 | $ 1,545 |
| Other | 4,268 | 6,978 |
| | $ 9,437 | $ 8,523 |

c. Other expenses

| | December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Depreciation of rental assets | $ 6,207 | $ 6,915 |
| Other | 3,002 | 7,003 |
| | $ 9,209 | $ 13,918 |

d. Interest expense

| | December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Bank loan | $ 26,525 | $ 20,789 |
| Interest to lease liabilities | 1,999 | - |
| | $ 28,524 | $ 20,789 |

e. Depreciation, depletion and amortization

| | December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Property, plant and equipment | $ 175,131 | $ 228,255 |
| Right-of-use assets | 43,751 | - |
| Long-term prepaid expenses | 11,748 | 11,506 |
| Limestone mining rights | 2 | 2 |
| | $ 230,632 | $ 239,763 |

(Continued)

| | December 31 | |
|---|---|---|
| | **2019** | **2018** |
| Depreciations summary by functions | | |
| Operating costs | $ 168,142 | $ 212,134 |
| Operating expenses | 44,533 | 9,206 |
| Non-operating expenses | 6,207 | 6,915 |
| | $ 218,882 | $ 228,255 |
| Amortization summary by functions | | |
| Operating costs | $ 5,240 | $ 7,845 |
| Operating expenses | 6,508 | 3,661 |
| | $ 11,748 | $ 11,506 |
| Depletion summary by functions | | |
| Operating costs | $ 2 | $ 2 |

(Concluded)

f. Employee benefits expense

| | December 31 | |
|---|---|---|
| | **2019** | **2018** |
| Post-employment benefits | | |
| Defined contribution plan | $ 7,766 | $ 7,835 |
| Defined benefit plan | 2,062 | 2,939 |
| | 9,828 | 10,774 |
| Salary expenses | 216,107 | 217,629 |
| Labor and health insurance costs | 22,973 | 23,251 |
| Other employee benefits | 14,177 | 15,699 |
| Total employee benefits expense | $ 263,085 | $ 267,353 |
| An analysis of employee benefits expense by function | | |
| Operating costs | $ 182,123 | $ 187,720 |
| Operating expenses | 80,962 | 79,633 |
| | $ 263,085 | $ 267,353 |

g. Employees' compensation and remuneration of directors and supervisors

The Company shall appropriate 3% and not less than 5% of the profit before tax prior to the deduction of al located remunerate ion for employees, directors and supervisors in the current year. The Company did not estimate the remuneration for employees, directors and supervisors due to loss before tax in 2018 and 2017. The remunerate ion for employees, the directors and supervisors of the year 2016 was decided by the board of directors on March 20, 2017 as follows:

Accrual rate

| | **December 31, 2019** |
|---|---|
| Employees' compensation | 3% |
| Remuneration of directors and supervisors | 5% |

Amount

| | December 31, 2019 |
|---|---|
| | Cash |
| Employees' compensation | $ 1,542 |
| Remuneration of directors and supervisors | 2,570 |

The Company's pre-tax net loss for 2018 was not estimated for employees, directors and supervisors.

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

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

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

h. Gains or losses on foreign currency exchange

| | December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Foreign exchange gains | $ 3,665 | $ 660 |
| Foreign exchange losses | (1,769) | (725) |
| | $ 1,896 | $ (65) |

## 24. INCOME TAXES RELATING TO CONTINUING OPERATIONS

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

Major components of income tax expense (benefit) are as follows:

| | December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Current tax | | |
| In respect of the current year | $ 1,380 | $ - |
| Adjustments for prior year | (2) | 1,545 |
| | 1,378 | 1,545 |
| Deferred tax | | |
| In respect of the current year | - | 31,746 |
| Adjustments to deferred tax attributable to changes in tax rates and laws | - | (16,500) |
| | - | 15,246 |
| Income tax expense recognized in profit or loss | $ 1,378 | $ 16,791 |

A reconciliation of accounting profit and income tax expenses was as follows:

| | December 31 | |
|---|---|---|
| | **2019** | **2018** |
| Profit (loss) before tax from continuing operations | $ 47,283 | $ (160,180) |
| Income tax profit calculated at the statutory rate | $ 9,457 | $ (32,036) |
| Nondeductible expenses in determining taxable income | 2,240 | 4,024 |
| Unrecognized deductible temporary differences and loss carryforwards | (8,262) | 60,070 |
| Tax-exempt income | (3,435) | (312) |
| Basic tax payable difference | 1,380 | - |
| Adjustments for prior years' tax | (2) | 1,545 |
| Effect of tax rate changes | - | (16,500) |
| Income tax expense recognized in profit or loss | $ 1,378 | $ 16,791 |

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

b. Current tax assets and liabilities

| | December 31 | |
|---|---|---|
| | **2019** | **2018** |
| Current tax assets | | |
| Tax refund receivable | $ 17,519 | $ 17,517 |
| Current tax liabilities | | |
| Income tax payables | $ 1,201 | $ - |

c. Current tax assets and liabilities

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

December 31, 2019

| Current tax assets | **Opening Balance** | **Recognized in Profit or Loss** | **Closing Balance** |
|---|---|---|---|
| Temporary differences | | | |
| Pension limit exceeded | $ 16,050 | $ (2,876) | $ 13,174 |
| Loss deduction | 32,384 | (21,550) | 10,834 |
| Investment losses for using equity method | 43,100 | 14,195 | 57,295 |
| Unrealized inventory valuation losses | 15,547 | (1,612) | 13,935 |
| Impairment loss on financial assets at FVOCI | 4,700 | - | 4,700 |
| Gross profit from advance receipts with an issued bill of lading | 387 | 1,715 | 2,102 |
| Unrealized foreign exchange losses | (27) | 29 | 2 |
| | $ 112,141 | $ (10,099) | $ 102,042 |

