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Lucky Cement Corporation
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Lucky Cement Corporation

2018 Annual Report

Printed on: April 30, 2019

Notice to readers
This English-version report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.

I. Spokesperson / Deputy Spokesperson

Name：Weng Xiu-Chu／Chen Yi-Cheng
Title：Manager／Vice Manger
Telephone : (02)2509-2188
FAX : (02)2504-8672
E-mail : wendy@luckygrp.com.tw /ycchen@luckygrp.com.tw

II. Contact Information

Name	Address	Phone
Headquarter	15F, 237 Songjiang Rd., Taipei City	(02)2509-2188
Dongao Plant	101 Suhua Rd., Sec. 3, Nan'ao Township, Yilan County	(03)998-6110
Puxin Plant	193 Meishi Rd., Sec. 1, Yangmei Dist., Taoyuan City	(03)481-4788
Horen Plant	73 Heren Rd., Heping Village, Xiulin Township, Hualien County	(03)868-1217

III. Stock Transfer Agent
Name: Stock affairs agency, Sinopac Securities
Address: 3F, 17 Bo'ai Rd., Zhongzheng Dist., Taipei City
Telephone:(02)2381-6288
Website: http://www.sinotrade.com.tw

IV Auditors
CPA: Firm: Deloitte & Touche
CPA: Huang Hai-Yue & Liu Yong-Fu
Address: 20F, Taipei Nan Shan Plaza No.100, Songren Rd. Xinyi Dist., Taipei
Telephone: (02)2725-9988
Website: http://www.deloitte.com.tw

V Overseas Securities Exchange: Not applicable

VI Corporate Website: http://www.luckygrp.com.tw

Contents

A letter to Shareholders

Dear sir and madam:

The consolidated operating revenue in 2018 was NT$3,330,601,000, consolidated gross loss from operations was NT$155,142,000 and consolidated loss was NT$201,614,000. The main cause of the decline in operating revenue was the domestic cement sales had grown slightly, but the import of cement has divided the existing market, coupled with the increase in the related cost such as taxation of stone raw materials was increas and the import cost of scrap coal, resulting in losses. The Company is currently actively adjusting its business strategy and operating guidelines to improve profitability.

Looking back over the past year, as a result of the United States interest rate increase led to a strong US dollar, triggered by the global capital movement. As the US-China trade war continued to heat up in the second half of the year, the financial volatility of emerging markets and developing economies intensified, which affected the major economies such as the United States, Japan, China and Europe, and also caused the domestic economic growth momentum to be limited. The domestic private construction industry has still not improved, which has seriously undermined the performance of the Company's operating. Under the uncertain global economic situation, despite continuous efforts to overcome various adverse factors, the Company has not been able to break away from the dilemma of external economic changes.

Looking forward to 2019, due to the unclear international political and economic situation, including the United States Federal Association's simultaneous interest rate hike and shrinked balance sheet caused global financial tightening, China's economic growth slowed down, and the follow-up influence of Brexit. In addition, if the US-China trade war continues to burn and there is no specific progress, it will not only affect the trade itself, but will also crack down on investment and manufacturing activities in the long run; the change in the contradiction of trade wars will make cross-strait relations sensitive and affect the domestic economy unneglectably. It is hoped that the government will formulate relevant specific policies, strengthen the economic boom effect by expanding domestic demand, strengthen private investment momentum, stimulate the overall economic growth potential of the country, and look forward to the momentum that will drive the growth of cement demand. The estimated demand for the domestic cement market is still waiting to see this year. Therefore, the sales of cement, stone and other related products in this year are expected to be comparable to last year.

We appreciated the support and inspiration from all the shareholders for many years and we apologized for the poor performance of the business last year. We hoped that this year, we could reverse the performance and bring some benefits to the shareholders. Lastly, we give best wishes for good health and good luck to all the shareholders. Thank you.

Chairman：CHEN, LIANG-CHUAN

1.2 2018 Business Report

1. Business performance

(1) Major parts of products

Item	2018	2017	Increase(Decrease)	Growth %
Cement and Slag Powder (Unit: 1,000 tons)	764	738	26	3.52%
Stone (Unit: 1,000 tons)	1,646	2,566	(920)	(35.85%)

Status of implementation plan:

Total production of cement and slag powder was 764,000 tons, total planned production was 970,000 tons, and its production achievement rate was 78.8%.

Total production of stone was 1,646,000 tons, total planned production was 2,473,000 tons, and its production achievement rate of stone was 66.6%.

(2) Major parts of Sales

Item	2018	2017	Increase (Decrease)	Growth %
Cement and Slag Powder (Unit: 1,000 tons)	984	995	(11)	(1.11%)
Stone (Unit: 1,000 tons)	1,187	1,803	(616)	(34.17%)
Cement and Slag Powder (Unit: NT$1,000)	2,042,328	2,094,970	(52,642)	(2.51%)
Stone (Unit:NT$1,000)	491,363	630,585	(139,222)	(22.08%)

Status of implementation plan:

Total sales of cement and slag powder was 984,000 tons, total planned sales was 1,225,000 tons, and its sales achievement rate was 80.3%.

Total sales of stone was 1,187,000 tons, total planned sales was 1,400,000 tons, and its sales achievement rate of stone was 84.8%.

2. Financial Revenue and Profitability Analysis

Unit: NT$1,000,000

Item	2018	2017	Increase (Decrease)	Increase (Decrease) %
Operating revenue	3,331	3,434	(103)	(3.00%)
Operating income (loss)	(155)	(100)	(55)	(55.00%)
Profit (loss) before tax	(192)	(119)	(73)	(61.34%)
Profit (loss)	(202)	(103)	(99)	(96.12%)

<table>
<tr><th colspan="3">Item</th><th>2018</th><th>2017</th></tr>
<tr><td rowspan="4">Individual profitability</td><td>Operating Income Margin (%)</td><td rowspan="2">Ratio：
Paid-in capital</td><td>(0.54)</td><td>1.74</td></tr>
<tr><td>Profit (loss) before Tax Margin (%)</td><td>(3.96)</td><td>(2.87)</td></tr>
<tr><td colspan="2">Net Profit (Loss) Margin (%)</td><td>(6.30)</td><td>(3.42)</td></tr>
<tr><td colspan="2">Earnings Per Share (NT Dollar)</td><td>(0.44)</td><td>(0.25)</td></tr>
</table>

3. Research and development

The Company spared no effort in the research of production process in response to the business development of cement, slag powder, stone, and waste disposal. Also, we had simultaneously significant results that achieved the requirements under the environmental protection policy of Government on the research and development of environmental pollution prevention and control. As for the global focus of energy conservation and carbon reduction, the talent and manpower have been committed by the Company in order to achieve the goals of Government policy.

4. Subsidiary business

(1) Dasheng Enterprise Co., Ltd. (“Dasheng Enterprise”)

The company invests the land located in the Daganlin area of Anle Dist., Keelung City. The land is under grading stage and the company will integrate the first and second phase infrastructure works to save the development cost. The first phase of the project has been completed, and the cadastral distribution settlement and project acceptance will be conducted according to “Encouragement Regulations for Landowners Implementing Urban Land Readjustment”. The key projects of the second phase such as the retaining wall have been completed, and the drainage ditch, roads, parks, street lamps and so on are conducting now, the project is scheduled to be completed in the middle of next year.

The company suffered a net loss amount NTD$ 109,350,000 in 2018.

(2) Lucky Cement Corp., Japan ("Lucky Cement, Japan")
In 2018, the sales revenue of cement was NT $ 59,570,000 and net loss was NT$640,000.

(3) Luckicon Ready-mixed Concrete Factory Co., Ltd ("Luckicon Ready-mixed Concrete")
In 2018, the sales revenue was NT $ 701,390,000 and net loss was NT $21,230,000.

(4) Luckyship Marine Co., Ltd ("Luckyship Co.")
The sales revenue in 2018 was NT $ 55,090,000 and net loss was NT $18,530,000.

(5) Just Bright Ltd (BVI company)
It was established to expand foreign investment business and net profit was NT$930,000 in 2018.

(6) ELUMINA Technology Inc. ("ELUMINA Inc.")
The board of directors of Elumina Technology Inc. resolved to dissolve Elumina Technology Inc. and its subsidiaries on July 31, 2015, and they were dissolved in November 2018.

(7) Fuyu Development Company ("Fuyu Development Co.")
In 2018, the sales revenue was NT $ 67,350,000 and net loss was NT $10,670,000.

1.3 2019 Business Plans

Production & Marketing Plans in 2019：

Unit : tons

Products	Production	Sales
Cement, Slag Powder	750,000～900,000	1,000,000～1,200,000
Stone	2,000,000～2,500,000	1,200,000～2,000,000

Although the international economy has improved in 2018, government policies are fluctuating and domestic economic growth is not strong. It is estimated that the cement related industry market will remain conservative in 2019. In 2019, It is expected that the Company's production and sales of cement and slag powder will be between 750,000 to 1,200,000 tons, and the production and sales of stone will be between 1,200,000 to 2,500,000 tons.

II Company History

1974:	"Lucky Cement Corporation" was established on May 7, 1974.
1979:	Dongao Plant was commenced civil construction.
1981:	The first cement production line in Dongao Plant was completed in operation and its annual production capacity was 600,000 tons.
1983:	The second cement production line was commenced in Dongao Plant.
1985:	The second cement production line in Dongao Plant was completed in operation and its annual production capacity was 800,000 tons.
1986:	Renovated the first cement production line in Dongao Plant and its annual production capacity was increased to 800,000 tons.
1987:	Invested in Dasheng Building Enterprise Co., Ltd. Invested in establishment of Lucky Cement Corp., Japan.
1989:	Dasheng Building Enterprise Co., Ltd. was renamed to Dasheng Enterprise Co., Ltd.
1990:	Class A stock IPO. Nankang Storage & Transportation Station was completed for operation.
1991:	Taichung Storage & Transportation Station was completed for operation, promoting delivery capacity of cement for the central Taiwan.
1992:	Acquired the land, plant and equipment of Puxin Cement Plant of Yungkang Industrial Co., with which the cement annual production capacity was 200,000 tons.
1993:	Technical renovated the first cement production line of Dongao Plant and annual production capacity was increased to 1 million tons. Established Luckyship Marine Co., Ltd Established Luckicon Ready-mixed Concrete Factory Co., Ltd
1994:	The third cement grinding system in Puxin Plant completed construction at the end of year and annual production capacity was increased to 1.4 million tons.
1995:	The first rotary kiln equipment of Dongao plant was improved, and clinker annual production capacity was increased to 1.2 million tons. At this point, two cement rotary kiln equipment in the Company's Dongao plant had clinker annual production capacity was 2 million tons; Dongao plant and Puxin plant had a total grinding production capacity of cement was 3 million tons. Taichung storage & transportation station add a cement silo to improve additional cement delivery capacity to the Central Taiwan.

Phase 1 expansion construction of Horen mining began, which was used to reinforce quality of developed mining source.

Puxin Plant researched and developed slag powder product and promote to customers.

Established Luckyship Navigation S.A.

Established Luckipar Professional Basketball Co., Ltd

1996: Slag powder was firstly available on the market.

Dongao & Puxin Plants ISO9002. certified

1997: Phase 1 expansion construction of Horen mining completed (limestone transport and crushing equipment).

Dongao Plant production rationalization project completed

1998: Puxin Plant additional slag powder production equipment completed, with which increase annual production capacity to 300,000 tons.

1999: The production equipment of fly ash in Puxin Plant was completed, with which annual production capacity was 260,000 tons.

2000: Added waste disposal projects to increase operating revenue.

Established Just Bright（BVI）Co.

Established Hojen Harbour Development Co., Ltd.

2001: Established Changxin photoelectric Co., Ltd.（renamed to ELUMINA Technology Inc.）.

2002: Kaohsiung Storage & Transportation Station was completed for operation, promoting cement delivery capacity for the Southern Taiwan.

Luckipar Professional Basketball Co., Ltd was dismissed for liquidation.

2003: Wudu Storage & Transportation Station was completed that replace Nankang Storage & Transportation Station to be the Delivery Center for Northern Taiwan.

Luckyship Navigation S.A. was dismissed for liquidation.

2004: Phase 2 expansion construction of Horen mining began, with which to increase mining source and develop a variety of limestone products for incremental sales revenue.

2006: Stone product was firstly available on the market.

Luckyship Marine Co., Ltd purchased a vessel from its affiliated Company named Luckyship Navigation S.A.

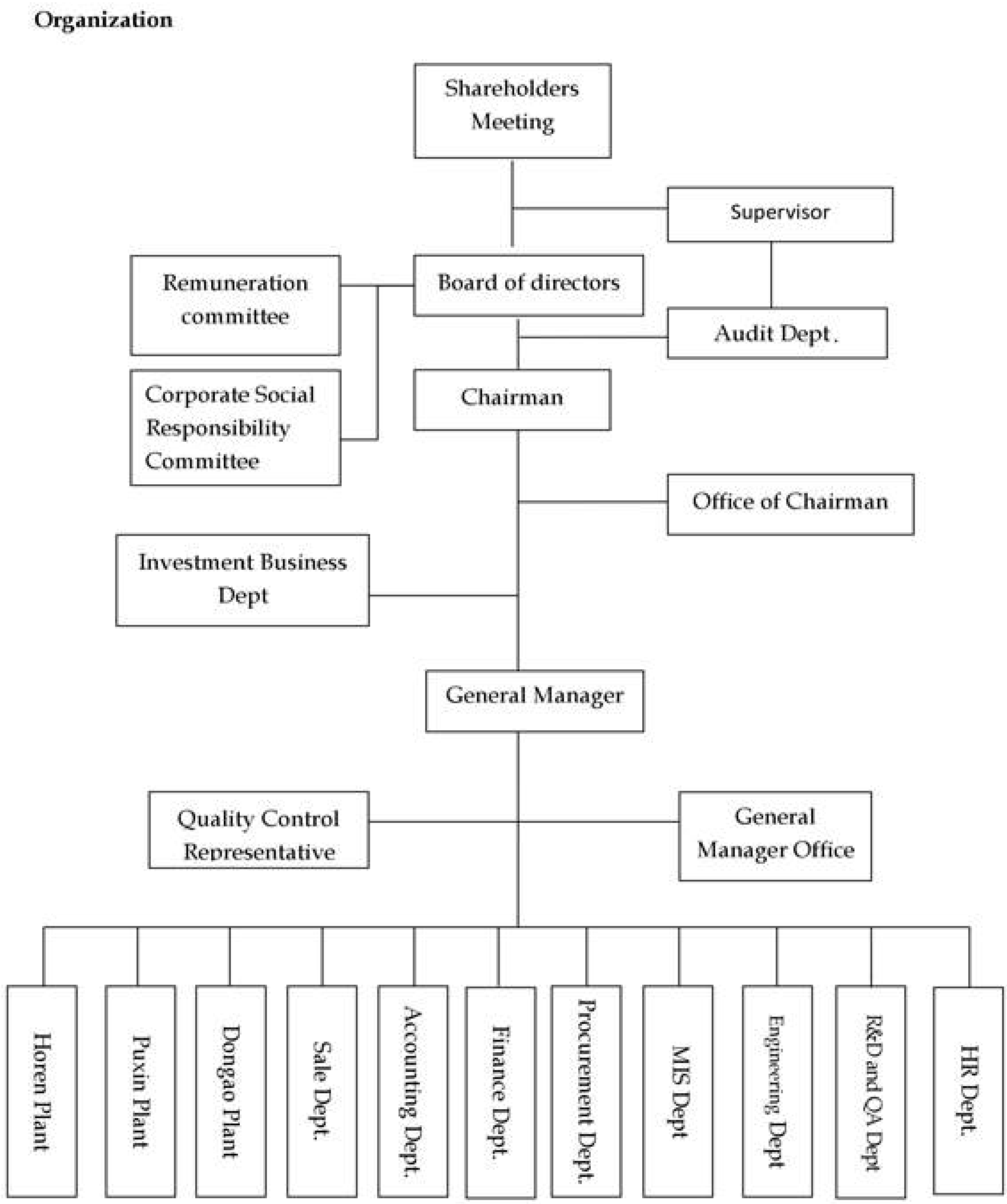
2007: The second rotary kiln in Dongao Plant was renovated to reduce the production cost.

	Established Fuyu Development Company to explore and deliver a variety of limestone products.
2008:	Phase 2 expansion construction of Horen mining completed.
	The Company passed Quality Certification of ISO9001:2008.
2012:	Luckyship Navigation S.A. concluded in the liquidation.
2015:	Luckyship Marine Co., Ltd purchased a vessel
	ELUMINA Technology Inc. and its subsidiary, ELUMINA (Xiamen) Technology Inc. remains in the process of dismissal and liquidation as of December 31, 2015.
2016:	Hojen Harbour Development Co., Ltd. proceeded in dismissal and liquidation in September 2016.
2018:	Elumina Technology Inc. was granted dissolution registration on November 8, 2018.

III Corporate Governance Report

3.1 Organization

1. Organization chart



2. Major Corporate Functions

Department	Functions
General Manager's Office	Assisting General Manager to handle all affairs.
Dongao and Puxin Plant	Production of cement, slag powder and fly ash. Dongao plant is in charge waste disposal business.
Hojen Mining	Excavation, production of limestone, dimension stone and sandstone and shipping management for all relevant products.
Sales Department	Sales, dispatch and delivery domestic and export cement, slag powder, fly ash, dimension stone and sandstone.
Financial Department	Fund raising and management.
Accounting Department	Accounting and taxation.
Procurement Department	Domestic and oversea raw materials, spare parts procurement.
Engineering Department	Research and improvement of production facilities and production procedure and construction.
HR Department	Employee recruitment and training and general affairs.
MIS Department	Plan, design, Integration and maintenance for company computerized information.
Audit Department	Consistency and appropriateness of auditing and evaluation on each business operation control.
R&D and Quality Assurance Department	Research and development for new and relevant products of cement.
Business Investment Department	Domestic and International Investment and management.

3.2 Directors, Supervisors and Management Team

1. Directors and Supervisors

April, 30, 2019

Title (Note1)	Nationality/ County of Origin	Name	Gender	Date Elected	Term (Years)	Date First Elected (Note2)	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education) (Note3)	Other Position	Executive, Directors or Supervisors who are spouses or within two degrees of kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Institutional Director	ROC	Shiyi Cement Co., Ltd.	–	June 15, 2016	3	June 13, 2007	2,388,588	0.59%	2,388,588	0.59 %	–	–	–	–	–	–	–	–	–
	ROC	Representative：Chen, Liang-Chuan	Male	June 15, 2016	3	June 6, 1990	11,100,687	2.74%	6,754,627	1.67 %	None	–	None	–	Chengzhou Elementary School	Chairman of Yungsheng Development Industrial Co., Luckicon Ready-mixed Concrete, Luckyship Co., Dasheng Enterprise and Lucky Cement, Japan Chairman & General Manager of Lucky Cement Co.	Executive Deputy General Manager	Chen, Yun-Ju	Father and daughter
	ROC	Jinli Investment Co., Ltd.	–	June 15, 2016	3	June 17, 2010	25,230,451	6.23%	25,230,451	6.23 %	–	–	–	–	–	–	–	–	–
	ROC	Representative：Chen, Yun-Ju	Female	June 15, 2016	3	December 30, 2001	11,408,210	2.82%	7,951,298	1.96 %	3,937,652	0.98 ％	None	–	EMBA of Tulane University	Chairman of Liguang Construction Co. Executive Deputy General Manager of Lucky Cement Co.	Chairman and General Manager	Chen, Liang-Chuan	Father and daughter
Director	ROC	Zhang, Xiang-Lin	Male	June 15, 2016	3	June 13, 2007	4,699,832	1.16%	7,539,587	1.86 %	None	–	None	–	Datong Middle School	General Manager of Xuhe Building Materials Co., Ltd	None	–	–
Independent Director	ROC	Chen, Yan	Female	June 15, 2016	3	June 15, 2016	–	–	–	–	None	–	None	–	Bachelor of Department of Accounting, Tamkang University	Convener of Remuneration Committee of Lucky Cement Co. Administrative `vice president of Yunding Capital Management Consultant Co., Ltd.	None	–	–
	ROC	Wang, Zhi-Cheng	Male	June 15, 2016	3	June 15, 2016	–	–	–	–	None	–	None	–	PhD of College of Law, National Chengchi University	Professor, College of Law, National Chung Cheng University Adjunct Professor, School of Law, Soochow University Adjunct Professor, School of Management, National Taiwan University of Science and Technology Director of The Securities and Futures Investors Protection Center Committee member of TPEx Securities Listing Review Committee, Taipei Exchange Committee member of Securities Listing Review Committee, Taiwan Stock Exchange Independent Director of CTBC Securities Independent Director of Dyaco International Inc. Independent Director of Taiwan Life Insurance Co., Ltd.	None	–	–
Supervisor	ROC	Kuo Chuan Development Co., Ltd.	–	June 15, 2016	3	December 30, 2004	2,675,066	0.66%	2,675,066	0.66 %	–	–	–	–	–	–	–	–	–
	ROC	Representative：Chen, Ming-Hsien	Male	June 15, 2016	3	December 30, 2001	204,197	0.05%	204,197	0.05 %	9,740	0.00 ％	None	–	Bachelor of Department of Physics, Chung Yuan Christian University	Deputy Chairman of Gufeng Chemical Co., Ltd.	None	–	–
	ROC	Cheng, Shang-Kai	Male	June 15, 2016	3	June 17, 2010	1,832,666	0.45%	1,832,666	0.45 %	None	–	None	–	MBA of Suffolk University	Manager of Haihua Investment Co., Ltd.	None	–	–

Note 1：The institutional shareholders shall list the names of the institutional shareholders and their representatives separately (a representative of the institutional shareholders shall indicate the name of the institutional shareholder), and shall fill in the following table 1

Note 2：Fill in the time when you first served as a company's director or supervisor. If there is any disruption, it should be noted.

Note 3：Experiences related to the current position, such as the auditing of a certified public accountant firm or a related company during the period of the previous disclosure, should be stated in terms of their job title and responsible position.

(1) Table 1 : Major Shareholders of the institutional shareholders

April 30, 2019

Name of Institutional Shareholders (Note 1)	Major Shareholders （Note 2）
Shiyi Cement Co., Ltd.	Changheng Investment Co. (32.49%), Liguang Construction Co. (20.38%), Chen, Yun-Ju (34.05%)
Jinli Investment Co., Ltd.	Chen, Liang-Chuan (73.62%), Liguang Construction Co. (22.94%)
Kuo Chuan Development Co., Ltd.	Chen, Yun-Ju (93.48%), Xiao, Jing-Qi (6.25%)

Note 1： Directors and supervisors who are representatives of institutional shareholders should fill in the name of the institutional shareholders.
Note 2： Fill in the name of the major shareholder of the institutional shareholders (its shareholding percentage in the top ten) and its shareholding percentage. If its major shareholder is a juridical person, the following table 2 should be added and filled.

(2) Table 2：Major shareholders of the Company's major institutional shareholders

April 30, 2019

Name of Institutional Shareholders (Note 1)	Major Shareholders （Note 2）
Liguang Construction Co.	Changrun Water Resources (29.45%), Jinli Investment Co., Ltd. (19.48%), Changheng Investment Co. (50.63%)
Changheng Investment Co.,	Shiyi Cement Co., Ltd. (99.85%)

Note 1： As listed in Table 1, the major shareholder is a juridical person should be filled in the name of the juridical person.
Note 2： Fill in the name of the major shareholder of the institutional shareholders (its shareholding percentage in the top ten) and its shareholding percentage.

(3) Professional qualification and independence analysis of directors and supervisors

The qualifications of Directors

April 30, 2019

Criteria / Name (Note 1)	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria (Note 2)										Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	
Shiyi Cement Co., Ltd. Representative： Chen, Liang-Chuan			V									V		None
Jinli Investment Co., Ltd. Representative： Chen, Yun-Ju			V									V		None
Zhang, Xiang-Lin			V	V	V			V	V	V	V	V	V	None
Chen, Yan (Independent Director)			V	V	V	V	V	V	V	V	V	V	V	None
Wang, Zhi-Cheng (Independent Director)	V		V	V	V	V	V	V	V	V	V	V	V	3
Kuo Chuan Development Co., Ltd. Representative： Chen, Ming-Hsien			V	V	V	V	V	V	V	V	V	V		None
Cheng, Shang-Kai			V	V	V	V	V	V	V	V	V	V	V	None

Note 1：The number of columns can be adjusted to the actual number.

Note 2：Please tick the corresponding boxes that apply to the directors or supervisors during the two years prior to being elected or during the term of office.

(1) Not an employee of the Company or any of its affiliates.

(2) Not a director or supervisor of the Company or any of its affiliates. Not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary established in accordance with the Securities and Exchange Act or local law.

(3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.

(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.

(5) Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares of the Company or who holds shares ranking in the top five holdings.

(6) Not a director, supervisor, officer, or shareholder holding 5% or more of the shares, of a specified company or institution which has a financial or business relationship with the Company.

(7) Not a professional individual who is an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof. These restrictions do not apply to any member of the remuneration committee who exercises powers pursuant to Article 7 of the "Regulations Governing the Establishment and Exercise of Powers of Remuneration Committees of Companies whose Stock is Listed on the TWSE or Traded on the TPEx".

(8) Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.

(9) Not been a person of any conditions defined in Article 30 of the Company Act.

(10) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Act.

Board Member's diversified core competency

Name	Gender	Professiona Knowledge and Skills		Abilities (Note)							
		Professional Background	Professional Skills	Ability to make operational judgments	Ability to perform accounting and financial analysis	Ability to conduct management administration	Ability to conduct crisis management	Knowledge of the industry	An international market perspective	Ability to lead.	Ability to make policy decisions.
Chen, Liang-Chuan	Male	Management / Production /Sales		V	*	V	V	V	V	V	V
Chen, Yun-Ju	Female	Management /Sales		V	*	V	V	V	V	V	V
Zhang, Xiang-Lin	Male	Management		V	V	V	V	V	V	V	V
Chen, Yan	Female	Finance and Accounting		V	V	V	V	V	V	V	V
Wang, Zhi-Cheng	Male	Law	Professor of Law	V	V	V	V	V	V	V	V

Note: * means partial ability

2. Directors, Supervisors and Management Team

April 30, 2018
Unit : shares

Title (Note 1)	Nationality/ Country of Origin	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education) (Note2)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
General Manager	ROC	Chen, Liang-Chuan	Male	December 1, 1994	Shares	%	Shares	%	Shares	%	Chengzhou Elementary School	Chairman of Yungsheng Development Industrial Co., Luckicon Ready-mixed Concrete, Luckyship Co., Dasheng Enterprise and Lucky Cement, Japan	Executive Deputy General Manager	Chen, Yun-Ju	Father and daughter
Executive Deputy General Manager	ROC	Chen, Yun-Ju	Female	April 1, 2001	7,951,298	1.96%	3,937,652	0.98%	0	—	EMBA of Tulane University	Chairman of Liguang Construction Co.	General Manager	Chen, Liang-Chuan	Father and daughter
Assistant Vice President	ROC	Huang, Zhen-Ku	Male	July 11, 2003	33,520	0.01%	0	—	0	—	National Taipei Institute of Technology Industrial Engineering	None	None	—	—
Financial Manager	ROC	Weng, Xiu-Chu	Female	July 1, 2002	13,717	0.00%	0	—	0	—	National Taipei Open College Business Administration	Director of Lucky Cement, Japan and Luckicon Ready-mixed Concrete	None	—	—
Accounting Manager	ROC	Weng, Xiu-Chu	Female	June 30, 2016	13,717	0.00%	0	—	0	—	National Taipei Open College Business Administration	Director of Lucky Cement, Japan and Luckicon Ready-mixed Concrete	None	—	—
Auditing Manager	ROC	Wang, Wei-Ren	Male	November 18, 2009	0	—	0	—	0	—	Financial Master of Wright State University	None	None	—	—

Note 1：Should include information of the general manager, deputy general managers, assistant vice president, managers of department and branch office, and where the position is equivalent to the general manager, deputy general manager or assistant vice president, regardless of the title, should also be exposed.