(Continued)

| | Opening Balance | Recognized in Profit or Loss | Closing Balance |
|---|---|---|---|
| Current tax liabilities | | | |
| Temporary differences | | | |
| Accelerated depreciation of Fixed assets | $ 33,847 | $ (10,055) | $ 23,792 |
| Unrealized foreign exchange gains | 44 | (44) | - |
| | $ 33,891 | $ (10,099) | $ 23,792 |

(Concluded)

December 31, 2018

| | Opening Balance | Recognized in Profit or Loss | Closing Balance |
|---|---|---|---|
| Current tax assets | | | |
| Temporary differences | | | |
| Pension limit exceeded | $ 13,455 | $ 2,595 | $ 16,050 |
| Loss deduction | - | 32,384 | 32,384 |
| Investment losses for using equity method | 104,148 | (61,048) | 43,100 |
| Unrealized inventory valuation losses | 12,560 | 2,987 | 15,547 |
| Impairment loss on financial assets at FVOCI | 3,995 | 705 | 4,700 |
| Gross profit from advance receipts with an issued bill of lading | 1,109 | (722) | 387 |
| Unrealized foreign exchange losses | - | (27) | (27) |
| | $ 135,267 | $ (23,126) | $ 112,141 |
| Current tax liabilities | | | |
| Temporary differences | | | |
| Accelerated depreciation of Fixed assets | $ 41,766 | $ (7,919) | $ 33,847 |
| Unrealized foreign exchange gains | 5 | 39 | 44 |
| | $ 41,771 | $ (7,880) | $ 33,891 |

d. Deductible temporary differences and unused loss deductions for deferred income tax assets not recognized in the individual's balance sheet

| | December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Loss deduction | | |
| Expires in 2028 | $ 82,876 | $ 123,967 |

e. Information on unused loss deductions

Loss carryforwards as of December 31, 2019 comprised:

| Unused Amount | Expiry Year |
|---|---|
| $ 137,047 | 2028 |

f. Income tax assessments

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

## 25. EARNINGS (LOSS) PER SHARE

The net loss and the weighted-average shares of ordinary shares used to calculate loss per share were as follows:

**Net Profit (Loss)**

| | For the Year Ended December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Net profit loss for the year | $ 45,905 | $ (176,971) |

**Earnings Per Share**

**(In Thousands of Shares)**

| | For the Year Ended December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Weighted average number of ordinary shares used in the computation of basic earnings per share | 404,738 | 404,738 |
| Effect of potentially dilutive ordinary shares | | |
| Employees' compensation | 184 | - |
| Weighted average number of ordinary shares used in the computation of diluted earnings per share | 404,922 | 404,738 |

If the Company has the option to distribute employee compensation in stocks or cash, when calculating diluted earnings per share, it is assumed that employee compensation will be in the form of stock issuance and the weighted average number of outstanding shares will be included in the weighted average number of outstanding shares when the potential ordinary shares have dilution Diluted earnings per share. When calculating the diluted earnings per share before deciding the number of shares for employee compensation in the following year, we also continue to consider the dilution effect of these potential ordinary shares.

## 26. CASH FLOW INFORMATION

The Company's disposal of financial assets measured at fair value through other comprehensive profit and loss as of December 31, 2019, there were still $21,393 thousand unrecovered, and other receivables were recorded.

**Changes in Liabilities Arising from Financing Activities**

For the year ended December 31, 2019

| | Balance at January 1, 2019 | Cash Flows | Non-cash Changes: New Leases | Non-cash Changes: Discount Amortization | Balance at December 31, 2019 |
|---|---|---|---|---|---|
| Short-term bills payable | $ 159,912 | $ (60,000) | $ - | $ (92) | $ 99,820 |
| Lease liabilities | 156,999 | (42,609) | 2,672 | - | 117,062 |
| | $ 316,911 | $ (102,609) | $ 2,672 | $ (92) | $ 216,882 |

For the year ended December 31, 2018

| | Balance at January 1, 2019 | Cash Flows | Non-cash Changes: Discount Amortization | Balance at December 31, 2019 |
|---|---|---|---|---|
| Lease liabilities | $ 79,768 | $ 80,000 | $ 144 | $ 159,912 |

## 27. FINANCIAL RISK MANAGEMENT

The Company manages capital risk to ensure that maximizing the remuneration of shareholders by optimizing the debt and equity balances under the premise of keeping operating of each corporation in company.

## 28. FINANCIAL INSTRUMENTS

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

There is no significant difference between the carrying amount and fair value among the financial asset and financial liability which are not measured at fair value.