Note 2：Experiences related to the current position, such as the auditing of a certified public accountant firm or a related company during the period of the previous disclosure, should be stated in terms of their job title and responsible position.

3. Remuneration of Directors, Supervisors, General Manager, Deputy General Managers, Assistant Vice President, Managers of Department and Branch office

(1-1) Remuneration of directors(including independent directors) (Individual disclosure of names and emoluments)

Unit: NT$1,000

Title	Name	Remuneration of Directors								Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		Relevant Remuneration Received by Directors Who are Also Employees												Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%)		Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary
		Base Compensation (A)		Severance Pay (B)		Bonus to Directors (C) (Note 1)		Allowances (D)				Salary, Bonuses, and Allowances (E)		Severance Pay (F) (Note 2)		Profit Sharing- Employee Bonus (G) (Note 3)				Exercisable Employee Stock Options (H)		New Restricted Employee Shares (I)				
		The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company		All companies in the consolidated financial statements		The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	
																Cash	Stock	Cash	Stock							
Director	Jinli Investment Co., Ltd.	—	—	—	—	0	0	0	0	0%	0%	0	0	0	0	—	—	—	—	—	—	—	—	0%	0%	None
Director	Shiyi Cement Co., Ltd.	—	—	—	—	0	0	0	0	0%	0%	0	0	0	0	—	—	—	—	—	—	—	—	0%	0%	
Director	Shiyi Cement Co., Ltd. Representative：Chen, Liang-Chuan	—	—	—	—	0	0	1,200	1,200	-0.68%	-0.68%	2,255	4.753	124	274	—	—	—	—	—	—	—	—	-2.02%	-3.52%	
Director	Jinli Investment Co., Ltd. Representative：Chen, Yun-Ju	—	—	—	—	0	0	600	600	-0.34%	-0.34%	1,655	1,655	92	92	—	—	—	—	—	—	—	—	-1.33%	-1.33%	
Director	Zhang, Xiang-Lin	5	—	—	—	0	0	600	600	-0.34%	-0.34%	0	0	0	0	—	—	—	—	—	—	—	—	-0.34%	-0.34%	
Independent Director	Chen, Yan	—	—	—	—	0	0	600	600	-0.34%	-0.34%	0	0	0	0	—	—	—	—	—	—	—	—	-0.34%	-0.34%	
Independent Director	Wang, Zhi-Cheng	—	—	—	—	0	0	600	600	-0.34%	-0.34%	0	0	0	0	—	—	—	—	—	—	—	—	-0.34%	-0.34%	

Note 1：No remuneration of directors is distributed in accordance with the Company's Articles of Incorporation in 2018.

Note 2：The amounts revealed by retirement pensions are the withheld amount.

Note 3：No remuneration of employees is distributed in accordance with the Company's Articles of Incorporation in 2018.

(2-1) Remuneration of Supervisor

Unit: NT$1,000

Title	Name	Remuneration of Supervisor						Ratio of Total Remuneration (A+B+C) to Net Income (%)		Compensation Paid to Supervisors from an Invested Company Other than the Company's Subsidiary
		Base Compensation (A)		Bonus to Supervisors (B) (Note 1)		Allowances (C)				
		The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	
Supervisor	Kuo Chuan Development Co., Ltd. Representative：Chen, Ming-Hsien	5	5	—	—	360	360	-0.21%	-0.21%	None
Supervisor	Cheng, Shang-Kai	5	5	—	—	360	360	-0.21%	-0.21%	

Note 1 : No remuneration of directors and Supervisor is distributed in accordance with the Company's Articles of Incorporation in 2018.

(3-1) Remuneration of General manager and Deputy General manager

Unit: NT$1,000

Title	Name	Salary (A)		Severance Pay (B) (Note 1)		Bonuses and Allowances (C)		Profit Sharing- Employee Bonus (D) (Note 2)				Ratio of total compensation (A+B+C+D) to net income (%)		Exercisable Employee Stock Options		New Restricted Employee Shares		Compensation paid to the General manager and Deputy General manager from an Invested Company Other Than the Company's Subsidiary
		The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company		All companies in the consolidated financial statements		The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	
								Cash	Stock	Cash	Stock							
General manager	Chen, Liang-Chuan	2,068	4,564	124	274	187	189	0	0	0	0	-1.34%	-2.84%	—	—	—	—	None
Executive Deputy General Manager	Chen, Yun-Ju	1,538	1,538	92	92	117	117	0	0	0	0	-0.99%	-0.99%	—	—	—	—	None

Note 1：The amounts revealed by retirement pensions are the withheld amount.

Note 2：No remuneration of Employee is distributed in accordance with the Company's Articles of Incorporation in 2018.

（4-1） Remuneration of Managers

December 31, 2018 Unit ： NT$1,000

	Title	Name	Employee Bonus - in Stock (Fair Market Value)	Employee Bonus - in Cash	Total	Ratio of Total Amount to Net Income (%)
Manager	General manager	Chen, Liang-Chuan	None	None	None	0%
	Executive Deputy General Manager	Chen, Yun-Ju				
	Assistant Vice President	Huang, Zhen-Ku				
	Manager	Weng, Xiu-Chu				
	Manager	Wang, Wei-Ren				

Note ：No remuneration of Employee is distributed in accordance with the Company's Articles of Incorporation in 2018.

4. Comparison of Remuneration for Directors, Supervisors, General manager and Deputy General manager in the Most Recent Two Fiscal Years and Remuneration Policy for Directors, Supervisors, General manager and Deputy General manager

（1）

Unit: NT$1,000

Title	2017				2018			
	The Company		All companies in the consolidated financial statements		The Company		All companies in the consolidated financial statements	
	Amount	%	Amount	%	Amount	%	Amount	%
Director	8,008	-7.92%	10,654	-10.54%	7,731	-4.37%	10,379	-5.86%
Supervisor	720	-0.71%	720	-0.71%	730	-0.42%	730	-0.42%
General manager and Deputy General manager	4,402	-4.35%	7,048	-6.97%	4,126	-2.33%	6,774	-3.83%

(2) According to the Company’s Articles of Incorporation, the directors and supervisors of the Company are paid monthly according to the standards for the same industry payments, regardless of whether the profits and losses are to be paid. In addition, the shareholders or directors of the Company act as managers or employees, and they are regarded as employees of the general staff to receive salary.

(3) If the Company has a surplus as shown through the annual accounting closing, the Company will provide compensation for the directors' compensation and employee compensation according to the provisions in the company's Articles of Incorporation. The remuneration of the directors, supervisors and managers is reviewed by the Remuneration Committee of the Company according to the individual business performance, and submitted to the board of directors for approval so that the occurrence of risk may be minimized in the future.

3.3 Implementation of Corporate Governance

1. Board of Directors

Total of 6 (A) meetings of the Board of Directors were held in the previous period. The attendance of director and supervisor were as follows:

Title	Name (Note 1)	Attendance in Person (B)	By Proxy	Attendance Rate (%)【B/A】(Note 2)	Title
Chairman	Shiyi Cement Co., Ltd. Representative：Chen, Liang-Chuan	6	0	100.00%	
Director	Jinli Investment Co., Ltd. Representative：Chen, Yun-Ju	6	0	100.00%	
Director	Zhang, Xiang-Lin	5	0	83.33%	
Independent Director	Chen, Yan	6	0	100.00%	
Independent Director	Wang, Zhi-Cheng	6	0	100.00%	
Supervisor	Kuo Chuan Development Co., Ltd. Representative：Chen, Ming-Hsien	6	0	100.00%	
Supervisor	Cheng, Shang-Kai	6	0	100.00%	

Other mentionable items:

1. If one of the following situations occurs during the operation of the board of directors, the date, the period, the contents of the proposal, all independent director's opinions, and the Company's handling of the opinions of independent director should be clarified:

Participation in the board meetings of independent directors

◎: Attend in person ☆: Entrust others to attend ＊: Not present

Independent Director	First Meeting	Second Meeting	Third Meeting	4th Meeting	5th Meeting	6th Meeting
Wang, Zhi-Cheng	◎	◎	◎	◎	◎	◎
Chen, Yan	◎	◎	◎	◎	◎	◎

1) Listed items in the Article 14-3 of the Securities Exchange Act.
Please refer to page 36~37 for details in the important resolutions of the meeting of the board of directors in 2018 and as of the publication of the annual report.

(1) Except for the previous issues, other board meeting decisions that have opposition or reservation opinions by independent director and have recorded or written statements.
There were 6 board meetings in 2018, two independent directors had many suggestions on the Board of Directors, but there were no objections or reservations. The suggestions of independent directors are detailed in the minutes of the board of directors.

2. In the implementation of the evasion of the interest-related cases, the directors should clarify the names of the directors, the contents of the bills, the reasons for avoiding the benefits, and the participation in voting.

Meeting Times Date	Content of the motion	Resolution situation	Implementation Status
First 2018/01/31	Discussion Matters： Case 3. The Company's 2017 Year-end bonuses payment of managers is proposed and submitted it for verification. (Proposed by the Remuneration Committee)	When the case was voted on, related party juristic person Director Representatives (including Mr. Chen, Liang-Chuan and Ms. Chen, Yun-Ju) and Managers (including Ms. Weng Xiu-Chu and Mr. Wang, Wei-Ren) evaded and passed resolution through the remaining directors without objection.	Approved resolution . It was distribute on February 14,2018.

3. Measures taken to strengthen the functionality of the board in this and recent fiscal years (such as the establishment of an Audit Committee and increase the information transparency) and evaluation of the implementation.。

（1）There were total 6 times of board meetings in 2018 and important motions that are public announced via Market Observation Post System according to the law to ensure the information disclosure.

（2）Good corporate governance system of board of directors , the supervisory functions and strengthening management mechanisms were established in order to meet the rules of procedure of board of directors.

（3）The Company's "Self-Evaluation or Peer Evaluation of the Board of Directors" was approved by the board of directors on November 10, 2015. Since 2016, the performance self-assessment questionnaire was issued to all board members in January each year, in addition to assessing the overall operation of the board of directors, it also conducted self-assessment on its own for the previous year.

The performance evaluation of the board of directors (functional committees) of the company covers the following five major aspects:

- The degree of participation in the company's operations
- Improve decision quality of the board of directors
- The composition and structure of the board of directors

- Directors' elections and continuing education
- Internal control

The measurement of the performance evaluation of board members (self or peers) covers at least the following six major aspects:

- Mastery of company goals and tasks
- Cognition of Directors' duties
- The degree of participation in the company's operations
- Internal relations management and communication
- Directors' elections and continuing education
- Internal control

After the questionnaires are fully recovered in January each year, the Company’s board of directors organizes the analysis according to the previous methods and submits the results to the board of directors. The above methods and evaluation results were also disclosed on the Company's official website. Please check the important regulations of the Company as “Self-Evaluation or Peer Evaluation of the Board of Directors” under the section of Corporate Governance and the website address is http://www.luckygrp.com.tw/tw/index.asp?au_id=7&sub_id=49#.

（4）For the implementation status of the Company’s Self-Evaluation or Peer Evaluation of the Board of Directors, please check the website and address is http://www.luckygrp.com.tw/tw/index.asp?au_id=7&sub_id=73#.

The latest (2018) Director’s performance evaluation results are as follows:

- The performance evaluation of the board of directors: Total average score is 4.00 (Full score is 4.00).
- The measurement of the performance evaluation of board members: Total average score is 4.00 (Full score is 4.00).

Note 1： Director and Supervisor who is classified as legal person shall disclose the name of legal person shareholder and his representative.

Note 2： (1) Any director, supervisor who resigns by the end of the year shall note the date of resignation in the Remark column; the actual rate (%) shall be calculated by the number of directors who will be held during their term of office and their actual number of seats.

(2) If re-election of Director, supervisor is held by the end of the year, new and same Director, Supervisor shall be included, and indicate that the Director, supervisor is the same, On Board or re-elected and re-election date in Remark column. The actual rate (%) is calculated based on the number of meetings held by Director during his term of office and its actual number of seats.

2. The Audit Committee or Supervisors participate in the operation of the board of directors:

The Company has not established an audit committee yet. The supervisors participate in the operation of the board of directors as below.

Total of 6 (A) meetings of the board of directors were held in the previous period. The attendance of director and supervisor were as follows:：

Title	Name (Note 1)	Attendance in Person (B)	By Proxy	Attendance Rate (%)【B/A】	Remark
Supervisor	Kuo Chuan Development Co., Ltd. Representative：Chen, Ming-Hsien	6	0	100.00%	
Supervisor	Cheng, Shang-Kai	6	0	100.00%	

Other mentionable items:

1. Composition and responsibilities of supervisors：
   (1) Communications between supervisors and the Company's employees and shareholders (e.g. communication channels and methods, etc.): Supervisors exercise the control power to inspect the company business operation and financial statement according to the Company Act.
   (2) Communications between supervisors and the Company's chief internal auditor and CPA (e.g. items, methods and results of the audits of corporate finance or operations, etc.): communications will be conducted when the chief internal auditor and CPA present to the board meetings.
2. If a supervisor expresses an opinion during a meeting of the Board of Directors, the dates of the meetings, sessions, contents of motion, resolutions of the directors’ meetings and the company’s response to the supervisor’s opinion should be specified: N/A.。
3. The Company will elect the directors on June 12, 2019 and set up the Audit Committee. The Audit Committee Charter was approved by the Board of Directors on March 22, 2019. Please refer to the Company's website for the annual work forcus and the current year's operation of the Audit Committee in 2019.

3. Corporate Governance Implementation Status and Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies"

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
(1) Does the company establish and disclose the Corporate Governance Best-Practice Principles based on "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies"?	✓		The board of Directors of the Company approved the "Corporate Governance Best Practice Principles" on December 26,2014. The Company disclosure Corporate Governance Best Practice Principles in the Company's website (http://www.luckygrp.com.tw).	No difference.
2. Shareholding structure & shareholders' rights (1) Does the company establish an internal operating procedure to deal with shareholders' suggestions, doubts, disputes and litigations, and implement based on the procedure?	✓		(1) The Company has established the spokesman and acting spokesperson system and coordinated with the stock affairs department of SinoPac Securities Corporation as the agent for stock affairs to deal with the investor relations, suggestions of shareholders and disputes.	(1)No difference.
(2) Does the company possess the list of its major shareholders as well as the ultimate owners of those shares?	✓		(2) To keep track of the shareholdings of directors, supervisors, managers, and major shareholders holding more than 10% of shares at any time.	(2)No difference.
(3) Does the company establish and execute the risk management and firewall system within its conglomerate structure?	✓		(3) All dealings or transactions are based on statutory regulations or legally established systems in the internal control system.	(3)No difference.
(4) Does the company establish internal rules against insiders trading with undisclosed information?	✓		(4) Internal control system: C2-103 that has regulated the management procedure to prevent any insiders trading.	(4)No difference.
3. Composition and Responsibilities of the Board of Directors (1) Does the Board develop and implement a diversified policy for the composition of its members?	✓		(1)① The Company has established the appropriate policy on diversity of Directors in according with the Chapter 3 of the Corporate Governance Best Practice Principles which approved by the Board of Directors. To make sure the diversity and independence of Directprs, the nomination and election of Directors are in accordance with Articles of Incorporation, Procedures for Election of Directors and Corporate Governance Best Practice Principles. ② The Company's Directors shall have diversity professional background such as sales, production, business management, finance, accounting and law to comply with relevant regulations. Please refer to Page 17 for the table of Board Member's diversified core competency. ③ Among the five members of the Company's board of directors, 40% of the directors are employees, 40% of independent directors (the independent directors are not employees), 40% of the directors are female. Both independent directors' terms are less than 3 years. As of the date of publication, the age distribution of directors is following: one is above 70 years old, one is among 60 to 69 years old, and 3 are under 60 years old.	(1)No difference.
(2) Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?	✓		(2) Regulations of Remuneration Committee was approved by the Company's board of directors on December 23, 2011 to establish the Remuneration Committee accordingly that evaluate directors and managers of the salary and remuneration policy and system by the professional and objective position and report to the board of directors with the meeting minutes and implementation status. In addition, the board of directors passed a resolution setting out the	(2)No difference.

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
(3)Does the company establish a standard to measure the performance of the Board, and implement it annually? (4) Does the company regularly evaluate the independence of CPAs?	✓ ✓		"Regulations for Corporate Social Responsibility Committee" on May 10, 2017, and passed a resolution about the chairman to appoint members of the Corporate Social Responsibility Committee on July 10, 2017. (3)① The Company conducts performance evaluation every year in accordace with "Self-Evaluation or Peer Evaluation of the Board of Directors" which approved by the Board meeting on November 10, 2015. The evaluation result disclosed in the Company's website (http://www.luckygrp.com.tw/tw/index.asp?au_id=7&sub_id=73#). ②The amendment of "Self-Evaluation or Peer Evaluation of the Board of Directors" approved by the Company's board meeting on March 22, 2019. Except for the " Self-Evaluation of Performance of the Board " and "Self-Evaluation of Performance of Board Members (for Themselves or Peers)", the amendment "Self-Evaluation of Performance of the Functional Committee" will be use as the evaluation standard from 2019. ③The evaluation result should be used as a reference for electing or nominating directors in accordance with article 8 of Self-Evaluation or Peer Evaluation of the Board of Directors, and the evaluation result of individual director should be used as a reference for his(her) remuneration. (4) The Regulations of Evaluation on Certified Public Accountant and Performance Assessment were approved by the Company's board of directors on November 10, 2015 and the board of directors evaluated and verified the independence and competency of CPAs on December 26, 2018 that was approved and confirmed. (Note)	(3)No difference. (4)No difference.
4. Whether the company has set up special (part) positions or personnel for corporate governance and is responsible for corporate governance-related matters (including but not limited to providing directors and supervisors necessary information for performing business, legally handling matters relating to board meetings and shareholders' meetings, conducting company registration and change of registration, making meeting minutes of board of directors and shareholders' meetings, etc.)	✓		The Company's corporate governance special (part-time) work unit is a corporate governance task force, which is composed of Executive Deputy General Manager and managers of various departments, and conducts related businesses in accordance with the Company's "Corporate Governance Best Practice Principles".	No difference.
5. Whether the company establishes communication channels with interested parties (including but not limited to shareholders, employees, customers, suppliers, etc.), and establishes interested parties' areas on the company's website, and appropriately responds to important corporate social responsibilities of interested parties' issue?	✓		The Company has established the spokesman and acting spokesperson system, the designated webpage of the Company website (http://www.luckygrp.com.tw) is for communication channels with interested parties including shareholder relations, client relations, employee relations, customer relations, supplier relations, community relations and work ethics. The questions asked by different types of relations have their corresponding special supervisors to respond. The Company's spokesman and acting spokesperson and the stock affairs department of SinoPac Securities Corporation as the agent for stock affairs to deal with and react to the suggestions and disputes of shareholders.	No difference.
6. Does the company appoint a professional shareholder service agency to deal with shareholder affairs?	✓		Name, address and telephone of Stock transfer agency. Name: Stock affairs department of SinoPac Securities Corporation	No difference.

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
			Address: 3F., 17, Boai Rd., Zhongzheng Dist., Taipei City Tel: (02)2381-6288 Website: http://www.sinotrade.com.tw	
7. Information Disclosure (1) Does the company have a corporate website to disclose both financial standings and the status of corporate governance? (2) Does the company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?	✓ ✓		(1) Related information is disclosed on the Company's website in accordance with laws. The company website is http://www.luckygrp.com.tw. (2) The Company has a spokesperson and an agent spokesperson responsible for the disclosure of information in accordance with the regulations, if necessary the synchronous press release will be issued. The Company held an earning conference in 2018, the relevant Chinese and English briefings were uploading to the Market Observation Post System (MOPS), and it was also announced on the Company website. The Company has an English website that provides information of business, finance and corporate governance.	(1) No difference. (2) No difference.
8.Is there any other important information to facilitate a better understanding of the company's corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?	✓		① The Company has established Staff Code of Practice and Staff Welfare Committee. ② The Company has employee education and training to strengthen employees' professional knowledge and professional skills. ③ The important information of the Company is in full compliance with the relevant regulations from "Taiwan Stock Exchange Corporation Procedures for Verification and Disclosure of Material Information of Companies with Listed Securities" in order to guarantee the interest of shareholders, interested parties and investors. ④ The Company has a sound internal control system and business operations (such as guarantee the rights of consumers or clients) are conducted by each department in accordance with the articles of Regulations to fully exercise the duties as the administrator. ⑤ Directors and supervisors of the Company conduct the relevant training in accordance with the reference example of Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEx Listed Companies.	

Title	Name	Date	Hrs	Course Title
Institutional Director Representative	Chen, Liang-Chuan	9/10/2018	3	FSC New Corporate Governance Roadmap Seminar Series- Duties and Powers of Direcotors
		9/26/2018	3	2018 ESG Investment forum
Institutional Director Representative	Chen, Yun-Ju	9/10/2018	3	FSC New Corporate Governance Roadmap Seminar Series- Duties and Powers of Direcotors
		9/26/2018	3	2018 ESG Investment forum
Director	Zhang, Xiang-Lin	7/10/2018	3	The regulation announcement meeting "The laws of insider equity transactions of listed companies".
		10/15/2018	3	Taipei Corporate Governance Forum, 12th Session (Afternoon)
Independent Director	Chen, Yan	5/8/2018	3	Listed Company's New Corporate Governance Roadmap Forum
		10/15/2018	6	Taipei Corporate Governance Forum, 12th Session (Full day)
Independent Director	Wang, Zhi-Cheng	5/25/2018	6	FSC New Corporate Governance Roadmap Seminar Series- Corporate Governance Personnel Issues
		8/15/2018	3	The Legal Liability Seminar for Corporate Governance Professional Personnel and Duties and Powers of Directors.
Institutional Supervisor Representative	Chen, Ming-Hsien	7/10/2018	3	The regulation announcement meeting "The laws of insider equity transactions of listed companies".
		10/15/2018	3	Taipei Corporate Governance Forum, 12th Session (Afternoon)
Supervisor	Cheng, Shang-Kai	4/20/2018	3	2018 Promotion Meeting for the Prevention of Insider Trading.
		7/30/2018	3	The regulation announcement meeting "The laws of insider equity transactions of listed companies".

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			⑥ Directors and supervisors of the Company have frequently read Financial Reports such as books and magazines and attend to all kinds of seminars in order to achieve the goal of corporate governance. ⑦ The Company has purchased D&O insurance on June 27th 2018 from Cathy Century Insurance Co., Ltd or the directors and supervisors who are on the scope of business operations in accordance with the articles of incorporation and the insurance period is from June 27th 2018 to June 27th 2019 for Policy Number: 1501-07DO01140, it is approved by the Board of Directors on August 13, 2018. ⑧ Supplier relations: Besides the purchase management, construction contract operation, the accreditation and evaluation of suppliers that were established by the Company, the code of conduct for suppliers has formulated by the Company due to on the mutually beneficial relations with the cooperative vendors and suppliers in order for and sustainable operation and exercise the civic social responsibility and the company is devoted to the corporate social responsibility, promote the sustainable development of environment, value the rights and health and safety of labors and maintain the basic human rights. ⑨ The Company has established an information security risk management framework, including the "Network Security Policy", which has detailed specifications for information security, information security operations and protection, network security management, system access control management and irregular training of relevant personnel. The Company has not yet insured Information Security Insurance, but the Company regularly backups data, establishes firewall, access restrictions and other network security management, and updates the virus code at any time to ensure that the Company's information risk is minimized. As the issue of information security risk management becomes more and more important, the need for insurance security will be carefully evaluated in the future. Please refer to the Company’s website for details. ⑩ The Company's compensation system includes employee performance appraisal methods, the year-end bonus is issued based on the company's business performance and employee performance.	

9.Improvement was described from the evaluation results of corporate governance that was released by the corporate governance center of Taiwan Stock Exchange in recent fiscal years and strengthening or improving the affairs and measures was prior to promote to the companies without improvement. (Not applicable if it is not a listed company)

Improvement for 2018 corporate governance of the company as below:

（1）The accreditation and evaluation of suppliers that were established by the company due to the mutually beneficial relations with the cooperative vendors and suppliers and the company is devoted to the corporate social responsibility, promote the sustainable development of environment

（2）The company has set up the contact windows on the corporate website for the stakeholders in order to understand and response to all the issues they care for in terms of corporate social responsibilities with timely improvement.

（3）The company has disclosed the reporting system with the contact windows under the corporation website that is to eradicate any illegal (including corruption) or unethical actions in order to prevent any illegal (including corruption) or unethical actions from the internal and external staff.

(Note) Accountant Evaluation and Performance Assessment Table（ 2018）

Item	Specific Index	Evaluation criteria
Independent Index		
1	CPA and the client have no direct or no significant direct financial interest .	Get 5 points if no interest and 0 point if with interest
2	CPA and the client has no any inappropriate interest	Get 5 points if no inappropriate interest and 0 point if with inappropriate interest
3	No auditing and certification on the financial statements that is within 2 years of service institutes before practice.	Get 5 points if no violation and 0 point if with the violation
4	The name of CPA is not allowed others to use (Declaration)	Get 5 points if no others use the name and 0 point if others use it.
5	CPA and the members of auditing service are not allow to hold the shares of the client	Get 5 points if no shares and 0 point if with shares
6	No money is involved with the client	Get 5 points if no money is involved and 0 point if involving with the money
7	No relations with the client for common investment or sharing benefit.	Get 5 points if it is negative and 0 point if it is positive
8	No part-time job working with the client with the fixed salary.	Get 5 points if it is negative and 0 point if it is positive
9	No commission from any relevant business	Get 5 points if it is negative and 0 point if it is positive
10	Is CPA's term of office is more than 7 years	Get 5 points if it is negative and 0 point if it is positive
Performance Indicators		
1	Official financial report is completed within 45 days before the season ends for the first 3 quarters or annual financial report is completed with 3months before the end of year.	Get 5 points if it is 3 days advance , 3 points if on time and 0 point if a delay
2	The accuracy of exam and structure (not including the revised information of the company) on the first draft of annual and quarterly financial reports	Get 5 points if the error numbers of the report is within 2 numbers , 3 points if it is within 3 numbers and 0 point if it is more than 3 numbers
3	CPA completes the first 3 quarters account auditing of the company and complete the first draft	Get 5 points if the audit report is within 30 days, 3 points if it is within 40 days and 0 point if it is more than 40 days
4	CPA completes the annual account auditing of the company and complete the first draft	Get 5 points if the audit report is within 60 days after the end of year, 3 points if it is within 70 days and 0 point if it is more than 70 days
5	CPA completes the annual account auditing of subsidiary and complete the first draft	Get 5 points if the audit report is within 55 days after the end of year, 3 points if it is within 60 days and 0 point if it is more than 60 days
6	Does CPA interact frequently with the managers of the company (internal auditing staff) and keep the record	Get 3 points if it is positive and 0 point if it is negative
7	Does CPA have the appropriate interaction with the directors, supervisors and managers before the auditing plan and issuing the opinion of certification	Get 3 points if it is positive and 0 point if it is negative
8	Does CPA propose the proactive suggestion to company policy and internal control and review and keep the record	Get 3 points if it is positive and 0 point if it is negative
9	Update the taxation and Securities and Exchange Commission and update revision of IFRS Accounting standards	Get 3 points if it is positive and 0 point if it is negative
10	Audit the personnel stability of service team	Get 3 points if it is positive and 0 point if it is negative
11	Assist for communication and coordination between the competent authorities	Get 3 points if it is positive and 0 point if it is negative
12	Discover the fraud or any unusual affairs of internal staff	Get 3 points if it is positive and 0 point if it is negative
Total (Full points is 100)		

4.The Remuneration Committee

(1) Members of the Remuneration Committee

Position (Note 1)	Criteria / Name	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria (Note 2)								Number of Other Public Companies in Which the Individual is Concurrently Serving as a Member of the Remuneration Committee	Remark
		Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience	1	2	3	4	5	6	7	8		
Independent Director	Chen, Yan			V	V	V	V	V	V	V	V	V	None	
Other	Cai, Cui-Juan			V	V	V	V	V	V	V	V	V	None	
Other	Liu, Zhong-Wen			V	V	V	V	V	V	V	V	V	None	

Note 1：Please fill Director, Independent Director or other in Position.

Note 2：Each member who meets the following conditions during the two years prior to the appointment and during his term of office, please tick "V" in the space under each condition code.

(1) Non-employee of the company or its affiliates。

(2) Not a director or supervisor of a company or its affiliates. However, this is not the limit if it is an independent director of the company or its parent company or subsidiary established under this Law or local country law.

(3) Non-individuals, their spouse, minor children, or in the name of others, hold more than 1 percent of the company's total issued shares or shareholders of the top 10 natural persons.

(4) Non-influenced relatives or relatives within the family, such as the spouse of a person listed in the first three paragraphs, or their relatives, or other relatives.

(5) Directors, supervisors, or employees of institutional shareholders held more than five percent of the company's total issued shares indirectly and directors, supervisors, or servants of the top five institutional shareholders.

(6) Not a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company.

(7) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the company or to any affiliate of the company, or a spouse thereof.

(8) Matters which does not comply with each subparagraph of Article 30 of the Company Act.

(2) The Operational Situation of the Remuneration Committee

I. There are three committees in the Company's Remuneration Committee.

II. The current term of committee is from June 15, 2016 to June 14, 2019. Total of 2 (A) meetings of the Remuneration Committee were held in the previous period. The attendance of director and supervisor were as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【B/A】(Note)	Remark
Convener	Chen, Yan	2	0	100.00%	
Committee	Cai, Cui-Juan	2	0	100.00%	
Committee	Liu, Zhong-Wen	0	0	0.00%	

Session/Meeting Date	Content of the motion	Resolution	The Company's handling of opinions of the Remuneration Committee
Third Session, First Meeting 2018.01.30	The Company's 2017 Year-end bonuses payment of managers	Approved resolution by all the members present at the meeting.	Proposed to Board of Directors and Approved resolution by all Directors.
Third Session, Second Meeting 2018.04.17	Governance evaluation of Directors and Supervisors in 2017	Approved resolution by all the members present at the meeting.	Proposed to Board of Directors and Approved resolution by all Directors.

Other mentionable items:：

1. If the board of directors declines to adopt or modifies a recommendation of the remuneration committee, it should specify the date of the meeting, session, content of the motion, resolution by the board of directors, and the response of the company to the opinion of remuneration committee (e.g., the remuneration was approved by the Board of Directors exceeds the recommendation of the remuneration committee, the circumstances and cause for the difference shall be specified): None
2. Resolutions of the remuneration committee objected to by members or subject to a qualified opinion and recorded or declared in writing, the date of the meeting, session, content of the motion, all opinions of members and the response to the opinion of members should be specified: None

Note：

(1) At the end of the year, if there is a remuneration committee member who leaves the Company, the date of separation shall be noted in the remarks column, and the actual attendance rate (%) is calculated based on the number of meetings of the remuneration committee and its actual attendance during his/her job tenure.

(2) At the end of the year, if there is a re-election of the remuneration committee, the new and former members of the remuneration committee shall be filled in, and that the member is an old, new or re-elected member and the re-election date shall be noted in the remarks column. The actual attendance rate (%) is calculated based on the number of meetings of its remuneration committee and his/her actual attendance.

5. Implementation Status of Corporate Social Responsibility

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
1. Corporate Governance Implementation (1) Does the company declare its corporate social responsibility policy and examine the results of the implementation? (2) Does the company provide educational training on corporate social responsibility on a regular basis? (3) Does the company establish exclusively (or concurrently) dedicated first-line managers authorized by the board to be in charge of proposing the corporate social responsibility policies and reporting to the board? (4) Does the company declare a reasonable salary remuneration policy, and integrate the employee performance appraisal system with its corporate social responsibility policy, as well as establish an effective reward and disciplinary system?	✓ ✓ ✓ ✓		(1) Corporate Social Responsibility Best Practice Principles was approved by the board of directors of the Company on November 17, 2014 and it was expressly disclosed on the corporate website(http://www.luckygrp.com.tw) (2) Educational training on corporate social responsibility is carried out individually by each department of the Company. (3) The Company has established the part-time unit that is in charge by the Quality Assurance Center for promoting Corporate Social Responsibility. It executed relative operating in accordance with the Company's "Corporate Social Responsibility Best Practice Principles", please check the Company website for details. The implement status will be reported to the board of directors at least one time yearly. (4) The Company carries out educational trainings that propaganda on business ethics to the new employees and performance appraisal of employees will be conducted the end of year to see if it is a reward or disciplinary.	(1)No difference (2)No difference (3)No difference (4)No difference
2. Sustainable Environment Development (1) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment? (2) Does the company establish proper environmental management systems based on the characteristics of their industries? (3) Does the company monitor the impact of climate change on its operations and conduct greenhouse gas inspections, as well as establish company strategies for energy conservation and carbon reduction?	✓ ✓ ✓		(1) Announcement of waste from other plants has been recycling in order to achieve the policy goals of sustainable resources development and more resources can be kept for next generation by reducing excessive exploitation of natural resources. (2)(3) The Company has established the safety environment section and rules of the labor safety and health and exclusively dedicated staff authorized to be in charge of detection on air pollution and wastewater on a regular basis. The Company has utilized the reconstruction of No.2 kiln to upgrade technology in order for carbon reduction and set up continuous and automatic monitoring system in the exhaust chimney for controlling air quality strictly. The Company has obtained the ISO14064 certification.	(1)No difference (2)No difference (3)No difference
3. Preserving Public Welfare (1) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	✓		(1) The Company has established relevant human resource management rules such as the "Employees' Work Rules" in accordance with the Labor Standards Act and relevant government laws and regulations, and recognizes and supports the United Nations Global Compact, the Universal Declaration of Human Rights, the ILO Declaration of Fundamental Principles and Rights at Work and other internationally recognized human rights standards, the specific management measures are as follows: ① Respect for human rights and implement gender equalit. ② Do not hire people under the 16 years old. ③ Give female employees the time to breastfeed, physiology, maternity leave, maternal leave, maternity leave, etc. ④ Give workers reasonable rest and not force labor in accordance with law. ⑤ Objects of employee hiring, promotion, exhortation, and rewards are prohibited from any type of discrimination. ⑥ Respect for employees are freedom of association, join	(1)No difference

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
			labor unions, seek representation and participate in the labor committee according to the law. ⑦ Comply with the laws and regulations of labor health and occupational safety and health, reduce the dangers and potential hazards in the work environment, and prevent occupational disasters. ⑧ The salary policy is in compliance with relevant laws and regulations. Employees' salaries must not be lower than the basic salary, and they enjoy statutory benefits, reasonable rest and overtime pay. ⑨ Prevention of sexual harassment and sexual assault policies.	
(2) Has the company set up an employee hotline or grievance mechanism to handle complaints with appropriate solutions?	✓		(2) The Company has currently set up an employees' complaint channel that is expressly disclosed on the Company website(http://www.luckygrp.com.tw)	(2)No difference
(3) Does the company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?	✓		(3) The company has held the labors health checkup and health and safety seminar on a regular basis.	(3)No difference
(4) Does the company setup a communication channel with employees on a regular basis, as well as reasonably inform employees of any significant changes in operations that may have an impact on them?	✓		(4) The Company communicates and announces various issues by regularly holding various departmental meetings and labor-management meeting.	(4)No difference
(5) Does the company provide its employees with career development and training sessions?	✓		(5) The Company reviews the employees' career development plans with the employees' performance appraisal yearly.	(5)No difference
(6) Does the company establish any consumer protection mechanisms and appealing procedures regarding research development, purchasing, producing, operating and service?	✓		(6) All departments of the Company can accept the complaints that will be forwarded to the relevant department to be handled timely	(6)No difference
(7) Does the company advertise and label its goods and services according to relevant regulations and international standards?	✓		(7) Portland cement must meet the standards of CNS and has obtained the CNS Mark and ISO certification.	(7)No difference
(8) Does the company evaluate the records of suppliers' impact on the environment and society before taking on business partnerships?	✓		(8)The suppliers of raw materials for the Company have engaged in Environmental Protection Act to supply their production in order to meet the requirements for Energy Efficiency and carbon reduction.	(8)No difference
(9) Do the contracts between the company and its major suppliers include termination clauses which come into force once the suppliers breach the corporate social responsibility policy and cause appreciable impact on the environment and society?	✓		(9) The Company has signed the contracts with the major suppliers and the Company can terminate the contract any time if the suppliers violate the policies of corporate social responsibility.	(9)No difference
4. Enhancing Information Disclosure (1) Does the company disclose relevant and reliable information regarding its corporate social responsibility on its website and the Market Observation Post System (MOPS)?	✓		News and important information are released by the spokesman system or the relevant information is disclosed on the annual report and the Company website with the principle of ethical to release the real-time public information in order to maintain the investor relations and the rights of stakeholders.	No difference

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Abstract Explanation</th></tr>
<tr><td colspan="5">5. If the Company has established the corporate social responsibility principles based on “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies”, please describe any discrepancy between the Principles and their implementation:
None</td></tr>
<tr><td colspan="5">6. Other important information to facilitate better understanding of corporate social responsibility practices of the Company：
The Company has focused on environmental protection and frequently participated in and sponsored the community activities, compensation for young crops, local environmental protection activities (e.g., Greening, adoption and purification of beaches and maintenance of the community public facilities), sponsored the scholarships for outstanding students of elementary and junior high schools, taken environmental protection as the core competency and handled actively the resources recycling and conservation.
(1) The Company's recycling of waste is the re-use of the client plant through the announcement and government permits to reduce the impact of waste on the social environment, to fully re-use resources, and reduce the over-exploitation of natural resources.
(2) The Company has provided the assistance timely to the communities nearby such as maintenance and support of machines and power for Dongao fishing port, beautification and purification of Dongao bay, the scholarships for Dongao community and expressed sympathy for the elderly.
(3) The factories and mines of the Company spare no effort in water pollution prevention and control, stationary pollution source prevention and control, soil and water conservation, environmental monitoring, greening and beautification of re-vegetation and periodic environmental inspection due to the consideration of energy efficiency and carbon reduction and environmental protection and input the necessary manpower and material resources.
(4) The Company has utilized the reconstruction of No.2 kiln that is to upgrade the preheated cyclone from the level 4 to level 5 to increase heat transfer efficiency and reduce the carbon and lower the consumption of natural resources. The Company has adopted the production process of low-NOx to reduce the emissions of NOx to lower the impact on the natures and set up continuous and automatic monitoring system in the exhaust chimney for controlling air quality strictly.
(5) The total relevant expense of NT$2,895,000 for the local in 2018 for the implement of corporate social responsibility.
(6) The goal of the company for electricity saving: the goal of 1% electricity saving annually from 2015 to 2019.</td></tr>
<tr><td colspan="5">7. A clear statement shall be made below if the corporate social responsibility reports were verified by external certification institutions:
None</td></tr>
</table>

6. Ethical Corporate Management：

The Board of Directors of the Company has approved and developed the "Ethical Corporate Management Best Practice Principles" on November 7, 2014; and the ISO operations and related management practices have been fulfilled the terms of Ethical Corporate Management Best Practice Principles, such as the terms of Service Discipline set forth in the employees work rules and a variety of relevant norms set forth in regulations for procurement, so the performance of the ethical corporate management and the operation of the measures is still good.

Evaluation Item	Implementation Status			Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
1. Establishment of ethical corporate management policies and programs (1) Does the company declare its ethical corporate management policies and procedures in its guidelines and external documents, as well as the commitment from its board to implement the policies? (2) Does the company establish policies to prevent unethical conduct with clear statements regarding relevant procedures, guidelines of conduct, punishment for violation, rules of appeal, and the commitment to implement the policies? (3) Does the company establish appropriate precautions against high-potential unethical conducts or listed activities stated in Article 2, Paragraph 7 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies?	✓ ✓ ✓		(1)(2) The Company has established the Employees Work Rules and one of them is expressly clear that shall not seek to use his or her authority for personal profit, no entertainment, no gift, no bribery, no embezzlement, all other forms of improper conduct that may impact the business relations or transaction matters are prohibited. The Company has fully complied with the Company Act, Securities and Exchange Act, Business Entity Accounting Act, Political Donations Act, Anti-Corruption Act, Government Procurement Act, Act on Recusal of Public Servants Due to Conflict of Interest, other relevant laws and regulations and requested the employees to fully complied with relevant auditing and internal control and take Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies for reference to be the basis of ethical corporate management. Procedures for reporting cases of illegal and unethical or dishonest conduct were approved by the board of directors of the Company on March 28, 2016. (3) Through the establishment of good corporate governance, risk control mechanisms and sound internal regulations, to prevent the occurrence of unethical behavior, in order to create a sustainable business environment for the Company.	(1) No difference (2) No difference (3) No difference
2. Fulfill operations ethical policy (1) Does the company evaluate business partners' ethical records and include ethics-related clauses in business contracts? (2) Does the company establish an exclusively (or concurrently) dedicated unit supervised by the Board to be in charge of corporate integrity? (3) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	✓ ✓ ✓		(1) The Company has to ensure factuality via Department of Commerce, Ministry of Economic Affairs R.O.C. (MOEA) while trading and purchasing and check the transaction performance of vendors by all kinds of channels (such as credit investigation) in order to be sure the business ethics of the vendors who is trading with. The Company has to summarize and report the conditions of clients and suppliers at sales and operation meetings, the Company will immediately control credit transaction if trading partners are found to be involved with unethical conduct and the Company will seriously evaluate if it is necessary to terminate the contract with the clients after the knowledge of risk management for the Company. (2) The Chairman Office is responsible for ethical corporate management policy and human resources department part-time promotes and implements in order for a sound ethical corporate management. It is reported to the board of directors at least one time yearly and released the results on the Company website. (3) Base on the board of directors meetings regulations of the Company , any director or a juristic person represented by a director is an interested party with respect to the below agenda items, the director shall state the important aspects of the interested party relationship at the respective meeting. When the relationship is likely to prejudice the interests of the	(1) No difference (2) No difference (3) No difference

Evaluation Item	Implementation Status			Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
			Company, the director may not participate in discussion or voting on that agenda item, and further, shall enter recusal during discussion and voting on that item and may not act as another director's proxy to exercise voting rights on that matter. ① The relationship or the interested party relationship is likely to prejudice the interests of the company. ② Directors shall enter recusal voluntarily. ③ Recusal is determined by the board of directors.。	
(4) Has the company established effective systems for both accounting and internal control to facilitate ethical corporate management, and are they audited by either internal auditors or CPAs on a regular basis?	✓		(4) The Company has established the strict accounting system and an exclusively dedicated audit unit to conduct all kinds of internal auditing by the annual auditing plan on a regular basis. All the financial statements with auditing and certification by Certified Public Accountants to ensure the fairness for each statement.	(4) No difference
(5) Does the company regularly hold internal and external educational trainings on ethical corporate management?	✓		(5) The Company continued to hold ethical corporate management education training for new recruits from time to time.	(5) No difference
3. Operation of the ethical channel (1) Does the company establish both a reward/punishment system and an ethical hotline? Can the accused be reached by an appropriate person for follow-up?	✓		(1) The Company has an evaluation and reward/punishment rules. If any employee violates the ethical business rules, the Company's authority and responsibility department managers will jointly review the employee's rewards and penalties, and the relevant awards and penalties will be announced to relevant colleagues through personnel orders.	(1) No difference
(2) Does the company establish standard operating procedures for confidential reporting on investigating accusation cases?	✓		(2)The Company has in place SOPs for reporting affairs in accordance with the Emergency Notification System Operation Procedures.	(2) No difference
(3) Does the company provide proper whistleblower protection?	✓		(3) All the reporting cases are accepted and handled by the HR department and HR department protects confidential Individual information according to Personal Information Protection Act.	(3) No difference
4.Strengthening information disclosure (1) Does the company disclose its ethical corporate management policies and the results of its implementation on the company's website and MOPS?	✓		Ethical corporate management policies have been expressly disclosed on the Company website http://www.luckygrp.com.tw	No difference
5. If the company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies, please describe any discrepancy between the policies and their implementation.：None				
6. Other important information to facilitate a better understanding of the company's ethical corporate management policies (e.g., review and amend its policies): None				

7. Corporate Governance Guidelines and Regulations：

The Board of Directors of the Company has passed and developed the "Corporate Governance Best Practice Principles " on December 26, 2014, please refer to the Company's website at http://www.luckygrp.com.tw/tw/index.asp?au_id=7&sub_id=49# for other relevant regulations under the "Corporate Governance" for important company regulations and other content.

8. Other Important Information Regarding Corporate Governance：

The Board of Directors of the Company has passed and developed the "Corporate Social Responsibility Best Practice Principles", "Ethical Corporate Management Best Practice Principles" and "Guidelines for the Adoption of Codes of Ethical Conduct" on November 7, 2014. The Board of Directors has also passed and developed the "Corporate Governance Best Practice Principles", and the amendments of "Corporate Social Responsibility Best Practice Principles" and "Ethical Corporate Management Best Practice Principles" on December 26, 2014. The Board of Directors has also passed the amendments of "Corporate Governance Best Practice Principles" and "Guidelines for the Adoption of Codes of Ethical Conduct" on March 24, 2015. The Board of Directors has also passed the amendments of "Ethical Corporate Management Best Practice Principles" on December 21, 2015.

In addition, the Board of Directors of the Company has passed and developed "Procedures for reporting cases of illegal and unethical or dishonest conduct" on March 28, 2016

9. Implementation of internal control system

(1) The Internal Control statement

Lucky Cement Corporation
The Internal Control statement

March 22, 2019

The Company's internal control statement according to self-assessment is as bellow:

1. The Company is sure that establishing, implementing and maintaining the internal control system is the responsibility of the board of directors and managers of the Company. The Company has established this system. its purpose is to provide reasonable assurance of the achievement of performance and efficiency on operations (including profitability, performance and security of assets, etc.), reliability, timeliness, transparency, compliance with relevant regulations, and compliance with relevant laws and regulations.
2. The internal control system has its inherent limitations. Regardless of how well the design is completed, an effective internal control system can only provide reasonable assurance on the achievement of the above three goals. Moreover, due to changes in the environment and circumstances, the effectiveness of the internal control system may vary change. However, the Company's internal control system has a self-monitoring mechanism. Once the lack is identified, the Company will take corrective action.
3. The company determines the effectiveness of the design and implementation of the internal control system based on the judgment items of the effectiveness of the internal control system as stipulated in the " Regulations Governing Establishment of Internal Control Systems by Public Companies " (hereinafter referred to as the "Processing Guidelines"). The judgment items of the internal control system adopted by the "Processing Guidelines" are based on the process of management control. The internal control system is divided into five components: 1. Control environment, 2. Risk assessment, 3. Control operation, 4. Information and communication, and 5. Supervision of operations. Each component includes several items. For the aforementioned items, please refer to the provisions of the "Processing Guidelines"
4. The Company has adopted the above-mentioned judgment items of the internal control system to assess the effectiveness of the design and implementation of the internal control system.
5. Based on the above assessment results, the Company believes that the Company's internal control system (including the supervision and management of its subsidiaries) as of December 31, 2018 is effective in its design and execution, and can reasonably ensure the achievement of the target. Which is Including the understanding of the achievement of operational effectiveness and efficiency, the report is reliable, timely, transparent and in compliance with relevant regulations and compliance with relevant laws and regulations.

6. This statement will become the main content of the Company's annual report and public statement, and will be made public. If any of the above disclosed content is false or hidden, it will involve the legal obligations of Article 20, Article 32, Article 171, and Article 174 of the Securities Exchange Act.
7. This statement was approved by the board of directors of the Company on March 22, 2019. Among the four directors, no one held any objection. All of them agreed with the contents of this statement and made this statement.

Lucky Cement Corporation

Chairman：Chen, Liang-Chuan

General Manager：Chen, Liang-Chuan

(2) The Company did not commission an accountant project to audit the internal control system in this year

10. In the most recent year and as of the printing date of the annual report, the company and its internal personnel were punished according to law, and the company internal personnel violated the internal control system regulations for penalties, major defects, and improvements： None.

11. The important resolutions of the shareholders' meeting and the meeting of the board of directors in the most recent year and up to the publication date of the annual report:

(1) Contents and Implementation of Important Resolutions of the 2018 Shareholders' Meeting:

Date	Important Resolutions
2018/06/15	1. Admitted 2017 Business Report and Financial Statements. 2. Admitted the proposal to offset deficits of 2017 3. Approved the amendments of the "Articles of Incorporation" of the Company 4. Approved the amendment to the "Procedures for Election of Directors" 5. Approved the amendment to the "Procedures for Acquisition or Disposal of Assets"
Implementation	1. The Company's Business Report, Financial Statements and the proposal to offset deficits of 2017, the loss after tax was NT$101,111,225, the resolution was not to allocate dividends to shareholders. 2. Approved the amendments of the "Articles of Incorporation" of the Company according to the letter of Jing- shou- shang- zi No. 10701072950 which issued by the Minister of Economy in June 26, 2018. 3. The amendments of "Articles of Incorporation", "Procedures for Election of Directors" and "Procedures for Acquisition or Disposal of Assets" were approved and announced in the Company website.

(2) The important resolutions of the meeting of the board of directors in 2018 and as of the publication of the annual report

Times	Date	Important Resolutions	Listed items in the Article 14-3 of the Securities Exchange Act.
First	01/31/2018	1. Approved the Company's performance evaluation case of "Self-Evaluation or Peer Evaluation of the Board of Directors".	
		2. Approved the amendments of some articles of "Rules Governing the Scope of Powers of Independent Directors" of the Company.	
		3. Approved the 2017 year-end bonuses distribution of the Company's managers that was proposed and audited by the remuneration committee.	V
		4. Approved the case of subsidiary, Lucky Cement Corp., Japan to apply to the Company for loan commitments at NT$ 30,000,000 due to business turnover needs.	V
Second	03/16/2018	1. Approved to recognize an endorsement guarantee case of the subsidiary Dasheng Enterprise Co., Ltd. to provide the loan commitments at NT$ 60,000,000 for commercial papers issued by Grand Bills Finance Corp.	V
		2. Approved an endorsement guarantee case of the subsidiary Lucky Cement Corp., Japan to provide short-term loan commitments at JPY ￥50,000,000 for Mega International commercial Bank Osaka Branch.	V
		3. Approved the Business report and financial statements in 2017.	V
		4. Approved the Company's deficit offset in 2017.	V
		5. Approved to issue the 2017 Internal Control statement.	V
		6. Approved to amend some Articles of "Articles of Incorporation" of the Company.	
		7. Approved to amend related Articles of "Procedures for Election of Directors and Supervisors".	
		8. Approved that the Company will apply the IFRS16 "Lease" communique, this may affect the preliminary assessment results.	
		9. Approved that the Company intends to participate invest in the bidding of Daifa business waste disposal plant of RSEA Engineering Corporation transfer to privatization.	
		10. Approved the date of the Company's 2018 regular shareholders meeting and related issues.	
		11. Approved the case of Shareholders' proposal right.	
Third	05/10/2018	1. Approved to recognize an endorsement guarantee case of the subsidiary Luckicon Ready-mixed Concrete Factory Co., Ltd. provided a short-term turnover guarantee amount of NT$70,000,000 for Mega International commercial Bank Tianmu Branch.	V
		2. Approved to recognize an endorsement guarantee case of the subsidiary Dasheng Enterprise Co., Ltd. to provide the loan commitments at NT$ 60,000,000 for commercial papers issued by Grand Bills Finance Corp. (Original Resolutions at March 16, 2018, Grand Bills Finance Corp. changed the contract period from April 9, 2018 to April 8, 2019 in according with actually issued date of commercial papers. Resubmit the case at May 10, 2018.)	V
		3. Approved the case of subsidiary, Dasheng Enterprise Co., Ltd. to apply to the Company for loan commitments at NT$ 200,000,000 due to business turnover needs.	V
		4. Approved to continuing to insure directors', supervisors' and important staffs' liability insurance of the Company's directors and supervisors.	
		5. Approved the remuneration distribution of the Company's directors and supervisors were audited by the remuneration committee.	
4th	08/13/2018	1. Approved an endorsement guarantee case of the subsidiary Lucky Cement Corp., Japan to provide short-term loan commitments at JPY ￥50,000,000 for Mega International commercial Bank Osaka Branch.	V
		2. Approved and admitted to continuing to insure directors', supervisors' and important staffs' liability insurance of the Company's directors and supervisors.	
		3. Approved to increase investment NT$ 290,000,000 in the subsidiary Dasheng Enterprise Co., Ltd.	V
		4. Approved to increase investment NT$ 80,000,000 in the subsidiary Luckyship Marine Co., Ltd.	V
		5. Approved to increase investment NT$5,505,630 in subsidiary Elumina Technology Inc. to repay the loan to related companies as Elumina Technology Inc. will close its business.	V
		6. Approved to phurase 4,011.19 ping land in 9th Cao'aopo subsection in Cao'aopo section of Yangmei District, Taoyuan City.	V
5th	11/09/2018	1. Approved the case of subsidiary, Luckyship Marine Co., Ltd., continues to apply to the Company for loan commitments at NT$ 30,000,000 due to business turnover needs.	V
6th	12/26/2018	1. Approved the Company's operating budget and capital expenditure budget in 2019.	V
		2. Approved to authorize Chairman of the Board of Directors to provide an endorsement guarantee for the Company's subsidiary, and to execute the case within a certain amount.	V
		3. Approved to authorize Chairman of the Board of Directors to fully handle the Company's credit	V

Times	Date	Important Resolutions	Listed items in the Article 14-3 of the Securities Exchange Act.
		line with financial institutions in 2019.	
		4. Approved that within the amount of the foreign currency loan balance of the Company, foreign exchange forward contract can be pre-ordered.	V
		5. Approved the proposal of internal audit plans of 2019.	
		6. Evaluated the independence and suitability of the Company's certificated accountants on a regular basis (once a year).	
		7. Approved accountant appointment remuneration of the Company in 2019.	V

Times	Date	Important Resolutions	Listed items in the Article 14-3 of the Securities Exchange Act.
First	01/29/2019	1. Approved to recognize an endorsement guarantee case of the subsidiary Dasheng Enterprise Co., Ltd. to provide the loan commitments NT$60,000,000 for commercial papers issued by Ta Ching Bills Finance corporation.	V
		2. Approved the case of Lucky Cement Corp., Japan to apply to the Company for loan commitments at NT$ 30,000,000 due to business turnover needs.	V
		3. Approved the Company's performance evaluation case of "Self-Evaluation or Peer Evaluation of the Board of Directors".	
		4. Approved to amend some Articles of "Articles of Incorporation" of the Company.	
		5. Approved to amend some Articles of "Rules of Procedure for Shareholders Meetings" of the Company.	
		6. Approved to amend some Articles of "Procedures for Acquisition or Disposal of Assets" of the Company.	V
		7. Approved to amend some Articles of "Procedures for Engaging in Derivatives Trading" of the Company.	V
		8. Approved to amend some Articles of "Procedures for Lending Funds to Others" of the Company.	V
		9. Approved to amend some Articles of "Procedures for Endorsement & Guarantee" of the Company.	V
		10. Approved to amend some Articles of "Ethical Corporate Management Best Practice Principles" of the Company.	
		11. Approved to amend some Articles of " The Code of Ethical Conduct" of the Company.	
		12. Approved the 2018 year-end bonuses distribution of the Company's managers that was proposed and audited by the remuneration committee.	V
Second	03/22/2019	1. Approved the Business report and financial statements in 2018.	V
		2. Approved the Company's deficit offset in 2018.	V
		3. Approved to issue the 2018 Internal Control statement.	V
		4. Approved to elect 7 Directors (including 3 independent Directors)	
		5. Approved to release the prohibition on Directors from participation in competitive business.	
		6. Approved the date of the Company's 2018 regular shareholders meeting and related issues.	
		7. Approved the case of Shareholders' proposal and nomination rights.	
		8. Approved the candidate list for directors (including independent directors) which nominated by Board of Directors.	
		9. Approved to amend some Articles of "Self-Evaluation or Peer Evaluation of the Board of Directors".	
		10. Approved to amend some Articles of "Rules Governing the Scope of Powers of Independent Directors" of the Company.	
		11. Approved to adopt "Regulations Governing the Exercise of Powers by Audit Committees" of the Company.	
		12. Approved to amend some Articles of "Accountant assessment and performance appraisal" of the Company.	
		13. Approved to adopt "The standard operating procedures for the handling of requests made by Directors"of the Company.	