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

1) Fair value hierarchy

December 31, 2019

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets at FVTPL | | | | |
| Derivative financial assets | | | | |
| Fund benefit certificate | $ 980 | $ - | $ - | $ 980 |
| Financial assets at FVTOCI | | | | |
| Investments in equity instruments | | | | |
| Equity instrument investments | | | | |
| Listed shares and emerging market shares | $ 15,962 | $ - | $ - | $ 15,962 |
| Unlisted shares | - | - | 19,465 | 19,465 |
| | $ 15,962 | $ - | $ 19,465 | $ 35,427 |

December 31, 2018

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets at FVTPL | | | | |
| Derivative financial assets | | | | |
| Fund benefit certificate | $ 856 | $ - | $ - | $ 856 |
| Financial assets at FVTOCI | | | | |
| Investments in equity instruments | | | | |
| Equity instrument investments | | | | |
| Listed shares and emerging market shares | $ 105,718 | $ - | $ - | $ 105,718 |
| Unlisted shares | - | - | 18,702 | 18,702 |
| | $ 105,718 | $ - | $ 18,702 | $ 124,420 |

There were no transfers between Levels 1 and 2 in the current and prior year.

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

| | Financial Assets at FVTOCI - Equity Instruments | |
|---|---|---|
| | December 31 | |
| | 2019 | 2018 |
| Balance at January 1, 2019 (IFRS 9) | $ 18,702 | $ 21,829 |
| Return of shares after capital reduction | - | (2,890) |
| Recognized in other comprehensive income (included in unrealized valuation gain/(loss) on financial assets at FVTOCI) | 763 | (237) |
| Balance at December 31, 2019 | $ 19,465 | $ 18,702 |

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

The domestic unlisted equity investment adopts analogy of the Company Act for the listed companies or the asset approach to calculate the fair value of investment targets.

The analogy of the Company Act for the listed (OTC) companies refers to companies engaged in the same or similar business, the transaction price of their shares in the active market, the value multiplier implied by those prices, and the reduction in liquidity to determine the value of the target company.

The asset approach assesses the total market value of individual assets and individual liabilities covered by the evaluation target and consider the reduction of non-controlling interests and a reduction in liquidity to reflect the overall value of the corporate or business.

c. Categories of financial instruments

| | December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Financial assets | | |
| FVTPL | | |
| Mandatorily classified as at FVTPL | $ 980 | $ 856 |
| Financial assets at amortized cost (1) | 1,314,555 | 1,084,710 |
| Financial assets at FVTOCI | | |
| Equity instruments | 35,427 | 124,420 |
| Financial liabilities | | |
| FVTPL | | |
| Amortized cost (2) | 1,633,340 | 1,983,565 |

1) The balances include financial assets at amortized cost, which comprise cash, and notes receivable and trade receivables, other receivables, and restricted assets. (recognized other financial assets and other non-current assets) and refundable deposits.

2) The balance includes financial liabilities measured at amortised cost such as short-term borrowings, short-term notes and bills payable, notes payable, accounts payable, partial other payables and long-term borrowings.

d. Financial risk management objectives and policies

The Company's major financial instruments include trade receivables, trade payables, borrowings. The Company's corporate treasury function provides services to the business, coordinates access to domestic and international financial markets, and monitors and manages the financial risks relating to the operations of the Company through internal risk reports that analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk, interest rate risk), credit risk and liquidity risk.

1) Market risk

The Company's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (1) below) and interest rates (see (2) below).

The exposure of related market risk of financial instrument of the Company and the management and measurement of the exposure do not change.

a) including foreign currency risk

For the carrying amounts of monetary assets and monetary liabilities denominated in non-functional currencies on the balance sheet date, please refer to Note 33.

Sensitivity analysis

The Company is mainly exposed to the Currency USD, Currency RMB and JPY.

The following table shows the sensitivity analysis of the Company when the exchange rate of individual functional currency to each relevant foreign currency increases and decreases by 5%. 5% is as sensitivity ratio used for reporting currency risk to key management personnel of the Company, and also represented assessment of reasonably possible range of fluctuation of foreign currency rate by the management personnel. The following table shows when the individual functional currency increases 5% relative to each relevant currency, it will make pre-tax income or amount of change in equity; and when the individual functional currency decreases 5% relative to each relevant currency, it will have impact of pre-tax income or equity in negative for same amount.

| | Currency USD Impact For the Year Ended December 31 | | Currency RMB Impact For the Year Ended December 31 | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Profit or loss | $ (46) | $ (11) | $ (347) | $ (350) |

| | Currency JPY Impact For the Year Ended December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Profit or loss | $ - | $ (1,382) |

The above is mainly originated from the outstanding cash in banks, receivables, other financial assets and payables, calculated in USD, RMB and Japanese Yen which are not in cash flow hedge on the end of reporting period in the balance sheet of the Company.

b) Interest rate risk

The carrying amounts of the Company’s financial assets and financial liabilities with exposure to interest rates at the end of the year were as follows:

| | December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Fair value interest rate risk | | |
| Financial liabilities | $ - | $ 268,200 |
| Cash flow interest rate risk | | |
| Financial assets | 342,062 | 327,970 |
| Financial liabilities | 1,306,520 | 1,399,912 |

Sensitivity analysis

The following sensitivity analysis is determined by rate exposure of non-derivatives on balance sheet date. The internal of the Company reports to key management personnel about rate of change in interest rate which means that increase rate increases or decreases 25 basic points; this also represents the assessment of reasonably possible change range for interest rate from key management personnel.

If interest rate decreases/increases 25 basic points, the profit before tax in 2019 decreases/increases $2,411 thousand and the loss before tax in 2018 increases/decreases $2,680 thousand separately with all other variables held constant; the main reasons are floating rate loan, demand deposit and exposure in restricted asset interest rate risk of the Company.

2) Credit risk

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

The policy adopted by the Company is only having trade with the counterparty who has high reputation, and getting sufficient guarantee to reduce the financial loss risk arising from arrears under the necessary situation.

In addition to the analysis of the following table, the maximum credit exposure amount (excluded fair value of borrowing cost) of each financial instrument of the Company is same as the carrying amount:

| | December 31 | | | |
|---|---|---|---|---|
| | 2019 | | 2018 | |
| | **Carrying Amount** | **Largest Credit Risk Exposed Amount** | **Carrying Amount** | **Largest Credit Risk Exposed Amount** |
| Off-balance sheet commitments and guarantee | | | | |
| Endorsement for subsidiary | $ - | $ 703,800 | $ - | $ 748,910 |

The credit risk of the Company is mainly concentered on the key account (KA) of the Company; as the end of December 31, 2019 and 2018, the receivables should exceed 5% of total receivables, which are separately 45.95% and 51.25% of total receivables.

3) Liquidity risk

The Company manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Company's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

Bank loan is an important source of liquidity for the Company. As the end of December 31, 2018 and 2017, the unused long-term and short-term bank loan commitments of the Company are separately $1,448,996 thousand and $1,329,915 thousand.

The following table is the contractual maturity analysis of non-derivative balance of financial liabilities during maturity time in agreement, in accordance with the maturity date which may be the first date asking the Company, which is written by undiscounted cash flows of financial liabilities.

December 31, 2019

| | Weighted-average Valid Rate (%) | On Demand or Less than 1 Month | 1-3 Months | 3 Months to 1 Year | 1-5 Years | 5+ Years |
|---|---|---|---|---|---|---|
| Non-interest bearing | - | $ 142,446 | $ 148,765 | $ 14,582 | $ 257 | $ 18,200 |
| Lease liabilities | 1.55 | 8,233 | 3,036 | 33,065 | 75,246 | - |
| Variable interest rate liabilities | 1.79 | - | - | 636,520 | 670,000 | - |
| Fixed interest rate liabilities | - | - | - | - | - | - |
| | | $ 150,679 | $ 151,801 | $ 684,167 | $ 745,503 | $ 18,200 |

December 31, 2018

| | Weighted-average Valid Rate (%) | On Demand or Less than 1 Month | 1-3 Months | 3 Months to 1 Year | 1-5 Years | 5+ Years |
|---|---|---|---|---|---|---|
| Non-interest bearing | - | $ 158,071 | $ 175,720 | $ 13,208 | $ 2,874 | $ 17,892 |
| Variable interest rate liabilities | 1.59 | - | 104,411 | 635,501 | 480,000 | 180,000 |
| Fixed interest rate liabilities | 1.29 | 131,000 | - | 137,200 | - | - |
| | | $ 289,071 | $ 280,131 | $ 785,909 | $ 482,874 | $ 197,892 |

## 29. TRANSACTIONS WITH RELATED PARTIES

a. Related parties

| Related Party Name | Related Party Category |
|---|---|
| Subsidiary | |
| Dasheng Enterprise | Subsidiary of the Company |
| Luckicon Ready-mixed Co. | Subsidiary of the Company |
| Lucky Cement Japan | Subsidiary of the Company |
| Luckyship Co. | Subsidiary of the Company |
| Fuyu Development Co., Ltd. | Grandson of the Company |
| Other related party | |
| Yungsheng Development Industrial Co., Ltd. (Yungsheng Development Co.) | The chairman of the Company is the same as the chairman of the parent company |
| LIANG-CHUAN Cultural and Educational Foundation (LIANG-CHUAN Foundation) | The chairman of the Company is the same as the chairman of the parent company |
| Fudong Freight Co., Ltd. (Fudong Freight Co.) | The chairman of the Company is one of the parent company chairman’s first-degree relatives |
| Changjun Water Resources biotechnology Co., Ltd. (Changjun Water Resources Co.) | The chairman of the Company is the same as the chairman of the parent company |
| Jia Fu Entertainment Co., Ltd. (Jia Fu Entertainment Co.) | The chairman of the Company is one of the parent company chairman’s first-degree relatives |

(Continued)

| Related Party Name | Related Party Category |
| --- | --- |
| Wantong Product Insurance Brokerage Co., Ltd. (Wantong Product Insurance Co.) | The chairman of the Company is one of the parent company chairman’s first-degree relatives |
| Lucky Construction Co., Ltd. (Lucky construction Co.) | The chairman of the Company is one of the parent company chairman’s first-degree relatives |
| Kuochuan Development Co., Ltd. (Kuochuan Development Co.) | The chairman of the Company is one of the parent company chairman’s first-degree relatives |
| Changheng Investment Co. (Changheng Investment Co.) | The major shareholder of the parent company |
| Jinli Investment Co., Ltd. (Jinli Co.) | The major shareholder of the parent company |
| Fuan Mining Co., Ltd. (Fuan Mining Co.) | The manger is the spouse of the parent company chairman’s first-degree relatives |