12. Major Issues of Record or Written Statements Made by Any Director or Supervisor Dissenting to Important Resolutions Passed by the Board of Directors： None

13. A summary of the dismissal of the company's relevant personnel

April 30, 2019

Title	Name	Date of Appointment	Date of Termination	Reasons for Resignation or Dismissal
-	-	-	-	-

Note：The relevant personnel refer to Chairman, General manager, Accounting Manager, Financial Manager, Audit Manager and R&D Manager.

3.4 Information Regarding the Company's Audit Fee and Independence

1. Audit Fee

Accounting Firm	Name of CPA		Period Covered by CPA's Audit	Remark
Deloitte & Touche	Huang, Hai-Yue	Liu, Yong-Fu	1/1/2018~12/31/2018	

Unit：NT$1,000

Fee Range \ Fee Item		Audit Fee	Non-Audit Fee	Total
1	Under NT$2,000,000			
2	NT$2,000,001 ~ NT$4,000,000	✓		✓
3	NT$4,000,001 ~ NT$6,000,000			
4	NT$6,000,001 ~ NT$8,000,000			
5	NT$8,000,001 ~ NT$10,000,000			
6	Over NT$100,000,000			

Unit：NT$1,000

Accounting Firm	Name of CPA	Audit Fee	Non-Audit Fee					Period Covered by CPA's Audit	Remark
			System of Design	Company Registration	Human Resource	Others	Subtotal		
Deloitte & Touche	Huang, Hai-Yue Liu, Yong-Fu	3,743	–	–	–	–	–	1/1/2018~12/31/2018	

2. **When non-audit fees paid to the certified public accountant, to the accounting firm of the certified public accountant, and/or to any affiliated enterprise of such accounting firm is one quarter or more of the audit fees paid thereto, the amounts of both audit and non-audit fees as well as details of non-audit services shall be disclosed**: None

3. **When the company changes its accounting firm and the audit fees paid for the fiscal year in which such change took place are lower than those for the previous fiscal year, the amounts of the audit fees before and after the change and the reasons shall be disclosed:** None

4. **When the audit fees paid for the current fiscal year are lower than those for the previous fiscal year by 15 percent or more, the reduction in the amount of audit fees, reduction percentage, and reason(s) therefor shall be disclosed:** None

5. **Information on replacement of certified public accountant:** None

3.5 Other matters to be clarified

1. **Where the company's chairperson, general manager, or any managerial officer in charge of finance or accounting matters has in the most recent year held a position at the accounting firm of its certified public accountant or at an affiliated enterprise of such accounting firm:** None

2. **The personnel who are related to the transparency of the financial information and obtained the relevant license designated by the competent authority is as follows:**

   (1) Certified Internal Auditor (CIA)： 1 person in audit department.

3. Changes, Transfers and pledges in Shareholding of Directors, Supervisors, Managers and Major Shareholders

(1) Changes in Shareholding of Directors, Supervisors, Managers and Major Shareholders

Title （Note）	Name	2018		As of April 30, 2019	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman	Shiyi Cement Co., Ltd.	0	0	1,246,000	(2,388,000)
	Representative：Chen, Liang-Chuan	(265,060)	(270,000)	0	0
Director	Jinli Investment Co., Ltd.	0	0	0	(13,231,000)
	Representative：Chen, Yun-Ju	0	270,000	0	0
Director	Zhang, Xiang-Lin	3,084,755	0	0	0
Independent Director	Chen, Yan	0	0	0	0
Independent Director	Wang, Zhi-Cheng	0	0	0	0
Supervisor	Kuo Chuan Development Co., Ltd.	0	(1,167,000)	0	0
	Representative：CHEN, Ming-Hsien	0	0	0	0
Supervisor	Cheng, Shang-Kai	0	0	0	0
General manager	Chen, Liang-Chuan	(265,060)	(270,000)	0	0
Executive Deputy	Chen, Yun-Ju	0	270,000	0	0
Assistant Vice President	Huang, Zhen-Ku	0	0	0	0
Manager	Weng Xiu-Chu	0	0	0	0
Manager	Wang, Wei-Ren	0	0	0	0
Major Shareholders	Changheng Investment Co.,	0	1,621,000	0	0

Note：Shareholders holding more than 10% of the total shares of the company should be marked as major shareholders and listed separately.
Note：Those who are related to the transfer of equity or equity pledges should still fill in the following table.

(2) Shares Trading with Related Parties:

April 30, 2019

Name (Note 1)	Reason for Transfer (Note 2)	Date of Transaction	Transferee	Relationship between Transferee and Directors, Supervisors, Managers and Major Shareholders	Shares	Transaction Price (NTD)
Chen, Liang-Chuan	Disposition (Gift)	Jan. 2018	Xiao Wei-Ju	Grandparents and grandchild	132,530	—
Chen, Liang-Chuan	Disposition (Gift)	Jan. 2018	Xiao Yu-Xiang	Grandparents and grandchild	132,530	—

Note 1：Fill the Name of Director, Supervisor, Manager and Shareholders with a shareholding of more than 10%.
Note 2：Fill in the acquisition or disposition

(3) Shares Trading with Related Parties: None

April 30, 2019

Name (Note 1)	Reason of collateral change（Note 2）	Date of Transaction	Opposite Party of Trade	The Relationship between the opposite Party of trade and the company, Director, Supervisor, and shareholders with more than 10% of shares held	Number of Share	Shareholding ratio	Collateral ratio	Amount of loan with collateral（redemption）
—	—	—	—	—	—	—	—	—

Note 1：Fill the Name of Director, Supervisor, Manager and Shareholders with a shareholding of more than 10%
Note 2：Fill in pledge or redemption

4.Relationship among the Top Ten Shareholders

Name (Note 1)	Current Shareholding		Spouse's/minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees (Note 3)		Remark
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Changheng Investment Co.,	52,631,034	13.00%	0	0%	0	0%	—	—	—
Changheng Investment Co., Responsible person：Li Ji	855	0.00%	0	0%	0	0%	—	—	—
Jinli Investment Co., Ltd.	25,230,451	6.23%	0	0%	0	0%	Chen, Liang-Chuan	Major Shareholders	—
Jinli Investment Co., Ltd. Responsible person：Lin Zheng-Liang	2,837,228	0.70%	0	0%	0	0%	—	—	—
Changrun Water Resources Technology Co., Ltd.	24,035,008	5.94%	0	0%	0	0%	Chen, Yun-Ju	Major Shareholders	—
Changrun Water Resources Technology Co., Ltd. Responsible person：Liu Jun-Lin	0	0%	0	0%	0	0%	—	—	—
Liguang Construction Co. (Note4)	22,658,066	5.60%	0	0%	0	0%	Yungsheng Development Industrial Co., Ltd. Takming University Lucky construction Co., Ltd	Responsible person's relatives within one degree The same person as the responsible person	—
Yungsheng Development Industrial Co., Ltd.	22,514,509	5.56%	0	0%	0	0%	Takming University	The same person as the responsible person	—
Yungsheng Development Industrial Co., Ltd. Responsible person：Chen, Liang-Chuan	6,754,627	1.67%	0	0%	0	0%	Chen, Yun-Ju Lucky construction Co., Ltd Liguang Construction Co.	Relatives within one degree Responsible persons of these two companies are relatives within one degree	—
Lucky construction Co., Ltd (Note4)	22,091,152	5.46%	0	0%	0	0%	Yungsheng Development Industrial Co., Ltd. Takming University Liguang Construction Co.	Responsible person's relatives within one degree The same person as the responsible person	—
Takming university of Science and Technology ("Takming University")	11,794,250	2.91%	0	0%	0	0%	Yungsheng Development Industrial Co., Ltd.	The same person as the responsible person	—
Takming University Responsible person：Chen, Liang-Chuan	6,754,627	1.67%	0	0%	0	0%	Chen, Yun-Ju Lucky construction Co., Ltd Liguang Construction Co.	Relatives within one degree Responsible persons of these two companies are relatives within one degree	—
Dazhong Investment Co.	10,868,294	2.69%	0	0%	0	0%	—	—	—
Dazhong Investment Co. Responsible person: Cheng Hai-Bin	7,203,724	1.78%	5,307,053	1.31%	0	0%	—	—	—
Lin Zhi-Sheng.	8,071,000	1.99%	0	0%	0	0%	—	—	—
Chen, Yun-Ju	7,951,298	1.96%	3,937,652	0.98%	0	0%	Yungsheng Development Industrial Co., Ltd. Takming University Lucky construction Co., Ltd Liguang Construction Co.	Responsible person's relatives within one degree Responsible person	—

Note 1： The top ten shareholders should be listed in full, and the juristic person shareholders should list the names of juristic person shareholders and the names of their representatives.

Note 2： The calculation of the shareholding ratio refers to the calculation of the shareholding percentage in the name of themselves, their spouse, their minor children or the use of others.

Note 3： The shareholders listed above, including juristic persons and natural persons, shall disclose their relationship with each other in accordance with the criteria for the preparation of the issuer's financial report.

Note 4： Chen, Yun-Ju is the responsible person of Lucky construction Co., Ltd and Liguang Construction Co., She has been listed as the top ten shareholders not listed again.

5.Ownership of Shares in Affiliated Enterprises

Unit: Shares; %

Affiliated Enterprises	Ownership by the Company		Direct or Indirect Ownership by Directors, Supervisors, Managers		Total Ownership	
	Shares	%	Shares	%	Shares	%
Dasheng Enterprise Co., Ltd. (Note1)	157,295,283	99.99%	2,359	0.00%	157,297,642	99.99%
Luckicon Ready-mixed Concrete Factory Co., Ltd	21,999,868	99.99%	44	0.00%	21,999,912	99.99%
Luckyship Marine Co., Ltd	8,499,994	99.99%	2	0.00%	8,499,996	99.99%
Lucky Cement Corp., Japan	200	100.00%	0	0.00%	200	100 .00%
Just Bright Ltd.	50,000	100.00%	0	0.00%	50,000	100 .00%

Note1：Dasheng Enterprise Co., Ltd. went through capital increase in August 2018, and the number of shares after the capital increase was 157,300,000 shares.

IV Fund Raising

Capital and shares

4.1 Source of Capital

1.Source of Capital

April 30, 2019

Month/ Year	Par Value (NT$)	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount	Shares	Amount	Sources of Capital	Capital Increased by Assets Other than Cash	Other
3/1974	100	4,000,000	400,000,000	1,000,000	100,000,000	Capital Increased by Cash		
8/1976	100	4,000,000	400,000,000	1,500,000	150,000,000	Capital Increased by Cash		
7/1977	100	4,000,000	400,000,000	2,500,000	250,000,000	Capital Increased by Cash		
9/1977	100	2,500,000	250,000,000	2,500,000	250,000,000	Capital Increased by Cash		
11/1977	100	8,000,000	800,000,000	4,000,000	400,000,000	Capital Increased by Cash		
6/1978	100	8,000,000	800,000,000	4,500,000	450,000,000	Capital Increased by Cash		
9/1979	100	8,000,000	800,000,000	5,500,000	550,000,000	Capital Increased by Cash		
12/1979	100	8,000,000	800,000,000	6,500,000	650,000,000	Capital Increased by Cash		
3/1980	100	8,000,000	800,000,000	8,000,000	800,000,000	Capital Increased by Cash		
12/1980	10	80,000,000	800,000,000	80,000,000	800,000,000	Change par Value		
12/1985	10	130,000,000	1,300,000,000	130,000,000	1,300,000,000	Capital Increased by Cash		
10/1986	10	136,000,000	1,360,000,000	136,000,000	1,360,000,000	Capital Increased by Cash		
5/1990	10	200,000,000	2,000,000,000	200,000,000	2,000,000,000	Capital Increased by Cash 334,000,000，earnings transferred to capital 306,000,000		
8/1990	10	215,000,000	2,150,000,000	215,000,000	2,150,000,000	earnings transferred to capital		
8/1991	10	225,750,000	2,257,500,000	225,750,000	2,257,500,000	capital surplus transferred to capital		
8/1992	10	248,325,000	2,483,250,000	248,325,000	2,483,250,000	earnings transferred to capital 112,875,000，capital surplus transferred to capital 112,875,000		
9/1993	10	273,157,500	2,731,575,000	273,157,500	2,731,575,000	earnings transferred to capital 124,162,500，capital surplus transferred to capital 124,162,500		
8/1994	10	314,131,125	3,141,311,250	314,131,125	3,141,311,250	earnings transferred to capital 191,210,250，capital surplus transferred to capital 218,526,000		
8/1995	10	329,837,682	3,298,376,820	329,837,682	3,298,376,820	earnings transferred to capital		
8/1996	10	346,329,567	3,463,295,670	346,329,567	3,463,295,670	earnings transferred to capital		
7/1997	10	520,000,000	5,200,000,000	363,646,046	3,636,460,460	earnings transferred to capital		
7/1999	10	498,646,046	4,986,460,460	385,434,809	3,854,348,090	earnings transferred to capital	Note1	
9/2000	10	498,646,046	4,986,460,460	404,738,049	4,047,380,490	earnings transferred to capital	Note2	

Note1：7/21/1999(88) Tai-Cai-Zheng(1) No. 67585 Official Letter
Note2：7/19/2000(89) Tai-Cai-Zheng (1)No. 62554 Official Letter

2. Type of Stock

April 30, 2019

Share Type	Authorized Capital			Remark
	Issued Shares (Note)	Un-issued Shares	Total Shares	
Ordinary Shares	404,738,049 (Listed)	93,907,997	498,646,046	—

Note: Please Indicate whether the stock is listed or OTC stock (if it is a restricted listing or an OTC trader, it should be remarked.

3. Information for Shelf Registration

April 30, 2019

Securities Type	Preparing to Issue Amount		Issued Amount		Purpose and Effect for Issued Shares	Issue Period for Unissued Shares	Remarks
	Total Shares	Authorized Amount	Shares	Price			

Note：This table is not applicable to the Company.

4.2 Composition of Shareholders

April 30, 2019

Status of Shareholders / Amount	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	0	3	34	15,691	36	15,764
Shareholding (shares)	—	2,003	206,767,462	190,422,407	7,546,177	404,738,049
Percentage	0%	0.%	51.09%	47.05%	1.86%	100.00%

Note：The first listing (OTC) company and Emerging Stock company shall disclose the proportion of the holdings of the capital investment from Mainland China. Capital Investments from Mainland China means the people, juridical persons, organizations, other institutions of the mainland area as stipulated in Article 3 of the Investment Permit Rule for People invest in Taiwan from Mainland China.

4.3 Shareholding Distribution Status

April 30, 2019

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding (Shares)	Percentage
1 ~ 999	7,806	1,220,702	0.30%
1,000 ~ 5,000	5,419	12,579,062	3.11%
5,001 ~ 10,000	1,251	10,632,832	2.63%
10,001 ~ 15,000	316	4,064,343	1.00%
15,001 ~ 20,000	299	5,701,385	1.41%
20,001 ~ 30,000	213	5,708,188	1.41%
30,001 ~ 50,000	188	7,696,384	1.90%
50,001 ~ 100,000	135	9,880,037	2.44%
100,001 ~ 200,000	53	7,578,139	1.87%
200,001 ~ 400,000	18	5,264,535	1.30%
400,001 ~ 600,000	5	2,473,619	0.61%
600,001 ~ 800,000	7	4,606,268	1.14%
800,001 ~ 1,000,000	3	2,776,041	0.69%
1,000,001 or over	51	324,556,514	80.19%
Total	15,764	404,738,049	100.00%

4.4 List of Major Shareholders

April 30, 2019

Shares / Major Shareholders	Shareholding (Shares)	Percentage
Changheng Investment Co.,	52,631,034	13.00%
Jinli Investment Co., Ltd.	25,230,451	6.23%
Changrun Water Resources Technology Co., Ltd	24,035,008	5.94%
Liguang Construction Co.	22,658,066	5.60%
Yungsheng Development Industrial Co., Ltd.	22,514,509	5.56%
Lucky construction Co., Ltd	22,091,152	5.46%
Takming university of Science and Technology	11,794,250	2.91%
Dazhong Investment Co.	10,868,294	2.69%
Lin Zhi-Sheng.	8,071,000	1.99%
Chen, Yun-Ju	7,951,298	1.96%

The shareholders' names, amount and proportion of shares held of the shareholders with more than 5% shareholdings or shareholder proportions representing the top ten shareholders.

4.5 Market Price, Net Worth, Earnings, and Dividends per Share

Item		Year	2017	2018	As of March 2019 (Note8)
Market Price per Share (Note1)	Highest Market Price		10.45	8.82	7.70
	Lowest Market Price		8.29	6.82	6.67
	Average Market Price		9.19	7.84	7.39
Net Worth per Share (Note2)	Before Distribution		10.88	10.44	—
	After Distribution		10.88	10.44	—
Earnings per Share	Weighted Average Shares		404,738	404,738	404,738
	Earnings per Share (Note3)		(0.25)	(0.44)	—
Dividends per Share	Cash Dividends (Note9)		0.00	0.00	—
	Issuance of Bonus Shares	—	—	—	—
		—	—	—	—
	Accumulated Undistributed		—	—	—
Return on Investment	Price / Earnings Ratio (Note 5)		(36.76)	(17.82)	—
	Price / Dividend Ratio (Note 6)		0.00	0.00	—
	Cash Dividend Yield Rate (Note 7)		0.00%	0.00%	—

*When issuance of shares with earnings or capital surplus transferred to capital , the Information of market price and cash dividend adjusted retrospectively based on the number of issued shares shall be disclosed.

Note 1：List the highest and lowest market prices for common stock for each year, and calculate the average market price for each year based on the annual transaction value and trading volume.

Note 2：Please specify the number of shares that have been issued at the end of the year and the distribution of the resolutions of the shareholders meeting of the next year.

Note 3：If there are retrospective adjustments due to circumstances such as issuance of bonus shares, the pre-adjustment and adjusted earnings per share should be presented.

Note 4：If there is a requirement for issuance of equity securities that does not release dividends for the year to be accumulated in the surplus year, the accumulated unpaid dividends for the current year shall be disclosed separately.

Note 5：Price / Earnings Ratio＝Average closing price per share in current year ／Earnings per share

Note 6：Price / Dividend Ratio＝Average closing price per share in current year／Cash dividends per share

Note 7：Cash Dividend Yield Rate＝Cash dividends per share／Average closing price per share in current year

Note 8：Before the publication date of the annual report, there was no latest financial information audited (reviewed) by the accountants. Therefore, no disclosure of the net asset value of each share and earnings per share was made.

Note 9：The Board of Directors resolved not to distribute dividends in 2018.

4.6 Dividend Policy and Implementation Status

1. Dividend Policy：

To taking into account the future funding needs and long-term financial planning of the Company, and to meet the cash inflow demand of the shareholders, if net profit is available at the end of a fiscal year, in addition to making up for losses, 10% of net profit shall be set aside as legal earnings reserve and the special surplus reserve shall be withdrawn in respect of the decrease in the other shareholders' equity of the fiscal year, and the 40%-80% of the total of the balance and the overdue earnings of the previous year and the adjusted amount of earnings which is not allocated for the current year shall be allocated. If the distributed amount of dividends per share calculated at the rate of 80% is still less than NT$ 0.1, it shall be retained and not distributed, and then the board of directors shall proposed an allocation motion for the shareholders to recognize.

The above ratio of the earnings distribution and the cash ratio of the shares shall be decided by the board of directors based on the actual profit and financial situation of the current year, and the investment capital needs and the dilution degree of earning per share shall be considered as well, which will be paid appropriately in cash dividend or stock dividends. However, the allotment of dividends of the Shares shall not be more than 20% of the issued share capital.

When the Company assigns the apportionable earnings, except for the calculation provided in paragraph 2, if the retention of earnings transferred in or the earnings after tax in the current year which is not enough to be listed in the amount of the deduction from other shareholders' equity, the earnings shall still be allotted after the retention of earnings or the overdue earnings for the previous year has been withdrawn or re-withdrawn as special capital reserve based on the provisions of the acts.

2. Proposed Dividend Distribution of the Shareholders' Meeting: No dividends will be distributed.

4.7 The effect of this issuance of bonus shares on company’s operating performance and earnings per share : Not applicable

4.8 Employee Bonus and Directors' and Supervisors' Remuneration：

1. The compensation proportion of employees, directors, supervisors set forth in the articles of incorporation:

The compensation of employees, directors, supervisors set forth in the articles of incorporation: If any profit after the annual accounts, the Company shall allocate 3% for employees' compensation, and the Board of Directors shall decide that the distribution shall be in stock or cash, and the objects include the employees in the subsidiary companies who comply with a certain conditions; based on the above profit amount, the Board of Directors of the Company may resolve to allocate not more than 5 % as the compensation of directors and supervisors.

2. **The estimated basis of the current allocation of employees' compensation and directors', supervisors' compensation amount, the basis for calculating the number of shares of the stock compensation distribution and the accounting treatment when the actual amount of the allocation is different from the estimated amount:**

   It is distributed in accordance with the percentage of the compensation of the employees, directors and supervisors set forth in the articles of incorporation, which means if there is any profit after the annual accounts, 3 % of which shall be allocated for employees' compensation, and the board of directors shall resolve to distribute in stock or cash, and the objects include the employees in the subsidiary companies who comply with a certain conditions; based on the above profit amount, the Board of Directors of the Company may resolve to allocate not more than 5 % as the compensation of directors and supervisors. If the actual distribution amount differs from the estimated amount, it will be deemed as changes in accounting estimates, which will be included as profit or loss for the year of distribution.

3. **The board of directors adopted the proposed distribution of employees' compensation:**

   (1) In this year (2019), according to the Company's Articles of incorporation , the compensation of employees, directors and supervisors is not distributed in 2018.

   (2) The proposed distribution of stock compensation and the ratio of net profit after tax and the total amount of employee compensation: Not applicable.

4. **The actual distribution of the compensation of the directors and supervisors for the previous year:**

   In 2018, according to the Company's Articles of incorporation , the compensation of employees, directors and supervisors is not distributed in 2017.

4.9 Buyback of Shares of the Company：None

4.10 Bonds and Preferred Stock Issued：None

4.11 Status of Overseas Depositary Receipts, Employees' Warrants, and Mergers and Acquisitions or Transfer of New Issued Shares to Other Companies：None

4.12 Implementation of Capital Use Plan：

The Company has not issued or private equity securities have not been completed in the last three years.

V Operational Highlights

5.1 Business Activities

1. Business Scope

（1）The main contents of the business:

① C901050 cement and concrete products manufacturing industry.

② C901990 other non-metallic mineral products manufacturing industry.

③ B202010 non-metallic mining industry.

④ J101030 Waste removal industry.

⑤ J101040 Waste disposal industry.

⑥ In addition to the permitted business, a business which is not prohibited or restricted by acts may be operated.

（2）Main business and its proportion

Items	Product Proportion in 2018
Cement and Clinker	58.62%
Cement Product	10.27%
Other	31.11%

（3）The current commodity projects and new products development

A. Existing products:：

① Portland Type I Cement

② Portland Type II Cement

③ Slag powder

④ Cement Product（Ready Mixed Concrete）

⑤ Stone（Limestone, Specification stone, Gravel）

B. New products Development：None

2. Industry Overview

(1) Industry Status and Development

Cement industry have reached maturity, and there is still a certain demand under the economic policy and civil construction of the government plans.

Cement industry is the basic industry of people's livelihood and the national construction, from residential to various public works, defense facilities are all based on cement as the basic building materials. With the bulky volume, high transport costs, not durable storage, the sale of the cement is mainly domestic sales, so it is a domestic demand industry, the prosperity and decline of the industry depends on the driving of the business of the construction industry and public works.

The production plant of the Company is located in Dongao, Yilan County, and the limestone source is from Heren, Hualien County. In recent years, due to the impact of the environmental and resource constraints, local tax increase and related cost in accordance with tightened Mining Law, thereby the cost of limestone raw materials has been increasing.

Looking into 2019, monetary policies in various countries are still loose, and their economy is still rising. However, due to the impact of government regulations and policies in the Country, Taiwan's private companies have no new construction cases to push forward, and there is not enough momentum for growth in market demand. It is expected that the demand in the domestic cement market will grow slightly this year.

(2) The relevance of the upstream, middle stream and downstream of cement industry

The cement industry includes the upper reaches of the provision of limestone, clay, silica sand, iron slag, gypsum and other soil and stone mining industry, metal mining and steel smelting industry, as well as the power supply industry, railway and road transport industry, fuel gas supply industry and other industries which cooperate during the process; and the downstream industries which have the direct demand for cement products supply such as construction industry, concrete industry, cement products industry (such as cement tiles, asbestos board, cement culvert, etc.).

The combination of the Company and its subsidiary companies of Dasheng Enterprise Co., Ltd., Luckicon Ready-mixed Concrete Factory Co., Ltd. and Luckyship Marine Co., Ltd. is a business strategy with vertical integration.

(3) Product Trends and Competition

For a long time, there has not been a considerable product can completely replace the use of cement, but in order to reduce costs, the ready mixed concrete industry adds slag powder, and besides the production of cement, the Company also produces slag powder to supply the needs of the industry to make up for reduced cement sales.

The mass and weight of cement and slag powder products are heavy, which is a local industry. In addition to improving production efficiency, maintaining quality and providing customers with products quickly, the Company works hard on the planning of shortening the transport distance and the use of costal shipping.

3. Overview of Technology and R&D

（1） The Company has no technical and R&D expenses incurred during the year of 2018.

（2） No R&D plan in the next three years.

4. Long-term and Short-term Development

（1） Short-term development：

Domestic cement industry have reached maturity, so maintaining market share, reducing costs and developing limestone and other raw materials related products shall be the short-term development; continue to push the first phase of land development project of the subsidiary company of Dasheng Enterprise Co., Ltd. to increase the investment income. The government approved the Forward-looking Infrastructure Development Program, the program will last four years and be planned to spend NT$420 billion, it will helpful to increase the demand of cement market.

（2）Long-term Development：

① Improving the equipment to actively increase the production efficiency, increasing the use of renewable resources including alternative fuels and raw materials, developing the circular economy and doing corporate social responsibility for sustainable operation.

② Looking for new opportunities to expand new business in the world.

5.2 Market and Sales Overview

1. Market Analysis

（1）Sales Region

Region	The proportion of major commodity sales regions in 2018
Northern	76.32%
Central	9.62%
Hualien &	10.00%
Others	4.06%

The Company has two cement plants, located in Dongao, Yilan County and Puxin, Taoyuan City and four ready-mixed concrete plants, and a mine to produce the cement of Lucky brand, slag powder, cement goods, limestone and stones. Wherein there are a number of delivery centers and business locations for cement in Taiwan, and the domestic sales are to mainly supply the military, public and private customers in north, central, south and Hualien-Taitung of Taiwan. The sale volume is ranked the third in Taiwan, only less than Taiwan

Cement Corporation and Asia Cement Corporation. The ready mixed concrete are mainly supplied and sold in the northern Taiwan.

(2) Market Share

The cement and cement goods of the Company dominate the domestic market, and the market share of cement products is about 9 to 10%, 2 % for cement goods.

(3) The situation and growth of market future supply and demand

The domestic cement market is mature, the increases of import cement with the lower cost and capture the domestic market. Moreover, in the proceeding of government's strategic public construction, the supply and demand of cement may still be balanced between each other.

(4) Advantages and disadvantages of development prospects

The favorable and unfavorable factors in the development prospects of the cement industry are as follows：

① Favorable factors：

Although the international economic grow slowly, the domestic interest rate is in a low state, and the government's ongoing public construction program is still helpful for cement-related industries. In addition, the stone production of the Company is abundant, so besides our own use, we may still supply related industries.

② Unfavorable factors：

- Rising costs of the electricity, imported raw materials and transportation.
- Due to the domestic CO2 emissions restrictions and the rising environmental awareness, it is not easy to expand.
- Cargo taxes, air pollution charges and raw material local taxes and other taxes have a negative impact on the cement industry.
- Government housing market policy has unfavorable development on the cement industry.

2. Important Application and Production Procedures of Main Products

(1) Important Application

① Product：Portland Type I Cement

Application：For general civil and construction works.

② Product：Portland Type II Cement

Application：

- Underground infrastructure works such as sewers, underground roads, tunnels, underground MRT and etc.
- Mass concrete works: bridges, water tyrants, reservoirs and etc.
- Works which may be eroded by sea water and sea breeze: wharfs, breakwater, caissons, harbor works and etc.

③ Product：Slag Powder

Application：For general civil and construction, normally for ready mixed concrete industry.

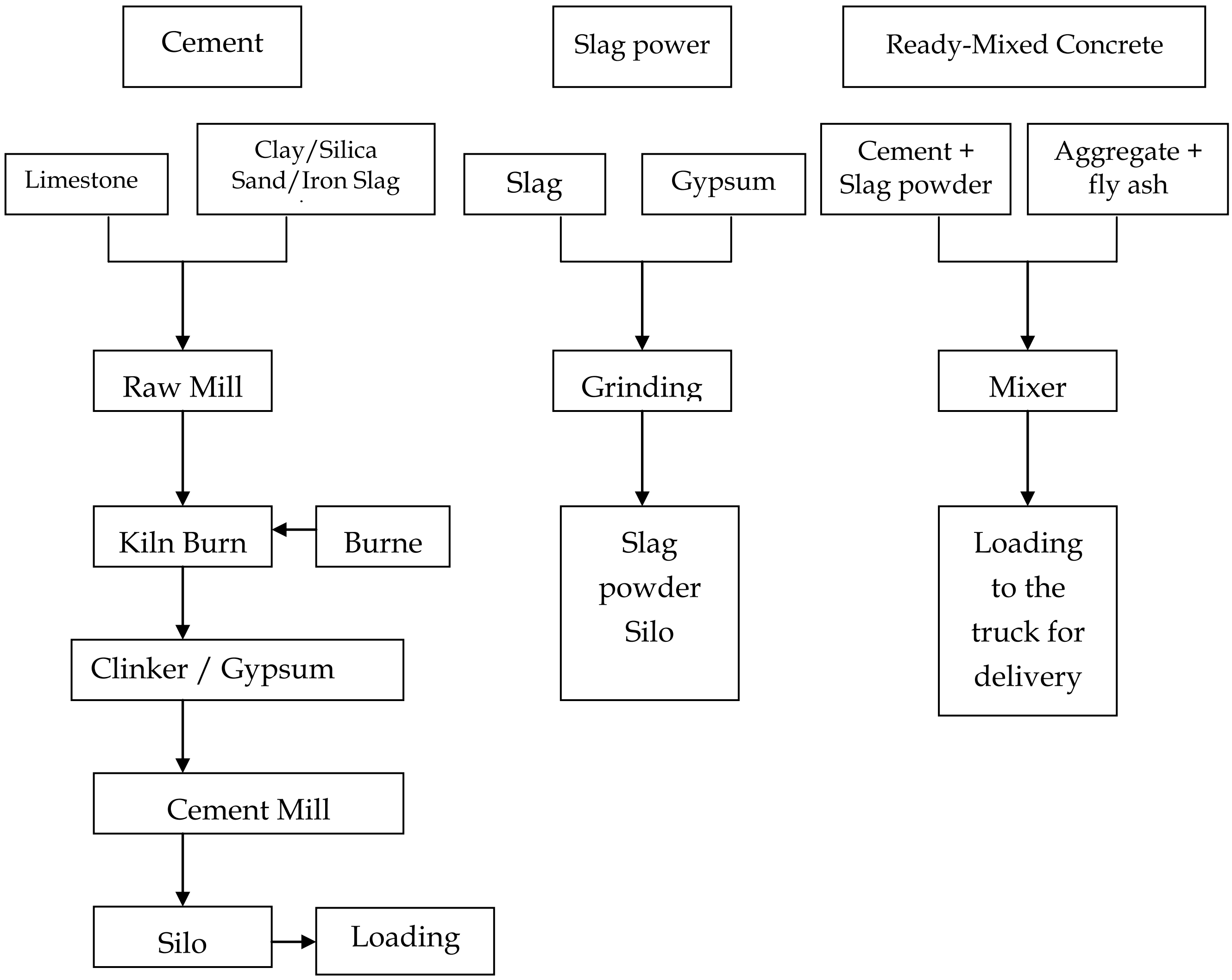
④ Product：Cement product （Ready Mixed Concrete）

Application：For a variety of construction

⑤ Product：Stone（Limestone, Specification stone, Gravel）

Application：Limestone is the main raw material for the cement industry, specification stone is for steel mills and petrochemical plants, and gravel is one of the main materials for ready mixed concrete industry.

（2）Process



3. Supply Status of Main Materials

Materials	Supply status	Note
Limestone	A small part of self-mining and majority of Domestic	—
Clay	Domestic purchasing	—
Iron Slag	A partial of domestic purchasing and a partial of importing	—
Silica Sand	Domestic purchasing	—
Gypsum	Domestic purchasing	—
Coal	Importing from Australia and Russia	—
Slag	Importing from Japan	—
Fly Ash	Domestic purchasing	—
Gravel	A partial of domestic purchasing and a partial of importing	—

All major raw materials except limestone and gravel were self-manufactured, and some of them were purchased domestically; others had more than two suppliers to stabilize their sources of supply.

4. Major Suppliers and Clients in the last Two Years

(1) Major Suppliers in the Last Two Calendar Years

Unit: NT$1,000,000

Item	2017				2018 (Note1)				As of March 31, 2019 (Note3)			
	Company Name (Note2)	Amount	Percent	Relation with Issuer	Company Name (Note2)	Amount	Percent	Relation with Issuer	Company Name (Note2)	Amount	Percent	Relation with Issuer
1	M Company	344	20.2	Raw Material Supplier	D Company	229	16.7	Raw Material Supplier				
2	D Company	305	17.9	Raw Material Supplier	M Company	225	16.4	Raw Material Supplier				
3												
4												
5												
6												
7	Other	1,054	61.9		Other	921	66.9					
	Net purchase	1,703	100.0		Net purchase	1,375	100.0					

Note 1： Cause of change：None.

Note 2： The procurement contract stipulates that the name of the supplier cannot be disclosed.

Note 3： As of the date of publication of the annual report, there was no recent financial information audited (reviewed) by the accountants and it was not disclosed.

（2）Major Clients in the Last Two Calendar Years

Unit: NT$1,000,000

Item	2017				2018 (Note1)				As of March 31, 2019 (Note3)			
	Company Name (Note2)	Amount	Percent	Relation with Issuer	Company Name (Note2)	Amount	Percent	Relation with Issuer	Company Name (Note2)	Amount	Percent	Relation with Issuer
1	H Company	504	14.7	Customer	H Company	332	10.0	Customer				
2												
3												
4												
5	Other	2,930	85.3		Other	2,999	90.0					
	Net Sales	3,434	100.0		Net Sales	3,331	100.0					

Note 1： Cause of change：None.

Note 2: The sales contract stipulates that the customer name cannot be disclosed.

Note 3: As of the date of publication of the annual report, there was no recent financial information audited (reviewed) by the accountants and it was not disclosed.

5. The Most Recent Biennial Production

Cement, Slag Powder Unit：1,000 tons；
Cement Product Unit：M^3；
Output value Unit：NT$1,000

Production Quantity Value / Year / Main Products	2017			2018		
	Capacity	Quantity	Output Value	Capacity	Quantity	Output Value
Cement, Slag Powder	2,000	738	1,061,347	2,000	764	1,192,677
Cement Product	-	289	526,043	-	390	699,491
Other	-	2,566	648,313	-	1,646	493,197

Note 1： Capacity refers to the quantity that can be produced under normal operation using existing production equipment after the company has measured the necessary shutdown, holidays and other factors.

Note 2： If the production of each product is substitutable, it can be combined to calculate its production capacity and note it.

6.Sales in the Last Two years

Cement, Slag Powder Unit：1,000 tons；
Cement Product Unit：M^3；
Output value Unit：NT$1,000

Year / Sales / Main Products	2017				2018			
	Domestic sales		Export		Domestic sales		Export	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Cement, Slag Powder	995	2,094,970	—	—	984	2,042,328	—	—
Cement Product	—	281,872	—	—	—	341,988	—	—
Stone	1,803	630,585	—	—	1,187	491,363	—	—
Other	—	427,027	—	—	—	454,922	—	—
Total	—	3,434,454	—	—	—	3,330,601	—	—

5.3 Employee Information in the Last Two Year and up to the Date of Publication of the Annual Report

April 30, 2019

Year		2017	2018	As of April 30, 2019
Number of Employees	Direct Labor in factory	236	247	247
	Indirect Labor in factory	125	112	112
	Administration Staff in the Company	134	127	129
	Total	495	486	488
Average Age		48.57	49.18	49.20
Average Years of service		13.5	13.2	13.3
Education	Ph.D.	0.40	0.41	0.41
	Masters	3.03	2.67	2.66
	Bachelor's degree	33.13	31.48	31.56
	Senior High School	39.39	40.95	41.60
	Below Senior High School	24.04	24.49	23.77

5.4 Environmental Protection Expenditure

1. Loss due to environmental pollution in the most recent year and as of the date of publication of the annual report：

	2017	2018	As of April 30, 2018
Pollution status (Category, Condition)	1. Equipment rupture caused dust to spill. 2. The test result was not completed.	1..Failed to obtain a set permission in accordance with the law. 2.There is no automatic monitoring facility for the discharge pipeline.	None
Object of compensation or competent authority	Environmental Protection Bureau	Environmental Protection Bureau	-
Compensation amount or punishment	NT$ 474,000	NT$ 1,694,000	-
Other Losses	None	None	None

2. Countermeasures：

In order to make the sewage treatment operates efficiently, in addition to improving the equipment, the Company also added new facilities for sewage diversion and one more layer for precipitation, so that the discharge of water may reach the standard provided by the acts and regulations.

In order to keep the machinery in the plants maintain the normal situation from time to time to reduce the cost of folding replacement, the Company has established the "Regulations Governing the Mechanical Maintenance and Maintenance" for the machinery to which plant it belongs, and the maintenance shall be conducted according to a certain maintenance procedures and inspection.

Improvement plan:

（1）Strengthen the maintenance and update of mechanical parts to reduce sudden failure.

（2）Strengthen professional training and management to reduce human negligence and enhance the competence to emergencies.

（3）Stop the treatment of sludge with strong odor and add sludge treatment system to reduce the odor.

（4）When the on-site unit installs new equipment, it is necessary to inform the safety and environmental department to change the relevant operation permit or apply for a license.

3. Future Environmental Key Works：

（1）To strengthen the operation and maintenance of equipment to ensure the normal operation of environmental protection equipment and execute earnestly the industrial waste reduction to avoid pollutants.

（2）Strengthen the study of waste recycling technology.

（3）Strengthen the cleanliness of the environment the green plant environment.

（4）Conduct a sewage separation system to improve the pollution of the discharged water.

（5）Re-develop the soil and water conservation plan, and complete as planned to ensure homeland security according to the latest laws and regulations.

（6）Strengthen management to ensure that all operations are executed in accordance with the quality assurance plan, and implement the application and change of various licenses.

（7）The total amount of environmental protection expenditure in 2018 was NT$26,937,000.

5.5 Labor Relations

1. Employee benefits policy：

（1）Employee benefits measures:：

① The Company has set a staff welfare committee, and allocates the welfare fund for the welfare activities based on the laws. The annual staff welfare fund allocated of the year of 2018is NT$5,316,000.

② Award the gold memorial medal and diploma to praise outstanding colleagues.

③ Issue three Chinese festival bonus and education grant.

④ Continuously enhance the improvement of the working environment on site.

⑤ Conduct employee group insurance and employee health check. The related expenditure for the year of 2018 was NT$1,199,000.

（2）Implementation of improvement and training system：

The Company has a staff training program that provides staff training and implementation. The company's on-the-job training includes organizing various workshops, training courses and the cooperative appointment training with other training institutions or schools, or the Company may hold short-term work exercises based on job needs. The training fees for various types of training were NT$ 88,000.

（3）Retirement system：

The "Labor Pension Act" has been in operation since 1 July 2005, Those who were employed before June 30 and still served on July 1 may choose to continue to apply the pension provisions of the Labor Standards Act, or the pension system to which the ordinance applies and retain the job tenure before the application of the conditions. After July 1, 2005, new employees may only apply to the pension system of the "Labor Pension Act".

The Company developed the regulations of employee pension in accordance with the "Labor Pension Act", which are the regulations of determining allocating the pension. Since July 1, 2005, 6% of each employee's monthly salary has been allocated to the individual pension accounts of Bureau of Labor Insurance.

The Company developed the regulations of employee retirement based on the "Labor Standards Act", which are the regulations of determining paying the pension. The payment of employee pension is calculated on the basis of the service year and the average salary of the last six months before retirement, and the company contributes pension reserves monthly based on the provisions, which is submitted to the Labor Retirement Reserve Monitoring Committee for management, and the pension is saved in the Central Trust of China in the name of such committee

In the current year, 17 people retired and the pensions totaled NT$ 35,231,000.

2. Protection measures of employee rights :

A harmonious labor relation is the cornerstone of enterprise development, and the labor relations of the Company have been in a harmonious, stable and prosperous relationship over the years. In addition to promoting employee benefits, welfare and improving the working environment, the Company also maintains the smooth flow of labor communication channels, and provided the general discussion of the trade union in the factory to understand the difficulties and needs of employees. All levels of executives attached importance to each problems and responses and helped for the solutions.

3. Labor dispute situation:

（1）No labor dispute occurred during the latest year and up to the printing date of this annual report.

（2）Estimative the amount of current and future possible losses: None

4. Social Responsibility Implementation:

（1）Coordinate labor relations, promote labor management cooperation, and improve work efficiency, labor-management conferences are held regularly.

（2）Human resources department handles employees' complaints and cases related to employees who are not satisfied with the punishment.

（3）The Company has established the Regulations on the Prevention of Sexual Harassment (which has already submitted to the county government).

（4）Encourage employees to participate in external sexual abuse and sexual harassment prevention and related educational training, and the participants will be provided with business trip registration and budget subsidy, and the relevant information will be disclosed in an obvious place of the workplace publicly as well.

Service Line：03-9986110 #103 or #109
02-25092188 #2517
Service Fax:：03-9986066
02-25093033
Service dedicated mailbox or e-mail：yu@luckygrp.com.tw
kevinlee@luckygrp.com.tw

（5）The Company shall handle safety and hygiene work in accordance with the relevant laws and regulations on labor safety and hygiene.

（6）Employees shall comply with the relevant provisions of safety and health, and yield to the guidance of the personnel of safety and health management.

（7） Safety and hygiene of labors：

① Each employee on site shall be equipped with helmets, safety boots, and employees work in an area with high temperature shall be equipped with fire clothing for appropriate protection for work needs to ensure the safety of employees during work.

② In promoting labor safety and health work, the Company requires full compliance with the Labor Safety and Health Act. Since the registration date of the new employees, new employees shall participate in the educational training, and security courses, disaster prevention, emergency, escape and other exercises shall be organized regularly. Clear notice boards shall be displayed clearly in the workplace to inform the employees how to operate the equipment correctly in the workplace, and the sense of alertness to the space and environment.

③ In order to protect the safety of employees and reduce accidents, the Company not only strengthened equipment maintenance to ensure safe operation, but also improved the surrounding equipment, such as the installation of safety nets, stairs, railings improvement, and required the contractor to perform the work in accordance with the work safety manual. Moreover, an inspection team composed by the security environment division carried out the dynamic inspection to make sure the safety of the work environment for the employees.

④ The total expenditure on labor safety in 2018 amounted to approximately NT$3,041,000.

（8） In order to improve the safety of the work environment and reduce workplace hazards and related diseases, the Company has been receiving counseling from consultants in December 2018. It is expected to obtain ISO 45001 (formerly OHSAS 18001) certification in July 2019.

5. Specific measures to enhance employee benefits or rights compared to those in the previous year：None

5.6 Important Contracts

April 30, 2019

Agreement	Counterparty	Period	Major Contents	Restrictions
Loan Agreement	Taiwan Cooperative Bank Ximen Branch	4/12/2018-4/12/2023	Mid-term land building mortgage loan	—
Loan Agreement	O-Bank Sales Department	11/21/2017-11/21/2022	Mid-term land mortgage loan	—
Sale and Purchase Agreement	Shi-Jia Industrial Ltd.	9/28/2018-12/31/2020	Self-provided trucks' renewal parts	—
Construction Contract	Shi-Jia Industrial Ltd.	9/28/2018-12/31/2020	Self-provided trucks' renewal project	—
Sale and Purchase Agreement	Shi-Jia Industrial Ltd.	1/1/2019-12/31/2022	Self-provided trucks' third-level maintenance material fee	—
Construction Contract	Hao Hong Construction Company	2/1/2018-8/30/2019	The second phase of Keelung's Self-hosted city re-division project	—

VI Financial Information

6.1 Five Year Financial Summary

1. Condensed Balance Sheet & the statements of Comprehensive Income

(1) Consolidated Condensed Balance Sheet

Unit：NT$1,000

Item \ Year		Financial Summary for the last Five Year （Note1） 2014	2015	2016	2017	2018	As of March 31, 2019 (Note 3)
Current assets		5,561,570	5,212,763	5,360,762	5,121,071	4,938,529	
Property, Plant and Equipment （Note 2）		2,300,176	2,157,348	1,899,736	1,648,561	1,877,077	
Intangible assets		—	—	—	—	—	
Other assets (Note2)		501,533	485,391	492,146	467,220	477,891	
Total assets		8,363,279	7,855,502	7,752,644	7,236,852	7,293,497	
Current liabilities	Before distribution	2,333,817	1,824,743	2,604,897	1,925,148	1,736,069	
	After distribution (Note 4)	2,576,660	2,168,770	2,847,740	—	—	
Non-current liabilities		1,414,348	1,185,095	345,911	883,162	1,330,430	
Total liabilities	Before distribution	3,748,165	3,009,838	2,950,808	2,808,310	3,066,499	
	After distribution (Note 4)	3,991,008	3,353,865	3,193,651	—	—	
Equity attributable to owners of parent		4,584,622	4,811,850	4,771,695	4,402,119	4,226,920	
Share capital		4,047,380	4,047,380	4,047,380	4,047,380	4,047,380	
Capital surplus		—	8	8	8	8	
Retained earnings	Before distribution	508,990	728,106	696,907	357,972	182,653	
	After distribution (Note 4)	266,147	384,079	454,064	—	—	
Other equity interest		28,252	36,356	27,400	(3,241)	(3,121)	
Treasury shares		—	—	—	—	—	
Non-controlling interest		30,492	33,814	30,141	26,423	78	
Total equity	Before distribution	4,615,114	4,845,664	4,801,836	4,428,542	4,226,998	
	After distribution (Note 4)	4,372,271	4,501,637	4,558,993	—	—	

Note 1 : All financial statements have been audited by a certified public accountant from 2014 to 2018.

Note 2 : Asset revaluation has not been handled in 2018.

Note 3 : As of the date of publication of the annual report, there was no recent financial information audited (reviewed) by the accountants and it was not disclosed.

Note 4 : The proposal to offset deficits in 2018 is still waiting for shareholders' resolution.

(2) Consolidated Condensed Statement of Comprehensive Income

Unit ： NT$1,000

Item \ Year	Financial Summary for The Last Five Years (Note 1)					As of March 31, 2019 (Note 2)
	2014	2015	2016	2017	2018	
Operating revenue	5,099,198	5,021,353	4,251,061	3,434,454	3,330,601	
Gross profit from operations	739,024	906,266	662,493	128,501	46,767	
Net operating income (loss)	440,566	624,343	426,326	(100,344)	(155,142)	
Non-operating income and expenses	(2,506)	(8,019)	(24,996)	(18,667)	(36,520)	
Profit (loss) before tax	438,060	616,324	401,330	(119,011)	(191,662)	
Profit (loss) from continuing operations	367,067	503,435	324,202	(102,303)	(200,942)	
Loss from discontinued operations	—	(40,672)	(9,125)	(775)	(672)	
Profit (loss)	367,067	462,763	315,077	(103,078)	(201,614)	
Other comprehensive income [abstract]	11,775	114	(11,471)	(25,623)	4,965	
Comprehensive income	378,842	462,877	303,606	(128,701)	(196,649)	
Profit (loss), attributable to owners of parent	379,540	470,161	315,334	(101,111)	(176,971)	
Profit (loss), attributable to non-controlling interests	(12,473)	(7,398)	(257)	(1,967)	(24,643)	
Comprehensive income, attributable to owners of parent	390,167	470,063	303,872	(126,733)	(172,004)	
Comprehensive income, attributable to non-controlling interests	(11,325)	(7,186)	(266)	(1,968)	(24,645)	
Earnings per share(Note 3)	0.94	1.16	0.78	(0.25)	(0.44)	

Note 1 : All financial statements have been audited by a certified public accountant from 2014 to 2018.

Note 2 : As of the date of publication of the annual report, there was no recent financial information audited (reviewed) by the accountants and it was not disclosed.

Note 3 : Calculated by the number of shares after retrospective adjustment.

(3) Parent Company Only Consolidated Condensed Balance Sheet

Unit：NT$1,000

Item \ Year		Financial Summary for The Last Five Years (Note 1)					As of March 31, 2019 (Note 2)
		2014	2015	2016	2017	2018	
Current assets		1,969,672	1,733,130	2,022,199	1,845,673	1,492,830	
Property, Plant and Equipment (Note 2)		2,244,606	2,031,801	1,787,670	1,557,708	1,786,763	
Intangible assets		—	—	—	—	—	
Other assets (Note2)		3,251,672	3,441,568	3,333,405	3,054,914	3,268,057	
Total assets		7,465,950	7,206,499	7,143,274	6,458,295	6,547,650	
Current liabilities	Before distribution	1,526,544	1,550,013	2,087,743	1,717,161	1,548,661	
	After distribution (Note 3)	1,769,387	1,894,040	2,330,586	—	—	
Non-current liabilities		1,354,784	844,636	283,836	339,015	772,069	
Total liabilities	Before distribution	2,881,328	2,394,649	2,371,579	2,056,176	2,320,730	
	After distribution (Note 3)	3,124,171	2,738,676	2,614,422	—	—	
Equity attributable to owners of parent		4,584,622	4,811,850	4,771,695	4,402,119	4,226,920	
Share capital		4,047,380	4,047,380	4,047,380	4,047,380	4,047,380	
Capital surplus		—	8	8	8	8	
Retained earnings	Before distribution	508,990	728,106	696,907	357,972	182,653	
	After distribution (Note 3)	266,147	384,079	454,064	—	—	
Other equity interest		28,252	36,356	27,400	(3,241)	(3,121)	
Treasury shares		—	—	—	—	—	
Non-controlling interest		—	—	—	—	—	
Total equity	Before distribution	4,584,622	4,811,850	4,771,695	4,402,119	4,226,920	
	After distribution (Note 3)	4,341,779	4,467,823	4,528,852	—	—	

Note 1 : All financial statements have been audited by a certified public accountant from 2014 to 2018.

Note 2 : Asset revaluation has not been handled in 2018.

Note 3 : The proposal to offset deficits in 2018 is still waiting for shareholders' resolution.

(4) Parent Company Only Consolidated Condensed Statement of Comprehensive Income

Unit : NT$1,000

Item \ Year	Financial Summary for The Last Five Years（Note1） 2014	2015	2016	2017	2018	As of March 31, 2019
Operating revenue	4,097,670	4,152,424	3,507,773	2,957,370	2,810,497	
Gross profit from operations	649,904	887,284	603,150	244,893	150,288	
Net operating income (loss)	457,077	684,415	416,288	70,426	(22,019)	
Non-operating income and expenses	(19,350)	(112,913)	(34,586)	(186,473)	(138,161)	
Profit (loss) before tax	437,727	571,502	381,702	(116,047)	(160,180)	
Profit (loss) from continuing operations	379,540	470,161	315,334	(101,111)	(176,971)	
Loss from discontinued operations	—	—	—	—	—	
Profit (loss)	379,540	470,161	315,334	(101,111)	(176,971)	
Other comprehensive income [abstract]	10,627	(98)	(11,462)	(25,622)	4,967	
Comprehensive income	390,167	470,063	303,872	(126,733)	(172,004)	
Profit (loss), attributable to owners of parent	390,167	470,063	303,872	(126,733)	(172,004)	
Profit (loss), attributable to non-controlling interests	—	—	—	—	—	
Comprehensive income, attributable to owners of parent	390,167	470,063	303,872	(126,733)	(172,004)	
Comprehensive income, attributable to non-controlling interests	—	—	—	—	—	
Earnings per share(Note 2)	0.94	1.16	0.78	(0.25)	(0.44)	

Note 1 : All financial statements have been audited by a certified public accountant from 2014 to 2018.

Note 2 : Calculated by the number of shares after retrospective adjustment.