(Concluded)

b. Business transact ion

| Line Items | Related Party Name | For the Year Ended December 31 2019 | 2018 |
| --- | --- | --- | --- |
| Sale of goods | Subsidiary | $ 641,814 | $ 347,320 |
| | Other related parties | 7 | 813 |
| | | $ 641,821 | $ 348,133 |
| Purchases of goods | Fuan Mining Co. | $ 253,837 | $ 224,915 |
| | Subsidiary | 2,861 | 2,595 |
| | Other related parties | 39,682 | 24,118 |
| | | $ 296,380 | $ 251,628 |
| Operating costs - transportation expenses | Subsidiary | $ 7,523 | $ - |
| | Other related parties | 15,713 | 12,323 |
| | | $ 23,236 | $ 12,323 |
| Operating expenses | Other related parties | $ 2,599 | $ 3,370 |
| Non-operating income - rent revenue | Fuyu Development Co. | $ 8,060 | $ 13,928 |
| | Subsidiary | 1,861 | 1,861 |
| | Other related parties | 2,406 | 2,406 |
| | | $ 12,327 | $ 18,195 |
| Non-operating income - other revenue | Other related parties | $ 1,200 | $ 1,200 |

The prices of purchases and sales between the Company and related parties are negotiated separately, and the period of receipt and payment is comparable to that of non-related parties.

The rental income between the Company and the related parties, the determination of the rent and the method of collection are comparable to the general lease transactions.

c. Receivables from related parties

| Line Items | Related Party Name | For the Year Ended December 31 2019 | 2018 |
|---|---|---|---|
| Notes receivable | Subsidiary | $ 58,920 | $ 39,153 |
| | Other related parties | 199 | 199 |
| | | $ 59,119 | $ 39,352 |
| Trade receivables | Subsidiary | $ 64,786 | $ 36,623 |
| | Other related parties | - | 346 |
| | | $ 64,786 | $ 36,969 |
| Other receivables | Subsidiary | $ 130 | $ 102 |
| | Other related parties | 16 | 103 |
| | | $ 146 | $ 205 |

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

d. Payables to related parties

| Line Items | Related Party Name | For the Year Ended December 31 2019 | 2018 |
|---|---|---|---|
| Notes payables | Fuan Mining Co. | $ 28,810 | $ 41,678 |
| | Subsidiary | 13 | 196 |
| | Other related parties | 2,000 | 1,823 |
| | | $ 30,823 | $ 43,697 |
| Trade payables | Fuan Mining Co. | $ 26,000 | $ 21,195 |
| | Subsidiary | - | 189 |
| | Other related parties | 6,138 | 2,273 |
| | | $ 32,138 | $ 23,657 |
| Other payables | Subsidiary | $ 2,781 | $ 389 |
| | Other related parties | 1,280 | 1,158 |
| | | $ 4,061 | $ 1,547 |

The outstanding trade payables to related parties are unsecured.

e. Contract liabilities

| Related Party Name | December 31 2019 | 2018 |
|---|---|---|
| Subsidiary | $ 8,201 | $ 4,542 |

f. Refundable deposits

| Related Party Name | December 31 2019 | December 31 2018 |
|---|---|---|
| Dasheng Enterprise | $ 159,000 | $ 159,000 |

For information on refundable deposits, please refer to Note 31.

g. Loans from related parties

| Line Items | Related Party Name | For the Year Ended December 31 2019 | For the Year Ended December 31 2018 |
|---|---|---|---|
| Other receivables related parties | Dasheng Enterprise | $ 47,433 | $ 67,097 |
| | Luckyship Co. | 12,016 | 3,005 |
| | | $ 59,449 | $ 70,102 |
| Interest revenue | Subsidiary | $ 1,449 | $ 3,621 |

The Company provides loans to its subsidiaries. The interest rate ranges for 2019 and 2018 are 1.7875% - 1.8763% and 1.8763% - 1.95%, respectively.

h. Endorsement guarantee

| | Related Party Name | For the Year Ended December 31 2019 | For the Year Ended December 31 2018 |
|---|---|---|---|
| Endorsement guarantee for others | Subsidiary | $ 703,800 | $ 748,910 |

i. Remunerations of key management personnel

| Related Party Name | For the Year Ended December 31 2019 | For the Year Ended December 31 2018 |
|---|---|---|
| Short-term employee benefits | $ 16,752 | $ 12,947 |
| Benefit after retirement | 386 | 222 |
| | $ 17,138 | $ 13,169 |

The remunerations of key management personnel will be decided by remunerate ion committee with personal performance and market trend.

## 30. ASSETS PLEDGED AS COLLATERAL

The Company uses the pledged assets as collateral for long-term and short-term bank loans, short-term notes and bills payable, debt litigation and other credit accommodation:

| | December 31 | |
|---|---|---|
| | **2019** | **2018** |
| Notes receivable | $ - | $ 7,200 |
| Property, plant and equipment | 745,000 | 748,704 |
| Restricted assets (recognized other financial assets) - short-term guarantee | 90,165 | 105,231 |
| Restricted assets (recognized other non-current assets) | | |
| Right-of-use assets - mining rights guarantee | 106,908 | 108,787 |
| | $ 942,074 | $ 969,922 |

## 31. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACTUAL COMMITMENTS

The Company and Dasheng Development Company signed a joint construction and sale contract on May 8, 2014. Dasheng Development Company provided 154 lands including land serial no.433, Daitianfu land lot Anle Dist., Keelung, Taiwan (R.O.C.). The Company provides Fees for capital, technology, re-planning projects and use licenses. After the completion of the contractual construction, the Company will sell the building. Dasheng Development Co., Ltd. will cooperate with the sale of the relevant land. In May 2014, the Company provided a joint construction deposit of $159,000 thousand to Dasheng Development Company. Such deposit was agreed by both parties in the form of loans which the Company lend to Dasheng Development. Dasheng would return the deposit without interest according to the agreed conditions. As of December 31, 2019, this joint construction sub-sale was still in the stage of land preparation and has not yet obtained a construction license.