2. Auditor's Opinions from 2014 to 2018

Year	CPA		Audit Opinion
2014 (Note1)	Huang, Hai-Yue	Wu, En-Ming	Unreserved opinions
2015	Huang, Hai-Yue	Wu, En-Ming	Unreserved opinions
2016 (Note2)	Huang, Hai-Yue	Liu, Yong-Fu	Unreserved opinions
2017	Huang, Hai-Yue	Liu, Yong-Fu	Unreserved opinions
2018	Huang, Hai-Yue	Liu, Yong-Fu	Unreserved opinions

Note 1: Coordinated with the internal rotation of the certified accounting firm in 2014.

Note 2: Coordinated with the internal rotation of the certified accounting firm in 2016.

6.2 Five Year Financial Analysis

(1-1) Consolidated Financial Analysis

Item (Note 3)	Year (Note 1)	2014	2015	2016	2017	2018	As of March 31, 2019 (Note2)
		Financial Summary for The Last Five Years					
Financial structure (%)	Debt Ratio	44.82	38.32	38.06	38.81	42.04	
	Ratio of long-term capital to property, plant and equipment	262.13	279.55	270.97	322.20	296.07	
Solvency %	Current ratio	238.30	285.67	205.80	266.01	284.47	
	Quick ratio	76.52	81.91	60.17	61.47	66.03	
	Times Interest Earned	8.51	15.46	13.85	(2.87)	(4.91)	
Operating performance	Accounts receivable turnover (times)	4.48	4.91	5.05	4.98	5.57	
	Average collection period	81.47	74.34	72.27	73.29	65.52	
	Inventory turnover (times)	1.21	1.16	1.01	0.89	0.89	
	Accounts payable turnover (times)	7.98	8.66	7.84	7.21	8.91	
	Average days in sales	301.65	314.66	361.38	410.11	410.11	
	Property, plant and equipment turnover (times)	2.22	2.33	2.24	2.08	1.77	
	Total assets turnover (times)	0.61	0.64	0.55	0.47	0.46	
Profitability	Return on asset (%)	4.90	6.14	4.37	(1.03)	(2.40)	
	Return on equity (%)	8.14	9.78	6.53	(2.23)	(4.66)	
	Pre-tax income to paid-in capital (%)	10.82	15.23	9.92	(2.94)	(4.74)	
	Profit ratio (%)	7.20	9.22	7.41	(3.00)	(6.05)	
	Earnings per share (NTD)	0.94	1.16	0.78	(0.25)	(0.44)	
Cash flow	Cash flow ratio (%)	35.61	55.80	9.46	4.21	2.99	
	Cash flow adequacy ratio (%)	224.28	221.19	180.69	152.00	100.18	
	Cash reinvestment ratio (%)	3.65	4.35	(0.58)	(0.95)	0.29	
Leverage	Operating leverage	5.17	3.81	4.30	(11.65)	(7.14)	
	Financial leverage	1.15	1.07	1.08	0.77	0.83	

Analysis of financial ratio differences for the last two years. (Not required if the difference does not exceed 20%)

In 2018, the market demand for various products decreased. The decrease in selling price resulted in a decrease in revenue, an increase in operating costs, a decrease in net operating income and an increase in operating leverage . In addition, an increase in allowance for inventory valuation losses caused losses in the current period. Therefore, times interest earned, profitability, cash flow and other relevant ratios have fallen sharply to over 20%.

Note 1 : All financial statements have been audited by a certified public accountant from 2014 to 2018.

Note 2 : As of the date of publication of the annual report, there was no recent financial information audited (reviewed) by the accountants and it was not disclosed.

Note 3 : The calculation formula is listed at the end of this table.

(1-2) Parent Company Only Financial Analysis

Item (Note 3)	Year (Note 1)	2014	2015	2016	2017	2018	As of March 31, 2019 (Note2)
		Financial Summary for The Last Five Years					
Financial structure (%)	Debt Ratio	38.59	33.23	33.20	31.84	35.44	
	Ratio of long-term capital to property, plant and equipment	264.61	278.40	282.80	304.37	279.78	
Solvency %	Current ratio	129.03	111.81	96.86	107.48	96.39	
	Quick ratio	94.79	79.93	68.50	62.38	55.48	
	Times Interest Earned	12.02	20.19	18.04	(5.09)	(6.71)	
Operating performance	Accounts receivable turnover (times)	6.12	6.36	6.04	5.88	6.39	
	Average collection period	59.64	57.39	60.43	62.07	57.12	
	Inventory turnover (times)	9.70	10.62	8.10	5.20	4.93	
	Accounts payable turnover (times)	9.78	9.20	7.66	7.25	9.44	
	Average days in sales	37.63	34.37	45.06	70.19	74.03	
	Property, plant and equipment turnover (times)	1.83	2.04	1.96	1.90	1.57	
	Total assets turnover (times)	0.55	0.58	0.49	0.46	0.43	
Profitability	Return on asset (%)	5.52	6.75	4.65	(1.25)	(2.46)	
	Return on equity (%)	8.46	10.01	6.58	(2.20)	(4.10)	
	Pre-tax income to paid-in capital (%)	10.82	14.12	9.43	(2.87)	(3.96)	
	Profit ratio (%)	9.26	11.32	8.99	(3.42)	(6.30)	
	Earnings per share (NTD)	0.94	1.16	0.78	(0.25)	(0.44)	
Cash flow	Cash flow ratio (%)	62.72	70.86	10.76	17.83	24.47	
	Cash flow adequacy ratio (%)	156.42	164.24	145.18	136.63	110.51	
	Cash reinvestment ratio (%)	3.89	4.32	(0.63)	0.34	1.96	
Leverage	Operating leverage	2.79	2.21	2.62	9.83	(26.70)	
	Financial leverage	1.10	1.05	1.06	1.37	0.51	

Analysis of financial ratio differences for the last two years. (Not required if the difference does not exceed 20%)

In 2018, the market demand for various products decreased. The decrease in selling price resulted in a decrease in revenue, an increase in operating costs and caused losses in the current period. Therefore, the decrease in times interest earned, profitability, operating leverageand financial leverage. The increase in cash flow ratio and cash reinvestment ratio is mainly from the increase in net cash inflows of capital loans in business activities

Note 1 : All financial statements have been audited by a certified public accountant from 2014 to 2018.

Note 2 : As of the date of publication of the annual report, there was no recent financial information audited (reviewed) by the accountants and it was not disclosed.

Note 3 : The calculation formula is listed at the end of this table.

Calculation Formula

1. Financial structure
   (1) Debt ratio＝ Total liabilities／Total assets
   (2) Ratio of long-term capital to property, plant and equipment＝(Total equity＋Non-current liabilities)／property, plant and equipment, Net.
2. Solvency
   (1) Current ratio＝Current assets／Current liabilities
   (2) Quick ratio＝（Current assets－Inventory－Prepayments）／Current liabilities
   (3) Times Interest Earned＝Earnings before interest and taxes／total interest expense in the current period
3. Operating performance
   (1) Accounts receivable turnover (including accounts receivable and notes receivable from operating)＝ Net sales revenue／Balance of average accounts receivable in each period(including accounts receivable and notes receivable from operating)
   (2) Average collection period＝365／Accounts receivable turnover
   (3) Inventory turnover＝Cost of sales／Average Inventory
   (4) Accounts payable turnover (including accounts payable and notes payable from operating)＝ Cost of sales／Balance of average accounts payable in each period(including accounts payable and notes payable from operating)
   (5) Average days in sales＝365／Inventory turnover
   (6) Property, plant and equipment turnover＝Net sales revenue／Average net of Property, plant and equipment turnover
   (7) Total assets turnover＝Net sales revenue／Average total assets
4. Profitability
   (1) Return on asset＝〔post-tax profit or loss＋interest expense×（1－ tax rate）〕／ Average total assets
   (2) Return on equity＝Post-tax profit or loss／Average total equity
   (3) Profit ratio＝Post-tax profit or loss／Net sales revenue
   (4) Earnings per share＝（Profit (loss), attributable to owners of parent－preference dividends）／Weighted average number of issued shares（Note5）
5. Cash flow
   (1) Cash flow ratio＝Net cash flows from (used in) operating activities／Current liabilities
   (2) Cash flow adequacy ratio＝Net cash flows from (used in) operating activities in the last five years／ (Capital expenditure＋Increase in Inventory＋cash dividends) in the last five years
   (3) Cash reinvestment ratio＝(Net cash flows from (used in) operating activities－cash dividends)／(Gross amount of Property, plant and equipment＋long-term investment＋other non-current assets＋Working capital) (Note6)
6. Leverage：
   (1) Operating leverage＝(Net sales revenue－variable operating cost and expenses) ／ Operating income (Note7)。
   (2) Financial leverage＝Operating income ／ (Operating income －interest expense)

Note 5：The formula for above earnings per share should pay special attention to the following matters when measuring:

（1）It is based on the weighted average number of ordinary shares, not based on the number of issued shares at the end of the year.

（2）Where there is a capital increased by cash or a treasury share transaction , the weighted average number of shares shall be calculated during the period of circulation.

（3）Where there are an earnings transferred to capital or a capital surplus transferred to capital, when calculating the earnings per share for previous years and semi-annual earnings per share, it should be adjusted retrospectively according to the proportion of capital increase, and there is no need to consider the issuance period of such capital increase.

（4）If the special shares are non-convertible accumulation special shares, their current year dividends (whether distributed or not) shall be calculated by subtracting the after-tax net profit or increasing the after-tax net loss. If the special shares are non-cumulative, there are net profits after tax, the special share dividends shall be deducted from the net profit after tax; if there are losses that will not have to be adjusted.

Note 6：When measuring cash flow, special attention should be paid to the following items:

（1） Net cash flow from operating activities refers to the net cash inflow from operating activities in the statement of cash flows

（2） Capital expenditure refers to the number of cash outflows per year of capital investment.

（3） The increase of inventories is only included when the balance in the end of period is greater than the balance in the beginning of period , and if the inventory at the end of the year decreases, it is calculated as zero.

（4） Cash dividends include cash dividends from ordinary shares and special shares.

（5） Gross amount of property, plant and equipment refers to the total amount of property, plant and equipment before deducting accumulated depreciation.

Note 7：The issuer should classify the various operating costs and operating expenses into fixed and variable categories. If there is an estimate or subjective judgment, the issuer should pay attention to its reasonableness and maintain consistency.

Note 8：If the company’s shares are no par value stocks or if the denomination of each share is not NT$10, the previous calculation of the ratio of Pre-tax income to paid-in capital was calculated based on the ratio of equity attributable to owners of parent in the balance sheet.

6.3 Supervisors' Audit Report on the 2018 Financial Statements

Lucky Cement Corporation
Supervisors' Audit Report

The Board of Directors of the company proposed 2018 Business Report and financial statements and the proposal to offset deficits, which have been audited by the supervisor and there is no inconsistency. Therefore, this report is presented in accordance with Article 219 of the Company Act, please proceed to approve.

With kind regards

2019 The Shareholders Meeting of the Company

Supervisor: Kuo Chuan Development Co., Ltd.

Representative: Chen, Ming-Hsien

Supervisor: Cheng, Shang-Kai

March, 22,2019

6.4 2018 Parent Company Only Financial Statements

Lucky Cement Corporation

Audit Report of Parent Company Only Financial Statements by Certified Public Accountants

Deloitte

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Independent Auditors' Report

The Board of Directors and Shareholders
Lucky Cement Corporation

Opinion

We have audited the accompanying parent company only financial statements of Lucky Cement Corporation(the "Company"), which comprise the parent company only balance sheets as of December 31, 2018 and 2017, and the parent company only statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as of December 31, 2018 and 2107, and its financial performance and its cash flows for the years then ended on accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for 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 Parent Company Only Financial Statements section of our report. We are independent of the Company and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained us 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 the most significance in our audit of the parent company only financial statements for the year ended December 31, 2018. These matters were addressed in the context of our audit of the parent company only financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Company's parent company only financial statements for the year ended December 31, 2018 are state as follows:

Inventory Valuation

The Company measures inventory costs with the method of comparing costs or net realizable value; except for the inventory of the same category, each item is regarded as basis during comparing the cost and the net realizable value; please see Note 4 (5) for relevant accounting policies; please see Note 5 (1) for relevant accounting judgments, estimating and assumption of the uncertainty.

The inventory amounts are NT$ 465,967,000 (please see Note 11) on December 31, 2018, and they account for 7% of total assets of the parent company only financial statements on December 31, 2018. The main items are materials and products; the costs and relevant prices are affected by cement market, domestic housing market and government real estate policy and have violent fluctuates which causing risk for net realizable value lower than carrying amount. Following the regulation of "Inventory" of IAS 2, the assessment of the net realizable value of inventories involves estimates and judgments, and the results of their judgments directly affect the recognition of the amount of profit and loss, the key audit matters are listed.

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

1. Validated the calculation of inventory cost at the end period and the decision method to evaluate the net realizable value to confirm that the inventory has been evaluated at lower of cost or net realizable value.
2. Inspected the book value of inventory based on the evaluation documents for the inventory on December 31, 2018, to make sure the completeness of its evaluation details. We sampled and got the latest raw material quotation or sales invoice to verify the net realizable value which has significant discrepancies with reference price or not, and recalculated inventory value to assess the appropriateness of its evaluation basis.
3. Assessed whether there was any outdated or damaged inventory, when the stocktaking did at the end of the year.

Valuation for Developing Property and Property to be Developed of Dasheng Enterprise Co., Ltd

Dasheng Enterprise Co., Ltd ("Dasheng Enterprise") is the subsidiary of the Company and the Company invested in the equity method. The balance of investment for Dasheng Enterprise was NT$2,334,592,000 on December 31, 2018, please referred to Note 15 and Schedule 6.

Dasheng Enterprise measures developing property and property to be developed with the method of comparing costs or net realizable value, please see Note 5 (2) for relevant accounting judgments, estimating and assumption of the uncertainty.

The amount that Dasheng Enterprise invested in developing property and property to be developed is recognized NT$ 3,132,048,000 on December 31, 2018. Due to the significant amount of developing property and property to be developed, and which are still in the phase of developing, the management assessed the net realized value of developing property and property to be developed in accordance with IAS2 "Inventory", and entrusted external experts to issue property valuation report as a basis for assessing the net realizable value, which involved estimation and judgment, and its judgment result directly affects the recognition of the amount of profit and loss, the key audit matters are listed.

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

1. Assessed Professional competence, competence and objectivity of the independent property appraiser commissioned by the management of Dasheng Enterprise, and verified the qualifications of the evaluators. We also discussed with the management the scope of work of the evaluators and reviewed their commissioning conditions to confirm that there are no matters affecting their objectivity or limiting their scope of work.
2. Assessed the consistency of estimation of the property appraiser and the hypothesis and evaluation method in the contents, and checked whether the net realizable value is appropriate.
3. Validated the important hypothesis and parameter consistency, included the disclosed information of parameter verifying.

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

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

In preparing the parent company only financial statements, the 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 the 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 Independent Directors and Supervisors) are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Parent Company only Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the general accepted auditing standards 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 parent company only financial statements.

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

1. Identify and assess the risk of significant misstatement of the parent company only financial statements, whether due to fraud or error, the appropriate response to the design and implementation of the risk to be assessed, and obtain sufficient and appropriate audit evidence as a basis for our opinion. Because the fraud may involve conspiracy, forgery, intentional omission, false declaration or overstepped internal control, the risk of failure to detect the significant false expression of fraud is higher than the cause of error.
2. Obtain a necessary understanding of internal control relevant to the audit in order to design the audit procedures that are appropriate in the circumstance, but not for the purpose of expressing any 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 the management.
4. Concluded on the appropriateness of the 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 situations that may significantly doubt on the Company's ability to continue operation. If we conclude that a material uncertainty exists, we had to draw attention in our auditors' report to related disclosures in the parent company only 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 situations may cause the Company to lose the ability to continue operation.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements (including related notes) and whether the parent company only financial statements fairly express transactions and events.

6. Obtain adequate and appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express the opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the Company's audit case. We are responsible for our audit opinion.

We communicate with those charged with governance regarding the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control identified during our audit.

We also provide those charged with governance with a declaration that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may be deemed to affect our independence (including the related safeguards).

From the matters communicated with those charged with governance, we decide the key audit matters of the Company's parent company only financial statements for the year ended December 31, 2018. We describe these matters in auditors' report unless the Act precludes public disclosure about the matter when, in extremely rare cases, we decide that a matter should not be communicated in auditors' report, because it is reasonable to expect the negative impact of this communication to outweigh the enhanced public interest.

Deloitte & Touche

Accountants Huang, Hai-Yue		Accountants Liu, Yong-Fu
The approval number of Securities and Futures Commission No. 0920131587 of Taiwan-Finance-Securities	&	The approval number of Securities and Futures Commission No. 0920123784 of Taiwan-Finance-Securities

March 22, 2019

Lucky Cement Corporation

Parent Company Only Balance Sheets

December 31, 2018 and 2017

In Thousands of New Taiwan Dollars

Code	Assets	December 31, 2018 Amount	%	December 31, 2017 Amount	%
	Current Assets				
1100	Cash and cash equivalents (Note 6)	$ 142,537	2	$ 170,262	3
1110	Current financial assets at FVPL (Note 4, 7 & 30)	856	-	-	-
1120	Current financial assets at FVOCI (Note 4, 8 & 30)	105,718	2	-	-
1125	Available-for-sale financial assets (Note 4 & 9)	-	-	34,935	1
1150	Notes receivable, net (Note 4 & 10)	252,051	4	341,047	5
1160	Notes receivable due from related parties, net (Note 4, 10 & 31)	39,352	1	11,398	-
1170	Accounts receivable, net (Note 4 & 10)	87,740	1	98,907	2
1180	Accounts receivable due from related parties, net (Note 4, 10 & 31)	36,969	1	12,404	-
1200	Other receivable (Note 4)	970	-	675	-
1210	Other receivables due from related parties (Note 31)	70,307	1	257,136	4
1220	Total current tax assets (Note 4 & 25)	17,517	-	14,027	-
130X	Inventories (Note 4 & 11)	465,967	7	614,172	10
1410	Prepayments (Note 12)	167,615	2	160,363	2
1470	Other current assets (Note 13 & 30)	105,231	2	130,347	2
11XX	Total current assets	1,492,830	23	1,845,673	29
	Non-current assets				
1520	Non-current financial assets at FVOCI (Note 4, 8 & 30)	18,702	-	-	-
1543	Non-current financial assets at cost (Note 4, 14 & 30)	-	-	20,077	-
1550	Investments accounted for using equity method (Note 4 & 15)	2,703,503	41	2,508,374	39
1600	Property, plant and equipment (Note 4 & 16)	1,786,763	27	1,557,708	24
1840	Deferred tax assets (Note 4 & 25)	112,141	2	135,267	2
1920	Guarantee deposits paid	240,766	4	237,884	4
1990	Other non-current assets (Note 17)	192,945	3	153,312	2
15XX	Total non-current assets	5,054,820	77	4,612,622	71
1XXX	Total assets	$ 6,547,650	100	$ 6,458,295	100

Code	Liabilities and Equity	December 31, 2018 Amount	%	December 31, 2017 Amount	%
	Current liabilities				
2100	Short-term borrowings (Note 18)	$ 848,200	13	$ 871,000	14
2110	Short-term notes and bills payable (Note 18)	159,912	2	79,768	1
2130	Contract liabilities (Note 23)	199,333	3	-	-
2150	Notes payable (Note 19)	98,248	2	129,775	2
2160	Notes payable to related parties (Note 19 & 31)	43,697	1	26,755	-
2170	Accounts payable (Note 19)	81,089	1	94,356	2
2180	Accounts payable to related parties (Note 19 & 31)	23,657	-	66,229	1
2219	Other payables (Note 20)	90,530	1	90,553	1
2220	Other payables to related parties (Note 31)	1,547	-	2,874	-
2230	Current tax liabilities (Note 4 & 25)	-	-	13,089	-
2310	Advance receipts	-	-	236,692	4
2320	Long-term liabilities, current portion (Note 18)	-	-	100,000	2
2399	Other current liabilities	2,448	-	6,070	-
21XX	Total current liabilities	1,548,661	23	1,717,161	27
	Non-current Liabilities				
2540	Long-term borrowings (Note 18)	660,000	10	180,000	3
2570	Deferred tax liabilities (Note 4 & 25)	33,891	1	41,771	1
2640	Net defined benefit liability (Note 4 & 21)	48,946	1	50,338	1
2645	Guarantee deposits received	29,232	-	33,618	-
2670	Other non-current liabilities	-	-	33,288	-
25XX	Total non-current liabilities	772,069	12	339,015	5
2XXX	Total liabilities	2,320,730	35	2,056,176	32
	Equity (Note 22)				
3110	Ordinary share	4,047,380	62	4,047,380	63
3200	Capital surplus	8	-	8	-
	Retained earnings				
3310	Legal reserve	166,309	3	166,309	2
3320	Special reserve	17,376	-	14,135	-
3350	Unappropriated retained earnings	(1,032)	-	177,528	3
3300	Total retained earnings	182,653	3	357,972	5
3400	Other equity	(3,121)	-	(3,241)	-
3XXX	Total equity	4,226,920	65	4,402,119	68
	Total Liabilities and Equity	$ 6,547,650	100	$ 6,458,295	100

The accompanying notes are an integral of the parent company only financial statements

(Please refer to the March 22th, 2019 Deloitte Taiwan Audit Report.)

Lucky Cement Corporation

Parent Company Only Statements of Comprehensive Income

For the Years Ended December 31, 2018 and 2017

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

		2018		2017	
Code		Amount	%	Amount	%
	Operating Revenue（Note 4 & 23）				
4110	Sales revenue	$ 2,811,247	100	$ 2,960,174	100
4190	Less：Sales discounts and allowances	(750)	-	(2,804)	-
4100	Net sales revenue	2,810,497	100	2,957,370	100
5000	Operating costs（Note 11, 24 & 31）	2,660,209	95	2,712,477	92
5900	Gross Profit from operations	150,288	5	244,893	8
	Operating expenses（Note 24 & 31）				
6100	Selling expense	94,078	3	91,385	3
6200	Administrative expenses	82,976	3	83,344	3
6450	Expected credit reversals of impairment gains	(30)	-	-	-
6000	Total Operating Expenses	177,024	6	174,729	6
6500	Net other income(expenses)（Note 24）	4,717	-	262	-
6900	Net operating income (loss)	(22,019)	(1)	70,426	2
	Non-Operating Income and Expense(Note 4, 8, 24 & 31）				
7100	Interest income	4,925	-	6,134	-
7110	Rent income	24,797	1	31,362	1
7190	Other income	8,523	-	11,884	1
7225	Gain (loss) on disposals of investments	-	-	(575)	-
7230	Foreign exchange gains (losses)	(65)	-	1,533	-
7235	Gains (losses)on financial assets at FVPL	(144)	-	-	-
7590	Miscellaneous disbursements	(13,918)	-	(8,927)	-

(To be continued)

(Continued)

Code		2018 Amount	2018 %	2017 Amount	2017 %
7050	Finance costs	(20,789)	(1)	(19,064)	(1)
7070	Share of profit (loss) of associates accounted for using equity method	(141,490)	(5)	(208,820)	(7)
7000	Total Non-Operating Income and Expenses	(138,161)	(5)	(186,473)	(6)
7900	Profit (loss) before tax	($ 160,180)	(6)	($ 116,047)	(4)
7950	Tax income (expense) (Note 4 & 25)	(16,791)	-	14,936	1
8000	Profit (loss)	(176,971)	(6)	(101,111)	(3)
	Other comprehensive income				
8310	Items that will not be reclassified subsequently to profit or loss:				
8316	Unrealized gains (losses) from investments in equity instruments measured at FVOCI	745	-	-	-
8311	Remeasurement of defined benefit plans (Note 21)	2,464	-	3,856	-
8330	Share of other comprehensive income of subsidiaries accounted for using equity method	(13,342)	-	1,163	-
8360	Components of other comprehensive income that will be reclassified to profit or loss：				
8361	Exchange differences on translation	15,849	-	(1,345)	-

(To be continued)

(Continued)

Code		2018 Amount	2018 %	2017 Amount	2017 %
8362	Unrealized gains (losses) on valuation of available-for-sale financial assets	-	-	2,357	-
8380	Share of other comprehensive income of subsidiaries accounted for using equity method	(749)	-	(31,653)	(1)
8300	Other comprehensive income or loss, net	4,967	-	(25,622)	(1)
8500	Total comprehensive income	($ 172,004)	(6)	($ 126,733)	(4)
	Earnings (loss) per share （Note 26）				
9750	Basic	($ 0.44)		($ 0.25)	

The accompanying notes are an integral of the parent company only financial statements

(Please refer to the March 22th, 2019 Deloitte Taiwan Audit Report.)

Lucky Cement Corporation

Parent Company Only Statements of Changes in Equity

For the Years Ended December 31, 2018 and 2017

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

				Retained Earnings			Other Equity Interest			
Code		Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Retained Earnings (waiting to offset accumulated deficits)	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on available-for-sale financial assets	Unrealized gains (losses) from financial assets measured at FVOCI	Total Equity
A1	Balance, January 1, 2017	$ 4,047,380	$ 8	$ 134,776	$ 14,135	$ 547,996	($ 6,840)	$ 34,240	$ -	$ 4,771,695
	2016 Appropriation and Distribution of Retained Earnings									
B1	Legal Reserve	-	-	31,533	-	(31,533)	-	-	-	-
B5	Cash Dividends－NT$ 0.6 Per Share	-	-	-	-	(242,843)	-	-	-	(242,843)
D1	Net loss in 2017	-	-	-	-	(101,111)	-	-	-	(101,111)
D3	Other comprehensive income (loss) in 2017	-	-	-	-	5,019	(1,347)	(29,294)	-	(25,622)
D5	Total comprehensive income (loss) in 2017	-	-	-	-	(96,092)	(1,347)	(29,294)	-	(126,733)
Z1	Balance, December 31, 2017	4,047,380	8	166,309	14,135	177,528	(8,187)	4,946	-	4,402,119
A3	Effects of retrospective application and retrospective restatement	-	-	-	-	(2,887)	-	(4,946)	5,716	(2,117)
A5	Balance, January 1, 2018 after adjustments	4,047,380	8	166,309	14,135	174,641	(8,187)	-	5,716	4,400,002
	2017 Appropriation and Distribution of Retained Earnings`:									
B3	Special reserve appropriated	-	-	-	3,241	(3,241)	-	-	-	-
D1	Net loss in 2018	-	-	-	-	(176,971)	-	-	-	(176,971)
D3	Other comprehensive income (loss) in 2018	-	-	-	-	2,825	15,847	-	(13,705)	4,967
D5	Total comprehensive income (loss) in 2018	-	-	-	-	(174,146)	15,847	-	(13,705)	(172,004)
M7	Changes in equity interests for subsidiaries	-	-	-	-	(1,078)	-	-	-	(1,078)
Q1	Disposals of equity instruments measured at FVOCI	-	-	-	-	2,792	-	-	(2,792)	-
Z1	Balance, December 31, 2018	$ 4,047,380	$ 8	$ 166,309	$ 17,376	($ 1,032)	$ 7,660	$ -	($ 10,781)	$ 4,226,920

The accompanying notes are an integral of the parent company only financial statements

(Please refer to the March 22th, 2019 Deloitte Taiwan Audit Report.)