## 32. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

a. On the date of March 24, 2020, the Company reported to the board of directors the plan to sell the Company’s vacant land in the Puxin factory. The estimated total price is $20,964 thousand.

b. On the date of March 24, 2020, the board of directors decided, by resolution, to pass the proposal that to increase the investment amount of $250,000 thousand on Luckicon Ready-mixed Concrete Factory Co., Ltd., in use to acquire the land located near Shulin District New Taipei City Shulin Dist., New Taipei, Taiwan (R.O.C.). The total value of the land is $590,129 thousand.

## 33. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

**(In Thousands of New Taiwan Dollars and Foreign Currencies)**

December 31, 2019

| | Foreign Currency | Exchange Rate | Carrying Amount |
|---|---|---|---|
| Financial assets | | | |
| Monetary items | | | |
| USD | $ 31 | 29.98 (USD:NTD) | $ 925 |
| RMB | 1,610 | 4.305 (RMB:NTD) | 6,930 |
| JPY | 26 | 0.276 (JPY:NTD) | 7 |
| Non-monetary items | | | |
| JPY | 89,051 | 0.276 (JPY:NTD) | 24,578 |

December 31, 2019

| | Foreign Currency | Exchange Rate | Carrying Amount |
|---|---|---|---|
| Financial assets | | | |
| Monetary items | | | |
| USD | $ 7 | 30.715 (USD:NTD) | $ 208 |
| RMB | 1,566 | 4.472 (RMB:NTD) | 6,930 |
| JPY | 100,008 | 0.2782 (JPY:NTD) | 27,642 |
| Non-monetary items | | | |
| JPY | 86,480 | 0.2782 (JPY:NTD) | 24,059 |

Foreign exchange gains or losses (realized or unrealized) of the Company in 2019 and 2018 are respect lively losses $1,896 thousand and gains $65 thousand. Because there is variety of foreign currency transact ions, it cannot disclose exchange gains and losses in accordance with foreign currency of each important impact.

## 34. ADDITIONAL DISCLOSURES

Following are the additional disclosures required by the FSC for the Company and Investees:

a. Financings provided: Please see Table 1 attached;

b. Endorsement/guarantee provided: Please see Table 2 attached;

c. Marketable securities held (excluding investments in subsidiaries and associates): Please see Table 3 attached;

d. Marketable securities acquired and disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital: None;

e. Acquisition of individual real estate properties at costs of at least NT$300 million or 20% of the paid-in capital: None;

f. Disposal of individual real estate properties at prices of at least NT$300 million or 20% of the paid-in capital: None;

g. Total purchases from or sales to related parties of at least NT$100 million or 20% of the paid-in capital: Please see Table 4 attached;

h. Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: Please see Table 5 attached;

i. Information about the derivative financial instruments transaction: None;

j. Names, locations, and related information of investees over which the Company exercises significant influence (excluding information on investment in mainland China): Please see Table 6 attached;

k. Information on investment in mainland China

    1) The name of the investee in mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, income (losses) of the investee, share of profits/losses of investee, ending balance, amount received as dividends from the investee, and the limitation on investee: None;

    2) Significant direct or indirect transactions with the investee, its prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in mainland China on financial reports: None.

# LUCKY CEMENT CORPORATION

**FINANCINGS PROVIDED**
**FOR THE YEAR ENDED DECEMBER 31, 2019**
**(In Thousands of New Taiwan Dollars)**

| No. | Financing Company | Counter-party | Financial Statement Account | Maximum Balance in Current Period | Related Party | Ending Balance (Note 4) | Amount Actually Drawn | Interest Rate | Nature for Financing (Note 1) | Transaction Amounts | Reason for Financing | Allowance for Bad Debt | Collateral | | Financing Limits for Each Borrowing Company (Note 2) | Financing Company's Total Financing Amount Limits (Note 3) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | | | Name | Value | | |
| 0 | Lucky Cement Corp. | Dasheng Enterprise | Other receivables from related parties | $ 200,000 | Yes | $ 200,000 | $ 47,350 | 1.7875% | b. | $ - | Operating turnover | $ - | - | - | $ 432,086 | $ 1,728,344 |
| | | Luckyship Marine Co. | Other receivables from related parties | 30,000 | Yes | 30,000 | 12,000 | 1.7875% | b. | - | Operating turnover | - | - | - | 432,086 | 1,728,344 |
| | | Lucky Cement Corp., Japan | Other receivables from related parties | 30,000 | Yes | 30,000 | - | 1.7875% | b. | - | Operating turnover | - | - | - | 432,086 | 1,728,344 |
| | | | | | | $ 260,000 | | | | | | | | | | |
| 1 | Luckicon Ready-mixed Co., | Dasheng Enterprise | Other receivables from related parties | 20,000 | Yes | 20,000 | 20,000 | 1.31% | b. | - | Operating turnover | - | - | - | 57,305 | 114,611 |

Note 1: The expressions of nature for Financing is as follows:

a. Party with business.
b. Party with short-term financing need.