Lucky Cement Corporation

Parent Company only Statements of Cash Flows

For the Years Ended December 31, 2018 and 2017

In Thousands of New Taiwan Dollars

Code		2018	2017
	Cash Flow from Operating Activities		
A10000	Profit (loss) before tax	($ 160,180)	($ 116,047)
	Adjustments to reconcile profit (loss)		
A20100	Depreciation expense	227,259	255,783
A20200	Amortization & depletion expense	11,508	9,420
A20300	Expected credit reversals of impairment gains/ Bad debt expense	(30)	99
A20400	Net loss on financial assets at FVPL	144	-
A20900	Interest expense	20,789	19,064
A21200	Interest income	(4,925)	(6,134)
A21300	Dividend income	(1,545)	(1,219)
A22500	Gain on disposal of property, plant and equipment	(4,717)	(262)
A22300	Share of loss of subsidiaries accounted for using equity method	141,490	208,820
A23800	Inventory valuation losses	3,856	4,257
A23100	Losses on disposals of financial asset investments	-	575
A30000	Changes in operating assets and liabilities		
A31130	Notes receivable	88,997	18,938
A31140	Notes receivable due from related parties	(27,954)	(8,583)
A31150	Accounts receivable	10,783	58,542
A31160	Accounts receivable due from related parties	(24,565)	9,321
A31180	Other receivable	(725)	(679)
A31190	Other receivable due from related parties	186,829	60,506
A31200	Inventories	144,349	(190,322)
A31230	Prepayments	(7,262)	3,645
A31240	Other financial assets	(80,118)	101,004
A32125	Contract liabilities	(37,358)	-
A32130	Notes payable	(31,527)	20,640
A32140	Notes payable to related parties	16,942	(78,261)

(To be continued)

(Continued)

Code		2018	2017
A32150	Accounts payable	(13,267)	(32,168)
A32160	Accounts payable to related parties	(42,572)	(24,204)
A32180	Other payable	(497)	(47,766)
A32190	Other payable to related parties	(1,328)	662
A32210	Receipts in advance	-	72,446
A32230	Other current liabilities	($ 3,622)	($ 1,253)
A32240	Net defined benefit liability	1,072	2,082
A33000	Cash inflow generated from operations	411,826	338,906
A33100	Interest received	5,341	6,563
A33300	Interest paid	(20,162)	(19,461)
A33500	Income taxes paid	(18,124)	(19,855)
AAAA	Net cash flows from operating activities	378,881	306,153
	Cash Flow from Investing Activities		
B00010	Acquisition of financial assets at FVOCI	(105,295)	-
B00020	Proceeds from disposal of financial assets at FVOCI	36,403	-
B00030	Proceeds from capital reduction of financial assets at FVOCI	2,890	-
B00100	Acquisition of financial assets at FVPL, designated as upon initial recognition	(1,000)	-
B00200	Proceeds from disposal of financial assets at FVPL, designated as upon initial recognition	1,005	-
B00300	Acquisition of available-for-sale financial assets	-	(235)
B00400	Proceeds from disposal of available-for-sale financial assets	-	6,110
B01400	Proceeds from capital reduction of financial assets at cost	-	14,450
B02200	Acquisition of subsidiaries accounted for using equity method	(375,505)	-
B02700	Acquisition of property, plant and equipment	(456,314)	(29,230)
B02800	Proceeds from disposal of property, plant and equipment	4,717	3,671
B03800	Increase in refundable deposits	(2,882)	(100)
B06600	Decrease in other financial assets	105,231	130,346
B06800	Decrease (increase) in other non-current assets	(51,138)	28,907

(To be continued)

(Continued)

Code		2018	2017
B07600	Dividends received form subsidiaries and investments	2,469	21,789
B09900	Subsidiary return of shares	-	2,659
BBBB	Net cash flows from (used in) investing activities	(839,419)	178,367
	Cash flows from financing activities		
C00200	Decrease in short-term loans	(22,800)	(59,869)
C00500	Increase (decrease) in short-term notes and bills payable	80,000	(30,000)
C01600	Proceeds from long-term debt	580,000	180,000
C01700	Repayments of long-term debt	(200,000)	(316,000)
C03000	Increase (decrease) in guarantee deposits received	($ 4,387)	$ 885
C04500	Cash dividends paid	-	(242,843)
CCCC	Net cash flows from (used in) financing activities	432,813	(467,827)
EEEE	Net increase (decrease) in cash	(27,725)	16,693
E00100	Cash at beginning of period	170,262	153,569
E00200	Cash at end of period	$ 142,537	$ 170,262

The accompanying notes are an integral of the parent company only financial statements

(Please refer to the March 22th, 2019 Deloitte Taiwan Audit Report.)

Lucky Cement Corporation

Notes to Parent Company Only Financial Statements

For the Years Ended December 31, 2018 and 2017

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

1. Company History

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 used New Taiwan Dollars (NT$) as the functional currency of the Company.

2. The Date and Procedure of Financial Report

The accompanying parent company only financial statements were reported to the Board of Directors and issued on March 22, 2019.

3. To Be Applicable for New Release, Revised Regulations, and Interpretation

(1) Criteria Governing the Preparation of Financial Reports by securities issuer but not yet effective and Financial Supervisory Commission (hereinafter referred to as “FSC”) accepted the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), International Financial Reporting Interpretations Committee (IFRIC), and Standing Interpretation Committee (SIC) (hereinafter referred to as “IFRSs”)

Except for the following explanations, it applied the amendments to Criteria Governing the Preparation of Financial Reports by securities issuer and the IFRSs regulations will not affect the Company's accounting policy.

I. IFRS 9 "Financial Instruments" and related amendments

IFRS 9 "Financial Instruments" supersedes IAS 39 "Financial Instruments: Recognition and Measurement", with consequential amendments to IFRS 7 "Financial Instruments: Disclosures" and other standards. IFRS 9 sets out the requirements for classification, measurement and impairment of financial assets and hedge accounting. Please refer to Note 4 for the relevant accounting policies.

Classification, measurement and impairment of financial assets

Based on the facts and circumstances existing on January 1, 2018, the Company assesses the classification of existing financial assets on that day for retrospective adjustment, and chooses not to restate the comparative period. The changed situation on measurement categories and carrying amount for each class of the Company's financial assets when retrospectively applying IAS 39 and IFRS 9 on January 1, 2018 is detailed below:

	Measurement Categories		Carrying Amount		
Financial Assets	IAS 39	IFRS 9	IAS 39	IFRS 9	Note
Cash	Loans and receivables	at amortised cost	$ 170,262	$ 170,262	(5)
Stock investment	Available-for-sale financial assets	Investments in equity instruments measured at FVOCI	33,944	33,944	(1)
	Financial assets at cost	Investments in equity instruments measured at FVOCI	20,077	21,829	(2)
Fund beneficiary certificate	Available-for-sale financial assets	mandatorily measured at FVPL	991	991	(3)
Notes receivable, accounts receivable and other receivables	Loans and receivables	at amortised cost	721,567	721,567	(5)
Restricted assets	Loans and receivables	at amortised cost	180,451	180,451	(5)
Investments accounted for using equity method	Investments accounted for using equity method	Investments accounted for using equity method	2,508,374	2,504,919	(1)、(2)、(3)、(4)及(5)

	Carry Amount as of January 1, 2018 (IAS 39)	Reclassifications	Remeasurements	Carry Amount as of January 1, 2018 (IFRS 9)	Retained Earnings Effect on January 1, 2018	Other Equity Effect on January 1, 2018	Note
Financial assets at FVPL							
Add：Reclassifications from available-for-sale financial assets（IAS 39） -Mandatory reclassifications	$ -	$ 991	$ -	$ 991	($ 13)	$ 13	(3)
Financial assets at FVOCI －equity instruments							
Add：Reclassifications from available-for-sale financial assets（IAS 39）	-	33,944	-	33,944	-	-	(1)
Add：Reclassifications from financial assets at cost（IAS 39）	-	20,077	1,752	21,829	7,500	(5,748)	(2)
	-	54,021	1,752	55,773	7,500	(5,748)	
Financial assets at amortised cost							
Add：Reclassifications from loans and receivables（IAS 39）	-	1,072,280	(414)	1,071,866	(414)	-	(5)
Investments accounted for using equity method	2,508,374	-	(3,455)	2,504,919	(9,960)	6,505	(1)、(2)、(3)、(4)及(5)
Total	$ 2,508,374	$ 1,127,292	($ 2,117)	$ 3,633,549	($ 2,887)	$ 770	

① Originally, the stock investment classified as available-for-sale financial assets in accordance with IAS 39, the Company’s choice was classified according to IFRS 9 as mandatorily measured at FVOCI, and related other equity - unrealized gains (losses) on available-for-sale financial assets NT$9,508,000 is classified as other equity - unrealized gains (losses) on financial assets measured at FVOCI. Other equity - unrealized gains (losses) on available-for-sale financial assets NT$21,414,000 by investment accounted for using the equity method is classified as other equity - unrealized gains (losses) on financial assets measured at FVOCI.

② The unlisted (OTC) stock investments originally measured at cost according to IAS 39 are classified as IFRS 9 and are mandatorily measured at FVOCI, and should be remeasured at fair value. Due to retroactive application, the adjustments of unrealized gains (losses) on financial assets measured at FVOCI decreased by NT$5,748,000 and retained earnings adjustments increased by NT$7,500,000 on January 1, 2018. The adjustments of unrealized gains (losses) on financial assets measured at FVOCI decreased NT$861,000 by investment accounted for using the equity method.

③ The fund beneficiary certificates were originally classified as available-for-sale financial assets in accordance with IAS 39. Because its cash flow is not entirely for the payment of principal and interest on the outstanding principal amount, and is not an equity instrument, it is mandatorily categorised under IFRS 9 as a measure of FVPL. As a result of the retrospective application, the other equity–the adjustments of unrealized gains (losses) on available-for-sale financial assets increased by NT$13,000 and the retained earnings adjustment decreased by NT$13,000 on January 1, 2018. The other equity–the adjustments of unrealized gains (losses) on available-for-sale financial assets increased NT$7,366,000 by investment accounted for using the equity method and the retained earnings adjustment decreased NT$7,366,000.

④ By investment holding using equity method, the bond investments were originally classified as available-for-sale financial assets in accordance with IAS 39, its original contractual cash flows entirely paid for the payment of principal and interest on the outstanding principal amount. In accordance with the facts and circumstances on January 1, 2018, the evaluation business model was to hold financial assets to achieve the purpose of collecting contractual cash flows and selling financial assets, and to classify as IFRS 9 as FVOCIf, and related other equity - unrealized gains (losses) on available-for-sale financial assets of NT$419,000 was reclassified as other equity - unrealized gains (losses) on financial assets measured at FVOCI.

⑤ Cash and cash equivalents, notes receivable, accounts receivable, other receivables and restricted assets were originally classified as loans and receivables in accordance with IAS 39, and are classified as financial assets measured at amortised cost in accordance with IFRS 9 and assessed expected credit losses. Due to retroactive application, the adjustment of allowance loss increased by NT$414,000 and the adjustment of retained earnings decreased by NT$414,000 on January 1, 2018. The adjustment of allowance loss increased NT$2,594,000 by investment accounted for using the equity method and the adjustment of retained earnings decreased NT$2,594,000.

II. IFRS 15 "Revenue from Contracts with Customers" and related amendments

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and will supersede IAS 18 "Revenue," IAS 11 "Construction Contracts" and related interpretations. Please refer to Note 4 for the relevant accounting policies.

The net result of the recognition of revenue, amount received and receivable is recognized as contract assets (liabilities). Prior to the application of IFRS 15, contracts dealt with under IAS 18 recognize the decrease in receivables or advance receipts when revenue is recognized.

If the signed contract is irrevocable, the Company will recognize both the receivables and the contractual liabilities when it has an unconditional right to collect payments. Prior to the application of IFRS 15, the unearned revenue was recognized at the time of collection.

The Company elected only to retrospectively apply IFRS 15 to contracts that were not completed on January 1, 2018. The relevant cumulative effect was adjusted to retained earnings on that date.

Current impact of liabilities

	January 1, 2018 Amount before Adjustments	Adjustments Arising from Initial Application	January 1, 2018 Amount after Adjustments
Contract liabilities — current	$ -	$ 236,692	$ 236,692
Advance receipts	236,692	(236,692)	-
Impact of liabilities	$ 236,692	$ -	$ 236,692

	December 31,2018
Increase in contract liabilities	$ 199,333
Decrease in advance receipts	(199,333)
	$ -

(2) Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers for application starting from 2019 and the IFRSs endorsed by FSC with effective date starting 2019.

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB (Note 1)
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendment to IFRS 9" Prepayment Features with Negative Compensation"	January 1, 2019 (Note 2)
IFRS 16 "Leases"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019（Note 3）
Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures"	January 1, 2019
Amendments to IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019

Note 1： Except the notes, the above New Release ／ Amendments ／ Amendments Regulations or Explains will start from the year of the effective date.

Note 2： The FSC allows the Company to elect to apply this amendment in advance on January 1, 2018.

Note 3： The plan amendment, curtailment or settlement that occurres after January 1, 2019 is applied to this amendment.

IFRS 16"Leases"

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 and a number of related interpretations.

Identifying a lease

Upon initial application of IFRS 16, the Company will elect to apply IFRS 16 only to contracts signed (or changed) on or after January 1, 2019 in order to determine whether those contracts are, or contain, a lease. Contracts identified as containing a lease under IAS 17 and IFRIC 4 will not be reassessed and will be accounted for in accordance with the transitional provisions under IFRS 16.

The Company is the tenant

Upon initial application of IFRS 16, the Company will recognize right-of-use assets and lease liabilities for all leases on the parent company only balance sheets, except for those whose payments under low-value and short-term leases will be recognized as expenses on a straight-line basis. On the parent company only statements of comprehensive income, the Company will present 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 parent company only statements of cash flows, cash payments for the principal portion of lease liabilities will be classified within financing activities; cash payments for the interest portion will be classified within operating activities. Currently, payments under operating lease contracts are recognized as expenses on a straight-line basis. Cash flows for operating leases are classified within operating activities on the parent company only statements of cash flows.

The Company is expected to adjust the cumulative impact of the retroactive application of IFRS 16 to the retained earnings on January 1, 2019 without recompiling the comparative information.

In accordance with the agreement of IAS 17 for operating leases currently, the measurement of the lease liability on January 1, 2019 will be discounted by the remaining lease payments at the incremental borrowing rate of the lessee at the commencement date. The total right-of-use assets will be measured at the amount of the lease liabilities with the adjustment of the previously recognized prepaid or payable lease payments.eased on that date. Except for the expected expediency ②, the recognized right-of-use assets will be subject to IAS 36 assessment impairment.

The Company is expected to apply the following expediency:

①Use a single discount rate to measure lease liabilities for lease combinations with reasonably similar characteristics.

② The lossable lease contract liabilities recognized at the end of 2018 will adjust the right-to-use assets as of January 1, 2019, and will not be assessed for impairment according to IAS 36.

③ Leases that are closed before December 31, 2019 will be treated on a short-term lease basis.

④ The original direct cost is not included in the measurement of the right-of-use asset as of January 1, 2019.

⑤ When lease liabilities are measured, the lessee may use hindsight, such as in determining the lease term.

The Company is the lessor

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

Expected impact of assets, liabilities and equity on January 1, 2019

	December 31,2018 Carrying Amount	Adjustments from Initial Application	January 1, 2019 Adjusted Carrying Amount
Right-of-use assets	$ -	$ 156,999	$ 156,999
Impact of assets	$ -	$ 156,999	$ 156,999
Current lease liabilities	$ -	$ 44,619	$ 44,619
Non-current lease liabilities	-	112,380	112,380
Impact of liabilities	$ -	$ 156,999	$ 156,999

Except for the above impacts, as of the date the parent company only financial statements were authorized for issue, the Company continues assessing other possible impacts that application of the aforementioned amendments and the related amendments will have on the Company's financial position and financial performance and will disclose these other impacts when the assessment is completed.

(3) The IFRSs issued by IASB but not yet endorsed and issued into effect by FSC

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB (Note 1)
Amendments to IFRS 3 “the definition of a business”	January 1, 2020（Note 2）
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 ”Insurance Contracts”	January 1, 2021
Amendments to IAS 1 and IAS 8 “the definition of materiality”	January 1, 2020 (Note 3）

Note 1： Except the notes, the above New Release／Amendments／Amendments Regulations or Explains will start from the year of the effective date.

Note 2： The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020.

Note 3： The amendments are effective for annual reporting periods beginning on or after 1 January 2020.

As of the date the parent company only financial statements were authorized for issue, the Company continues assessing other possible impacts that application of the aforementioned amendments and the related amendments will have on the Company’s financial position and financial performance and will disclose these other impacts when the assessment is completed.

4. Summary of Significant Accounting Policies

(1) Statement of Compliance

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

(2) Basis of preparation

The parent company only financial statements have been prepared on the historical cost basis except for financial instruments that measured at fair value.

The fair value measures are divided into Levels 1 to 3 according to the observable and significance of the relevant input values:

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

II. 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

III. Level 3 inputs are unobservable inputs for the asset or liability.

When preparing the parent company only financial statements, the Company account for subsidiaries by using the equity method. In order to agree with the amount of net income, other comprehensive income and equity attributable to shareholders of the parent in the consolidated financial statements, the differences of the accounting treatment between the parent company only basis and the consolidated basis are adjusted under the heading of "investments accounted for using equity method", "Share of profit (loss) of subsidiaries accounted for using equity method", "Share of other comprehensive income of subsidiaries accounted for using equity method" and related equity items.

(3) Classification of current and non-current assets and liabilities

Current assets include:

I. Assets held primarily for the purpose of trading;

II. Assets expected to be realized within 12 months after the reporting period; and

III. Cash (excludes the asset which is restricted from exchanging or paying off the liabilities more than 12 months after the reporting period.)

Current liabilities include:

A. Liabilities held primarily for the purpose of trading;

B. Liabilities due to be settled within 12 months after the reporting period(even if a long-term refinancing or rescheduling payment agreement is completed after the end of each reporting period and before the issuance of the financial statements, it is also a current liability.); and

C. Liabilities cannot be unconditionally deferred the settlement period to at least 12 months after the end of each reporting period.

Those who are not of the above current assets or current liabilities are classified as non-current assets or non-current liabilities.

(4) Foreign currencies

In preparing the parent company only financial statements, transactions in currencies other than the Company'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. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Nonmonetary 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 nonmonetary items are included in profit or loss for the year except for exchange differences arising from the retranslation of nonmonetary 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.

Nonmonetary items that are measured at historical cost in a foreign currency are not retranslated.

When preparing the parent company only financial statements, the assets and liabilities of the Company's foreign operations are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the year. Exchange differences arising are recognized in other comprehensive income.

(5) Inventories

Inventories include raw materials, repair parts, supplies, finished goods, work in progress, merchandise, developing property and property to be developed. Inventories are stated at the lower of cost or net realizable value. The comparison of cost and net realizable value are based on individual items except for inventory in the same category. Under normal circumstances, the net realizable value refers to the balance between the estimated selling price minus the estimated costs to be incurred and the estimated costs required to complete the sale. Inventory cost calculation uses weighted average method.

(6) Investment in subsidiaries

Investment in subsidiaries accounted for using the equity method.

Subsidiaries are individuals that the company has significant controlling power.

Under the equity method, the initial investment is recognized at cost in the financial statements of the Company, and the carrying amount is increased or decreased in according with the share of profit (loss) of associates, the share of other comprehensive income of associates and the profit distribution. The Company also recognizes its share in the changes in the equities of associates.

When the Company's change of ownership interest in the subsidiary did not result in loss of control, it was treated as an equity transaction. The difference between the carrying amount of the investment and the fair value of the consideration paid or received is directly recognized as equity.

When the share of the Company's loss to the subsidiary is equal to or exceeds its interest in the subsidiary (including the carrying amount of the subsidiary under the equity method and other long-term equity that is essentially part of the Company' s net investment in the subsidiary), continue to recognized the loss according to the proportion of shares held in the Company's financial statements.

Unrealized gains (losses) of the downstream transactions between the Company and its subsidiaries will be eliminated. Gains and losses arising from the reverse flow and sidestream transactions between the Company and its subsidiaries are recognized in the parent company only financial statements only if they are not related to the Company's equity in the subsidiaries.

(7) Property, plant and equipment

Property, plant and equipment are recognized as cost and subsequent will measure at cost less accumulated depreciation and accumulated impairment.

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 de-recognition 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.

(8) Impairment of tangible assets

At the end of each reporting period, the Company assesses whether there is any indication that tangible assets may have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated. When it cannot be estimated the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

(9) Financial instruments

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

When financial assets and financial liabilities are initially recognized, financial assets or financial liabilities are not measured at fair value through profit or loss, it measured as fair value plus direct transaction costs attributable to the acquisition or issue of financial assets or financial liabilities. Transaction costs that are directly attributable to acquisition or issue of financial assets or financial liabilities measured at fair value through profit or loss are immediately recognized as profit or loss.

A. Financial assets

By convention, financial assets transactions are recognized and derecognized from the transaction date.

I. Measurement category

2018

The types of financial assets held by the Company are financial assets measured at FVPL, financial assets measured at amortised cost, and equity instrument investments measured at FVOCI.

a. Financial assets measured at FVPL

Financial assets measured at FVPL include financial assets that are mandatorily measured at FVPL and are designated at FVPL. Financial assets that are mandatorily measured at FVPL include the investment in equity instrument that the Company has not designated to measure at FVOCI and the investment in debt instrument that is not meet the classification measure at amortised cost or measure at FVOCI.

Financial assets that are measured at FVPL are measured at fair value. The remeasurement of the resulting gains or losses (excluding any dividends or interest earned on the financial assets) is recognised in profit or loss. For the determination of fair value, please refer to Note 34.

b. Financial assets at amortised cost

The Company's investment in financial assets is classified as financial assets at amortized cost if it meets both of the following conditions:

(a) It is held under a business model. The purpose of this model is to hold financial assets to collect contractual cash flows.

(b) When contract terms generate cash flows on the specific date, these cash flows are entirely for the payment of principal and interest on the outstanding principal amount.

After initial recognition, financial assets at amortised cost (including cash, other financial assets, notes receivable measured at amortised cost, accounts receivables and other receivables) are measured at amortised cost which is the total carrying amount determined by the effective interest method deducted the any impairment loss. Any foreign currency gain or loss is recognized in profit or loss.

Except for the following two situations, interest income is calculated by multiplying the effective interest rate by the total carrying amount of financial assets:

(a) Purchased or originated credit-impaired financial asset, interest income is calculated by multiplying the effective interest rate after credit adjustment by the financial assets at amortized cost.

(b) It does not belong to the purchased or initiated credit impairment, but it subsequently becomes a credit impairment financial asset. Interest income should be calculated by multiplying the effective interest rate by the financial assets at amortized cost from next reporting period after the credit impairment.

c. Equity instrument investments measured at FVOCI

When the Company initially recognized, it can make an irrevocable choice to designated measure equity instrument investment at FVOCI, when that are not held for trading and not the recognition or consideration by the enterprise’s mergers and acquisitions (M&A).

Equity instrument investments measured at FVOCI are measured at fair value. The changes in subsequent fair value are recognized in other comprehensive income and are accumulated in other equity. At the time of investment disposition, cumulative gains and losses are directly transferred to retained earnings and are not reclassified to profit or loss.

Dividends of equity instrument investments measured at FVOCI are recognised in profit or loss when the rights to the Company's receipts are established, unless the dividend clearly represents the recovery of part of the investment costs.

<u>2017</u>

The Company's financial assets included available-for-sale financial assets, loans and receivables.

a. Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets designated as available-for-sale or financial assets that are not classified as loans and receivables, held-to-maturity investments, or measured at FVPL.

Changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income, and are reclassified to profit or loss when the investment is disposed or impairment is determined.

Dividends of available-for-sale equity investments are recognized when the rights to the Company receipts are established.

Available-for-sale financial assets are classified as "financial assets at cost" if they belong to equity instrument investments without publicly price in the active market and the fair value cannot be measured reliably. The subsequent measurement is measured by the amount of costs minus impairment loss. When these financial assets are measured at fair value reliably, the difference between the carrying amount and the fair value is recognized in other comprehensive income. If there is impairment, it is recognized in profit or loss.

b. Loans and receivables.

Loans and receivables (including accounts receivable, cash and cash equivalents and other receivables) are measured at amortised cost less impairment loss using the effective interest method, except for interest of short-term receivables recognized without materiality situation.

II. Impairment of financial assets

2018

The Company assesses the impairment loss of financial assets (including receivables) at amortization costs on the basis of expected credit losses on each balance sheet date.

Accounts receivable recognizes loss allowance for lifetime expected credit losses. Other financial assets are evaluated first to see whether the credit risk has increased significantly since the original recognition. If there is no significant increase, the 12-month expected credit loss will be used to recognize the allowance loss. If there has been a significant increase, it will be recognized as loss allowance for lifetime expected credit losses.

The expected credit loss is the weighted average credit loss with the weight of default risk. The 12-month expected credit loss represents the expected credit losses arising from potential defaults of financial instruments in the 12 months after the reporting date. The lifetime expected credit losses represent expected credit losses arising from all possible defaults of the financial instruments during the expected period of existence.

The Company recognizes an impairment loss for above financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

2017

Financial assets are assessed for indicators of impairment at the end of each reporting period by the Company. Those financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets and their estimated future cash flows have been lost.

For financial assets at amortized cost, such as notes receivable, accounts receivable and other receivables, such assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually.

For financial assets at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of its estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial assets at the date the impairment loss is reversed does not exceed what the amortized cost would have been had the impairment loss not been recognized.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

When an available-for-sale financial asset is considered to be impaired, cumulative losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

For the available-for-sale equity instrument investments, impairment loss previously recognized in profit or loss is not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income.

For financial assets at cost, the amount of the impairment loss is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of a financial asset is reduced by the impairment loss directly for all financial assets, with the exception of accounts receivable and other receivables, where the carrying amount is reduced through the allowance account. When accounts receivable and other receivables are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss except for uncollectible accounts receivable and other receivables that are written off against the allowance account.

III. 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.

Prior to 2017 (inclusive), when a financial asset was decognized as a whole, the difference between its carrying amount and the consideration received plus any cumulative profit or loss that had been recognised in other comprehensive inocme was recognized in profit or loss. When derecognition of entire financial assets measured at amortised cost, the difference between the carrying amount and the consideration received is recognized in profit or loss from 2018. When the derecognition of the entire debt instrument investments measured at FVOCI, the difference between the carrying amount and the consideration received plus any cumulative profit or loss that had been recognised in other comprehensive inocme was recognized in profit or loss. When the derecognitions of the entire equity instrument investments measured at FVOCI, cumulative gains and losses are directly transferred to retained earnings and are not reclassified to profit or loss.

B. Financial liabilities

I. Subsequent measurement

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

II. Derecognition of financial liabilities

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.

(10) Revenue recognition

2018

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

Revenue from merchandise sales

The revenue from merchandise sales mainly comes from sales of cement, other cement subsidiary products and cement products. Since cement, other cement accessory products and cement products have the right to set prices and use of the products at the time of shipment, and they have the primary responsibility for resale and bear the obsolete risks of obsolete products, the Company was recognized the revenue and receivables at that time.

2017

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. The sales return is based on past experience and other relevant factors to reasonably estimate the future return amount.

Sales of goods

Revenue from the sale of goods is recognized when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

① The Company has transferred to the buyer the significant risks and rewards of ownership of the goods；

② The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold；

③ The amount of revenue can be measured reliably；

④ It is probable that the economic benefits associated with the transaction will flow to the Company; and

⑤ The costs incurred or to be incurred in respect of the transaction can be measured reliably.

(11) Leasing

A. The Company as a lessor

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

B. The Company as a lessee

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

(12) Employee benefits

A. Short-term employee benefits

Short-term employee benefits-related liabilities are measured as non-discounted amounts expected to be paid in exchange for employee services.