Note 2: The subject whom Lucky Cement Corporation made loans is the shareholder of 50% above of subsidiary shall be kept less than 10% of end-of-year net value; the subject whom a loan was made is a shareholder of more than 20%, yet less than 50% shall be kept less than 5% of end-of-year net value; the rest shall be subject to 2% of end-of-year net value; Luckicon Ready-mixed Concrete Factory Co., Ltd. shall be subject to 20% of end-of-year net value.

Note 3: It is subject to 40% of end-of-year net value of companies making loans.

Note 4: It refers to the line of loan approved by the Board of Directors.

**TABLE 2**

# LUCKY CEMENT CORPORATION

**ENDORSEMENT/GUARANTEE PROVIDED**
**FOR THE YEAR ENDED DECEMBER 31, 2019**
**(In Thousands of New Taiwan Dollars, Unless Otherwise Noted)**

| No. | Endorsement/ Guarantee Provider | Guaranteed Party | | Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party (Note 1) | Maximum Balance for the Period | Ending Balance | Amount Actually Drawn | Amount of Endorsement/ Guarantee Collateralized by Properties | Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements | Maximum Endorsement/ Guarantee Amount Allowable (Note 2) | Guarantee Provided by Parent Company | Guarantee Provided by A Subsidiary | Guarantee Provided to Subsidiaries in Mainland China | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Name | Nature of Relationship | | | | | | | | | | | |
| 0 | Lucky Cement Corp. | Dasheng Enterprise | Subsidiary | $ 1,728,344 | $ 620,000 | $ 620,000 | $ 620,000 | $ 120,000 (Note 3) | 14.35% | $ 2,160,430 | Y | - | - | |
| | | Luckicon Ready-mixed Co. | Subsidiary | 1,728,344 | 70,000 | 70,000 | 50,000 | - | 1.62% | 2,160,430 | Y | - | - | |
| | | Luckyship Marine Co. | Subsidiary | 1,728,344 | 45,000 | - | - | - | - | 2,160,430 | Y | - | - | |
| | | Lucky Cement Corp., Japan | Subsidiary | 1,728,344 | 14,735 | 13,800 | - | - | 0.32% | 2,160,430 | Y | - | - | |
| | | | | | | $ 703,800 | | | | | | | | |

Note 1: The upper limit that Lucky Cement Corporation endorses for single company shall not exceed 10% of the net value, except for limit of 40% accounting for the net value of subsidiary.

Note 2: The gross line of endorsement approved by the Meeting of Shareholder shall be subject to 50% of the net value.

Note 3: The certificate of deposit NT$60,000,000 is provided as collateral which is recognized other finance asset-restricted asset.

**TABLE 3**

## LUCKY CEMENT CORPORATION

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

| Held Company Name | Marketable Securities Type and Nam | Relationship with the Company | Financial Statement Account | December 31, 2019 | | | | Note |
|---|---|---|---|---|---|---|---|---|
| | | | | Shares/Units | Carrying Value | (%) | Fair Value (Notes 1 and 2) | |
| Lucky Cement Corp. | Fund | | | | | | | |
| | O-Bank No.1 Real Estate Investment Trust | - | Financial assets at FVTPL - current | 100,000 | $ 980 | - | $ 980 | |
| | Non-listed common stock | | | | | | | |
| | Jonfeng Mining Co., Ltd | - | Financial assets at FVOCI - noncurrent | 1,071,428 | 8,175 | 10.58 | 8,175 | |
| | WK Technology Fund | - | 〃 | 1,156,000 | 6,433 | 2.22 | 6,433 | |
| | Global Securities Finance Corp. | - | 〃 | 700,837 | 4,857 | 0.18 | 4,857 | |
| | Listed common stock | | | | | | | |
| | Far Eastern New Century Corporation | - | Financial assets at FVOCI - current | 200,000 | 5,970 | - | 5,970 | |
| | U-Ming Marine Transport Corporation | - | 〃 | 128,000 | 4,301 | - | 4,301 | |
| | Winbond Electronics Corp. | - | 〃 | 130,181 | 2,545 | - | 2,545 | |
| | Excelsior Medical Co., Ltd. | - | 〃 | 28,628 | 1,778 | - | 1,778 | |
| | United Microelectronics Corporation | - | 〃 | 72,351 | 1,190 | - | 1,190 | |
| | China Development Financial | - | 〃 | 13,496 | 131 | - | 131 | |
| | First Financial Holding Co., Ltd. | - | 〃 | 891 | 21 | - | 21 | |
| | Capital Securities Corp. | - | 〃 | 875 | 10 | - | 10 | |
| | Hua Nan Financial Holdings Co., Ltd. | - | 〃 | 423 | 10 | - | 10 | |
| | Taiwan Cement Corp | - | 〃 | 141 | 6 | - | 6 | |
| Luckyship Marine Co. | Non-listed common stock | | | | | | | |
| | Jonfeng Mining Co., Ltd. | - | Financial assets at FVOCI - noncurrent | 35,129 | 268 | 0.35 | 268 | |
| Luckyship Marine Co. | Listed common stock | | | | | | | |
| | Medigen Biotechnology Corporation | - | Financial assets at FVOCI - current | 242 | 15 | - | 15 | |
| Luckicon Ready-mixed Co. | Fund | | | | | | | |
| | Nomura Global Short Duration Bond Fund | - | Financial assets at FVTPL - current | 474,325 | 5,126 | - | 5,126 | |
| | Shin Kong Emerging ASEAN Bond Fund | - | 〃 | 500,015 | 4,506 | - | 4,506 | |
| | Mega Danish Covered Mortgage Bond Index Fund | - | 〃 | 500,000 | 4,950 | - | 4,950 | |
| | TSG Phnom Penh Real Estate Development Fund | - | Financial assets at FVTPL - noncurrent | 500 | 9,598 | - | 9,598 | |
| | Corporate bond | | | | | | | |
| | The Cathay United Jenai EMC USD Fixed Interest Allocation Bond | - | Financial assets at FVOCI - current | - | 6,061 | - | 6,061 | |

(Continued)

Note 1: Financial assets at FVTPL: Fair value is based on the net asset value of funds on December 31, 2019.

Note 2: Financial assets at OCI: Listed stocks of financial assets measured at FVPL, its fair value is based on stock closing price on December 31, 2019. Corporate bond is based on market price on December 31, 2019. Non-listed stocks are estimated market value by the fair value evaluation method.

(Concluded)

# LUCKY CEMENT CORPORATION

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

| Company Name | Related Party | Nature of Relationships | Transaction Details | | | | Abnormal Transaction | | Notes/Accounts Payable or Receivable | | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Purchases/ Sales | Amount | % to Total | Payment Terms | Unit Price | Credit Period | Ending Balance | % to Total | |
| Lucky Cement Corp. | Luckicon Ready-mixed Co. | Subsidiary | Sale | $ (641,814) | (21.90) | About 90 days | Quite | Quite | Accounts receivable $ 64,786<br>Notes receivable 58,913 | 41.10<br>12.46 | |
| | Fuan Mining Co., Ltd. | Other related parties | Purchase | 253,837 | 22.16 | About 90 days | Agreed | Quite | Accounts payable (26,000)<br>Notes payable (28,810) | (25.31)<br>(18.13) | |

TABLE 5

## LUCKY CEMENT CORPORATION

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

| Company Name | Related Party | Nature of Relationships | Ending Balance | Turnover Days | Overdue | | Amounts Received in Subsequent Period | Allowance for Amount Action Taken Bad Debts |
|---|---|---|---|---|---|---|---|---|
| | | | | | Amount | Action Taken | | |
| Lucky Cement Corp. | Luckicon Ready-mixed Co. | Subsidiary | $ 123,699 | 6.43 | $ - | - | $ 123,699 | $ - |

# LUCKY CEMENT CORPORATION

**NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE**
**For the Years Ended December 31, 2019**
**(In Thousands of New Taiwan Dollars)**

| Investor Company | Investee Company | Address | Main Businesses and Products | Original Investment Amount (Note 3) | | Balance as of December 31, 2019 | | | Net Income (Loss) of the Investee | Investment Income (Loss) Recognized | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | December 31, 2019 | December 31, 2018 | Number of Shares | Percentage of Ownership | Carrying Value | | | |
| Lucky Cement Corp. | Dasheng Enterprise | 14F., No.237, Songjiang Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.) | Real estate sales and lease | $ 2,167,473 | $ 2,167,473 | 157,295,283 | 99.99 | $ 2,294,648 | $ (40,085) | $ (40,084) | |
| | Luckicon Ready-mixed Co. | No. 191, Sec. 1, Meishi Rd., Yangmei Dist., Taoyuan City 326, Taiwan (R.O.C.) | Ready-mixed concrete manufacture and trades | 99,998 | 99,998 | 21,999,868 | 99.99 | 286,548 | 27,739 | 27,763 | |
| | Just Bright Ltd. | Tropic Isle Building, PO Box 438, Road Town, Tortola, British Virgin Islands | Investment business | - | 1,566 | 50,000 | 100.00 | - | 166 | 166 | Note 2 |
| | Lucky Cement Corp., Japan | Aichi, Japan hekinan Yu Jin-Pu-cho 12 gu | Cement trading | 82,300 | 82,300 | 6,800 | 100.00 | 24,578 | 729 | 729 | |
| | Luckyship Marine Co. | 13F., No. 237, Songjiang Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.) | Shipping agent | 88,615 | 88,615 | 8,499,994 | 99.99 | 43,864 | (8,889) | (8,887) | |
| Luckicon Ready-mixed Co. | Fuyu Development Company | 13F., No. 237, Songjiang Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.) | Mine gravel | 12,571 | 12,571 | 1,000,000 | 100.00 | 4,815 | (4,806) | (4,806) | |

Note 1: The amounts were based on audited financial statements.

Note 2: On the date of December 27, 2019, the board of directors decided, by resolution, to discontinue the operation of the subsidiary Just Bright Ltd., and closed its securities account and bank account. The estimated complete date of the cancellation of registration is May 1, 2021.

Note 3: The original investment amount includes the previous year's capital reduction to make up for the decrease in losses.