B. Retirement benefits

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

Defined benefit costs (including service cost, net interest and re-measurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost) and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expense in the period in which they occur. Re-measurement, 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 and will not be reclassified to profit or loss in subsequent period.

The net defined benefit liabilities (assets) are the shortfalls (remaining) for the determination of the retirement benefit plans. The net determined benefit assets may not exceed the refund of the withdrawal funds from the plan or may reduce the present value of future withdrawals.

(13) Taxation

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

A. Current Tax

An additional profit-seeking income tax shall be levied on unappropriated retained earnings according to the Income Tax Act, it recognized as tax expense in the year that the shareholders’ meeting approved the resolution.

Adjustments to income tax payable in previous years are recognized in current year income tax.

B. Deferred Tax

Deferred tax is calculated based on the temporary differences between the carrying amounts of assets and liabilities and the taxable basis for calculating taxable income.

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

Deferred tax liabilities are recognized for taxable temporary differences related to investment subsidiaries, except that the Company can control the timing of the reversal of the temporary differences, and the temporary difference is likely to not be reversed in the foreseeable future. In relation to such investments, temporary differences can be subtracted, only if they are likely to have sufficient taxable income to realize the benefits of temporary differences, and they are expected to be recognized within the foreseeable future, it can be recognized deferred tax assets.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and the carrying amount is reduced for those who are no longer likely to have sufficient taxable income to recover all or part of their assets. Those that have not been recognized as deferred tax assets are also reviewed at the end of each reporting period and the carrying amount is increased for deferred tax assets are likely to generate taxable income for the deductible in the future.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates 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.

C. Current and Deferred Taxes for the Year

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

5. Critical Accounting Judgments and Key Sources of Estimation and Uncertainty

When the Company applies accounting policies, it is not easy to obtain relevant information from other sources, the management must make relevant judgments, estimates and assumptions based on historical experience and other relevant factors. Actual results may differ from estimates.

The management will continue to review estimates and basic assumptions. If the revision of the estimate affects only the current period, it is recognized in the revision period; if the revision of the accounting estimate affects both the current period and the future period, it is recognized in the current revision period and future period.

The following are information about the key assumptions and the estimated uncertainty. These assumptions and uncertainties have the risk of causing significant adjustments to the carrying amounts of assets and liabilities in the next financial year.

(1) Inventory evaluation

The net realizable value of inventories is estimated balance as the estimated selling price in the business process less the estimated costs to be incurred for completion and the estimated costs required to complete the sale. These estimates are based on current market conditions and historical sales experience of similar products. Changes in market conditions may have a significant impact on these estimates.

(2) Evaluation for developing property and property to be developed of Dasheng Enterprise

Dasheng Enterprise regularly evaluates the book value of the developing property and property to be developed to determine that developing property and property to be developed have been stated at the lower of cost and net realizable value in accordance with accounting policies.

The estimated net realized value of Dasheng Enterprise based on the recent average selling prices of developing property and property to be developed in similar developments in the same industry, the estimation is based on current market conditions and historical sales experience of similar products. Changes in market conditions may significantly impact on these estimates, and affects the Company's investment balance using equity method and recognized the share of profit or loss of subsidiaries.

6. Cash

	December 31, 2018	December 31, 2017
Cash on hand and revolving funds	$ 1,139	$ 1,139
Checking and demand deposits	113,360	165,976
Bank foreign currency demand deposits	28,038	3,147
	$142,537	$170,262

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

	December 31, 2018	December 31, 2017
Cash in banks	0.05%-0.48%	0.05%-0.20%

7. Financial Instrument Measured at FVPL—2018

	December 31, 2018
Current	
Mandatorily measured at FVPL	
—Mutual funds	$ 856

8. Financial Assets Measured at FVOCI—2018

	December 31, 2018
Current	
Equity instrument investments measured at FVOCI	$ 105,718
Non-Current	
Equity instrument investments measured at FVOCI	$ 18,702

(1) Equity instrument investments measured at FVOCI

		December 31, 2018
Current		
Listed and OTC stocks		
Formosa Plastics Corporation Common Stocks	$	40,400
Far Eastern New Century Corporation Common Stocks		22,320
Asia Cement Corporation Common Stocks		16,975
Taiwan Cement Corp Common Stocks		15,664
U-Ming Marine Transport Corporation Common Stocks		4,128
Excelsior Medical Co., Ltd. Common Stocks		1,840
Winbond Electronics Corp. Common Stocks	$	1,764
Medigen Biotechnology Corp. Common Stocks		1,289
United Microelectronics Corp. Common Stocks		814
Highwealth Construction Common Stocks		360
China Development Financial Common Stocks		131
First Financial Holding Co. Ltd. Common Stocks		18
Capital Securities Corp. Common Stocks		8
Hua Nan Financial Holdings Co. Ltd. Common Stocks		7
	$	105,718
Non Current		
Non-listed (OTC) Company Common Stock		
Jonfeng Mining Co., Ltd. Common Stocks	$	9,536
Global Securities FinanceCorp. Common Stocks		4,583
WK Technology Fund Common Stocks		4,583
	$	18,702

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

For other relevant information on financial assets measured at FVOCI, please refer to Note 22 (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 be measured at FVOCI. These investments were previously classified as available-for-sale financial assets or financial assets measured at cost in accordance with IAS 39. For reclassifications and information for 2017, please refer to Note 3, Note 9 and Note 14.

9. Available-for-sale Financial Assets－2017

	December 31, 2017
Current	
Listed and OTC stocks	$ 33,944
Domestic mutual funds	991
	$ 34,935

10. Notes Receivable and Accounts Receivable

	December 31, 2018	December 31, 2017
Notes receivable		
Measured at amortised cost		
From operating activities		
Non-related parties	$252,051	$341,047
Related parties	$ 39,352	$ 11,398
Accounts receivable		
Measured at amortised cost		
Non-related parties	$ 88,223	$ 99,006
Less: allowance for uncollectible accounts	483	99
	$ 87,740	$ 98,907
Related parties	$ 36,969	$ 12,404

(1) Notes receivable

2018

The Company's credit period for the sale of goods is 90 to 150 days, and no interest is charged to notes receivable. In order to minimize credit risks, the management of the Company has designed relevant internal control procedures for the determination of credit limits and credit approvals, and has taken appropriate actions for the recovery of overdue notes receivable. In addition, the Company reviews the recoverable amount of notes receivable at the end of the reporting period to ensure that adequate impairment loss 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. However, the expected credit loss ratio of the Company based on the preparation matrix at the end of reporting period was zero because it did not recognize the expected credit losses of the notes receivable.

<u>2017</u>

The Company applied the same credit policy in 2018 and 2017. When deciding the recoverability of notes receivable, the Company considers any change in the credit quality from the date credit was initially granted up to the end of the reporting period. If the credit quality changes, it is determined based on the reasons for the change; when the Company assesses the objective impairment evidence of the notes receivable, it individually evaluates the impairment amount. Without objective impairment evidence of the notes receivable, assess the overall impairment of the notes receivable, that is, the Company recognizes an allowance for uncollectible accounts based on past experience in assessing the rate at which notes receivable cannot be recovered.

None of notes receivable was dued on December 31, 2017.

(2) Accounts receivable

<u>2018</u>

The Company’s credit period for the sale of goods is 90 to 150 days, and no interest is charged to accounts receivable. In order to minimize credit risks, the management of the Company has designed relevant internal control procedures for the determination of credit limits and credit approvals, and has taken appropriate actions for the recovery of overdue accounts receivable. In addition, the Company reviews the recoverable amount of accounts receivable at the end of the reporting period to ensure that adequate impairment loss 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 preparation matrix of the Company is first divided according to whether the customer has financial difficulties. If the customer has evidence showing that it is a financial difficulty, the Company will recognize 100% of the expected impairment loss. If the customer does not have financial difficulties, because the Company's credit loss history experience shows that there is no significant difference in the loss patterns of different customer groups, so the preparation matrix does not further distinguish between the customer groups, and set the expected credit loss rate based on the overdue days of accounts receivable.

If there is evidence that the counterparty is facing serious financial difficulties and the Comapny cannot reasonably expects the recoverable amount, the Company directly reverses the related accounts receivables, but it will continue to pursue the activities, and the recoverable amount will be recognized in profit or loss.

The loss allowance of the accounts receivables by the Company in the preparation matrix is as follows:

December 31, 2018

	Customers without financial difficulty						
	Not past due	Past due within 30 days	Past due 31 ～60 days	Past due 61 ～180 days	Past due over 181 days	Customers with financial difficulty	Total
Expected credit loss rate	0.24%	-	-	-	100%	100%	
Total carrying amount	$ 87,954	$ -	$ -	$ -	$ 269	$ -	$ 88,223
Loss allowance（lifetime expected credit losses）	(214)	-	-	-	(269)	-	(483)
Amortised cost	$ 87,740	$ -	$ -	$ -	$ -	$ -	$ 87,740

Changes in loss allowance from accounts receivable are as follows：

	2018
Balance at January 1, 2018 (IAS 39）	$ 99
Effect of retrospective application of IFRS 9	414
Balance at January 1, 2018（IFRS 9）	513
Less：Reversal of impairment loss in 2018	(30)
Balance at December 31, 2018	$ 483

2017

The Company applied the same credit policy in 2018 and 2017. When deciding the recoverability of accounts receivable, the Company considers any change in the credit quality from the date credit was initially granted up to the end of the reporting period. If the credit quality changes, it is determined based on the reasons for the change; when the Company assesses the objective impairment evidence of the accounts receivable, it individually evaluates the impairment amount. Without objective impairment evidence of the accounts receivable, assess the overall impairment of the accounts receivable, that is, the Company recognizes an allowance for uncollectible accounts based on past experience in assessing the rate at which accounts receivable cannot be recovered.

The analysis of accounts receivable is as below: :

	December 31, 2017
30 days or less	$ 95,085
31 to 60 days	3,159
61 to 90 days	493
91 to 120 days	-
121 to 150 days	-
Above 151 days	269
Total	$ 99,006

The above may base on the open amount day for aging.

For some Accounts Receivable that were past due at the end of the reporting period in the consolidated balance sheets, the Company did not recognize an allowance for impairment loss because there was no significant change in credit quality and the amounts were considered recoverable from the managers' opinions in the Company. The Company to the accounts receivable did not hold any collateral or other credit enhancement.

The aging of overdue but not impairment accounts receivable is as the following:

	December 31, 2017
Above 151 days	$ 269

The aging will based on the days of overdue.

Changes in allowance for uncollectible accounts from accounts receivable are as follows:

	Individual impairment loss	Group impairment loss	Total
Balance on January 1, 2017	$ -	$ -	$ -
Add: Recognized in 2017	-	99	99
Balance on December 31, 2017	$ -	$ 99	$ 99

11. Inventories

	December 31, 2018	December 31, 2017
Raw materials	$204,678	$293,227
Work in progress	112,815	141,315
Finished goods	115,806	137,440
Repaired part and materials	32,668	42,190
	$465,967	$614,172

The costs of sales associated with inventory are NT$2,660,209,000 and 2,712,477,000 in 2018and 2017, which included inventory valuation losses are NT$3,856,000 and NT$4,257,000 in 2018 and 2017.

12. Prepayments

	December 31, 2018	December 31, 2017
Office supplies	$ 98,523	$100,091
Prepaid expenses	66,716	57,456
Advanced payment for material	937	2,765
Others	1,439	51
	$167,615	$160,363

13. Other Financial Assets

	December 31, 2018	December 31, 2017
Restricted assets	$105,231	$130,347

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, 2018	December 31, 2017
Restricted assets	0.13%-3.5%	0.13%-3.55%

Please see the Note 32 for the mortgage information of other financial assets for reference.

14. Financial Assets at Cost-2017

	December 31, 2017
Domestic unlisted (OTC) ordinary shares	$ 20,077

The above stocks may distinguish as available-for-sale financial assets in accordance with the type of financial assets measurement.

The Company, which holds the above stock investment, may measure the cost impairment lost on the end of the reporting period. Because the interval is significant of the fair value estimates and cannot assess reasonably each type of probability, managers in the Company think the fair value cannot be reliable measure.

15. Investments Accounted for Using Equity Method

	December 31, 2018	December 31, 2017
Investment in subsidiaries		
Domestic unlisted (OTC)		
Dasheng Enterprise Co., Ltd.(Dasheng Enterprise)	$ 2,334,592	$ 2,153,823
Luckicon Ready-mixed Concrete Factory Co., Ltd(Luckicon Ready-mixed Co.,)	260,907	286,302
Just Bright Ltd.	31,154	44,786
Lucky Cement Corp., Japan (Lucky Cement Japan)	24,059	23,463
Luckyship Marine Co., Ltd (Luckyship Co.,)	52,791	(5,851)
ELUMINA Technology Inc. (ELUMINA Inc.)	-	(27,437)
	2,703,503	2,475,086
Add: recognized other non-current liabilities form credit balance of long-term investment	-	33,288
	$ 2,703,503	$ 2,508,374

The percentages of ownership rights and voting rights of the Company to its subsidiaries on the end of reporting period in balance sheet are as follows:

	December 31, 2018	December 31, 2017
Dasheng Enterprise	99.99%	99.99%
Luckicon Ready-mixed Co.	99.99%	99.99%
Just Bright Ltd.	100%	100%
Lucky Cement Japan	100%	100%
Luckyship Co.	99.99%	99.99%
ELUMINA Inc.	-	70.59%

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 NT$3,132,048,000 and NT$3,142,546,000 respectively on December 31, 2018 and 2017. 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 year 2018 and 2017, 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.

The board of directors of ELUMINA technology Inc. decided to dissolve ELUMINA technology Inc. and its subsidiaries on July 31, 2015, they completed the dissolution process in November 2018.

The Company respectively subscribed the cash capital increase by shareholding ratio NT$290,000,000, NT$80,000,000 and NT$5,507,000 for Dasheng Development, Luckyship Co. and ELUMINA technology Inc. in August 2018.

The Company has prepared the consolidated financial statements including all the subsidiaries listed above which accounted for using equity method in the year 2018 and 2017.

16. Property, Plant and Equipment

	Land	Building	Machinery and equipment	Electrical equipment	Transportation equipment	Other equipment	Total
Cost							
Balance on January 1, 2017	$ 698,918	$ 2,098,530	$ 6,038,874	$ 1,191,208	$ 782,365	$ 482,167	$11,292,062
Add	-	3,137	3,558	2,750	16,746	3,039	29,230
Disposal	-	-	(3,162)	-	(4,861)	(1,879)	(9,902)
Balance on December 31, 2017	$ 698,918	$ 2,101,667	$ 6,039,270	$ 1,193,958	$ 794,250	$ 483,327	$11,311,390
Accumulated depreciation and impairment							
Balance on January 1, 2017	$ -	$ 1,632,363	$ 5,633,171	$ 1,154,397	$ 622,106	$ 462,355	$ 9,504,392
Depreciation	-	62,770	110,056	7,925	63,156	11,876	255,783
Disposal	-	-	-	-	(4,614)	(1,879)	(6,493)
Balance on December 31, 2017	$ -	$ 1,695,133	$ 5,743,227	$ 1,162,322	$ 680,648	$ 472,352	$ 9,753,682
Balance on December 31, 2017, net	$ 698,918	$ 406,534	$ 296,043	$ 31,636	$ 113,602	$ 10,975	$ 1,557,708
Cost							
Balance on January 1, 2018	$ 698,918	$ 2,101,667	$ 6,039,270	$ 1,193,958	$ 794,250	$ 483,327	$11,311,390
Add	359,427	86,785	5,233	2,364	-	2,505	456,314
Disposal	-	-	-	-	(93,010)	-	(93,010)
Balance on December 31, 2018	$ 1,058,345	$ 2,188,452	$ 6,044,503	$ 1,196,322	$ 701,240	$ 485,832	$11,674,694
Accumulated depreciation and impairment							
Balance on January 1, 2018	$ -	$ 1,695,133	$ 5,743,227	$ 1,162,322	$ 680,648	$ 472,352	$ 9,753,682
Depreciation	-	60,010	109,509	8,070	41,639	8,031	227,259
Disposal	-	-	-	-	(93,010)	-	(93,010)
Balance on December 31, 2018	$ -	$ 1,755,143	$ 5,852,736	$ 1,170,392	$ 629,277	$ 480,383	$ 9,887,931
Balance on December 31, 2018, net	$ 1,058,345	$ 433,309	$ 191,767	$ 25,930	$ 71,963	$ 5,449	$ 1,786,763

The part of the Company's land is aboriginal reservations 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 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 NT$356,996,000.

The Company's property, plant and equipment are depreciated on the straight-line method basis of the following durable years:

Buildings	
Main building of Plant	35 to 55 years
Electrical power equipment	10 to 15 years
Engineering system	3 to 5 years
Machinery and equipment	2 to 10 years
Electrical equipment	5 to 15 years
Transportation equipment	3 to 10 years
Other equipment	3 to 10 years

For the years ended December 31, 2018 and 2017, the Company evaluated Property, Plant and Equipment and no impairment loss recognized. The mortgage information of Property, Plant and Equipment, please refer to Note 32.

17. Other Non-Current Assets

	December 31, 2018	December 31, 2017
Long-term prepayments	$ 65,377	$ 84,425
Restricted assets	108,787	50,104
Net limestone mining rights	18,781	18,783
	$192,945	$153,312

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

	December 31, 2018	December 31, 2017
Restricted assets	0.13%-1.065%	0.13%-1.59%

The information regarding to other non-current asset collaterals, please refer to Note 32.

18. Loans

(1) Short-term borrowings

	December 31, 2018	December 31, 2017
Secured borrowings(Note 32)		
Bank loan	$748,200	$651,000
Unsecured borrowings		
Credit loan	100,000	220,000
	$848,200	$871,000

The interest rate of the bank loan is as follows：

	December 31, 2018	December 31, 2017
Secured borrowings	1.45%-1.55%	1.35%-1.55%
Unsecured borrowings	1.30%-1.465%	1.55%-1.57%

(2) Short-term notes and bills payable

	December 31, 2018	December 31, 2017
Commercial paper payable	$160,000	$ 80,000
Less: Discount on short-term notes and bills payable	88	232
	$159,912	$ 79,768

Short-term notes and bills payable that is not due as follows:

December 31, 2018

Guarantee / acceptance institution	Par Value	Discount Amounts	Carrying Amounts	Rate range
Commercial paper payable				
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	

December 31, 2017

Guarantee / acceptance institution	Par Value	Discount Amounts	Carrying Amounts	Rate range
Commercial paper payable				
Ta Ching Bills Finance Corporation	$ 50,000	$ 145	$ 49,855	1.580%
Mega Bills Finance Corporation	30,000	87	29,913	1.588%
	$ 80,000	$ 232	$ 79,768	

(3) Long-term borrowings

	December 31, 2018	December 31, 2017
Secured borrowings (Note 32)		
Bank loan	$500,000	$100,000
Unsecured borrowings		
Bank loan	160,000	180,000
Less: Long-term borrowings have maturity of 1 year or less.	-	(100,000)
	$660,000	$180,000

	Details	December 31, 2018	December 31, 2017
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	$ -
Taishin International Bank	The period is from December 12, 2017 to December 12, 2019, the principle will be repaid at once in maturitity date. It has been repaid earlier in April of 2018.	-	100,000
Unsecured borrowings			
The Export-Import Bank of the Republic of China	The period is from October 11, 2017 to November 11, 2018, the principle will be repaid at once in maturitity date.	-	100,000
O-Bank	The original period is from November 24, 2017 to November 23, 2019. The period was changed from April 2018 to April 2020 in April 2018.	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 maturitity date.	80,000	-
subtotal		660,000	280,000
Less: Long-term borrowings have maturities of 1 year or less		-	(100,000)
Long-term borrowings		$ 660,000	$ 180,000

The annual interest rates of long-term borrowings were 1.3894%~1.9100% and 1.70%~1.89% respectively for December 31, 2018and 2017.

19. Notes and Accounts Payable

	December 31, 2018	December 31, 2017
Notes payable		
From operating activities		
Non-related parties	$ 98,248	$129,775
Related parties	$ 43,697	$ 26,755
Accounts payable		
From operating activities		
Non-related parties	$ 81,089	$ 94,356
Related parties	$ 23,657	$ 66,229

20. Other Payables

	December 31, 2018	December 31, 2017
Wages and salaries payable	$ 33,850	$ 42,081
Taxes payable	20,634	17,455
Utilities expense payable	18,676	17,851
Maintenance fee payables	372	440
Other	16,998	12,726
	$ 90,530	$ 90,553

21. Post-Employment Benefit Plan

(1) Defined contribution plans

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

(2) Defined benefit plans

The Company adopted the defined benefit plan in accordance with the Labor Standards Act is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company contributes amounts equal to 2% 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 amounts recognized in the parent company only balance sheets in respect of the Company's defined benefit plans were as follows:

	December 31, 2018	December 31, 2017
Present value of defined benefit obligation	$247,654	$273,613
Fair value of plan assets	(198,708)	(223,275)
Net defined benefit liabilities	$ 48,946	$ 50,338

The changes of net defined benefit liabilities are follows：

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities
Balance on January 1, 2017	$ 302,905	($ 250,794)	$ 52,111
Service cost			
Current service cost	3,550	-	3,550
Interest expense（income）	3,407	(2,833)	574
Recognize in profit or loss	6,957	(2,833)	4,124
Remeasurement			
Loss on plan assets (excluding amounts included in net interest)	-	590	590
Actuarial loss - changes in demographic assumptions	10	-	10
Actuarial loss - changes in financial assumptions	2,815	-	2,815
Actuarial gain – experience adjustments	(7,271)	-	(7,271)
Recognized in other comprehensive income	(4,446)	590	(3,856)
Contributions from the employer	-	(2,041)	(2,041)
Benefits paid	(31,803)	31,803	-
Balance on December 31, 2017	$ 273,613	($ 223,275)	$ 50,338
Balance on January 1,2018	$ 273,613	($ 223,275)	$ 50,338
Service cost			
Current service cost	2,446	-	2,446
Interest expense（income）	2,733	(2,240)	493
Recognize 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
Actuarial loss – 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)
Benefits paid	(35,884)	35,884	-
Balance on December 31, 2018	$ 247,654	($ 198,708)	$ 48,946

Determine the amount of profit or loss that the benefit plan recognizes as a function of the following:

	2018	2017
Operating costs	$ 2,064	$ 2,955
Selling expenses	360	492
Administrative expenses	515	677
	$ 2,939	$ 4,124

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

A. 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, the return generated by plan assets should not be below the interest rate for a 2-year certificated deposit with local banks.

B. Interest risk: The decrease in the interest rate of the government bonds will increase the present value of the defined benefit obligations, but will also increase the debt investment remuneration of the plan assets. The effect of the two on the net defined benefit liabilities is partially offset.

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

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

	December 31, 2018	December 31, 2017
Discount rates	0.875%	1.00%
Expected rates of salary increase	1.25%	1.25%

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

	December 31, 2018	December 31, 2017
Discount rates		
0.25% increase	($ 4,889)	($ 5,587)
0.25% decrease	$ 5,036	$ 5,762
Expected rates of salary increase		
0.25% increase	$ 4,925	$ 5,641
0.25% decrease	($ 4,804)	($ 5,496)

As the actuarial assumptions may be related to each other, and only a single hypothetical change is unlikely, the above sensitivity analysis may not reflect the actual change in the present value of the determined benefit obligations.

	December 31, 2018	December 31, 2017
The expected contributions to the plan for the next year	$ 1,777	$ 1,985
The average duration of the defined benefit obligation	8.1 years	8.4 years

22. Equity

(1) Share capital

Common Stock

	December 31, 2018	December 31, 2017
Authorized shares (in thousands)	498,646	498,646
Authorized capital	$ 4,986,640	$ 4,986,460
Issued and paid shares (in thousands)	404,738	404,738
Issued capital	$ 4,047,380	$ 4,047,380

A holder of issued common shares with par value of NT$10 per share is entitled to vote and to receive dividends.

(2) Capital surplus

	December 31, 2018	December 31, 2017
Only to make up for losses		
From share of changes in equities of 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.

(3) Retained earnings and dividend policy

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 NTD$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 (6) of Note 24, Employee Benefits for the revised remuneration allocation policy of employee and directors, supervisors before/after the versions of the Articles of Association. The appropraiton & 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 diluated 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.

The appropriations of 2016 earnings have been approved by shareholders meeting held on June 7, 2017. The resolution of dividends per share was as follows：

	2016	
	Appropriation of Earnings	Dividend per share （NT$1.00）
Legal reserve	$ 31,533	
Cash dividends	242,843	$ 0.6

The proposal to offset deficits of 2017 and decide not to distribute dividends has been approved by shareholders meeting of the Company held on June 15, 2018.

The Company's board of directors proposed to offset deficits of 2018 and decided not to distribute the dividends on March 22, 2019. The proposal to offset deficits is still subject to the resolution of the shareholders meeting held in 2019.

(4) Special reserve

	December 31, 2018	December 31, 2017
Special reserve	$ 17,376	$ 14,135

Upon initial application of IFRS 16, the amount of the accumulated conversion of the Company is NT$ 14,135,000 transferred to the retained surplus, and the same amount of special reserve has been added.

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 NT$ 3,241,000.

The Company's board of directors proposed to offset 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 NT$120,000, the proposal to offset deficits is still subject to the resolution of the shareholders meeting held in 2019.

(5) Other equity interest

A. Exchange differences on translation of foreign financial statements

	2018	2017
Balance at the begin of the year	($ 8,187)	($ 6,840)
Exchange differences on translation of foreign financial statements	15,849	(1,345)
Share of exchange differences of associates accounted for using equity method	(2)	(2)
Balance at the end of the year	$ 7,660	($ 8,187)

B. Unrealized gains (losses) on available-for-sale financial assets

Balance on January 1, 2017	$ 34,240
Unrealized gains (losses) on available-for-sale financial assets	1,782
Accumulated gains (losses) on reclassification which proceeds from disposal of available-for-sale financial assets	575
Share of unrealized gains (losses) on available-for-sale financial assets of associates for using equity method,	(31,651)
Balance on December 31, 2017	$ 4,946
Balance on January 1, 2018（IAS 39）	$ 4,946
Effect of retrospective application of IFRS 9	(4,946)
Balance on January 1, 2018（IFRS 9）	$ -

C. Unrealized gains or losses on financial assets measured at FVOCI

	2018
Balance on January 1, 2018（IAS 39）	$ -
Effect of retrospective application of IFRS 9	5,716
Balance on January 1, 2018（IFRS 9）	5,716
Unrealized gains (losses) on financial assets measured at FVOCI	745
Disposals of the accumulated profit or loss of equity instruments measured at FVOCI are transferred to retained earnings	(14,450)
Balance at the end of the period	(2,792)
Balance on January 1, 2018（IAS 39）	($ 10,781)

23. Revenue

(1) Segmentation of customer contract revenue

	2018
Cement	$ 1,893,491
Stone	491,371
Cement products	89,910
Others	335,725
	$ 2,810,497

(2) Balance of assets and liabilities related to the sales contract

	December 31, 2018
Notes receivable（Note 10）	$ 252,051
Notes receivable －Related parties (Note 10)	39,352
Accounts receivable（Note 10）	87,740

	December 31, 2018
Accounts receivable－Related parties（Note 10）	36,969
Receivables	$ 416,112
Contract liability	
Sales revenue of goods	$ 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:

	2018
Contract liability from the beginning of the year	
Sales of goods	$ 236,692

(3) 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 :

	December 31, 2018
Sales of goods	
Fulfill in 2019	$ 199,333

24. Profit (loss)

(1) Net other income (expense)

	2018	2017
Gains on disposals of property, plant and equipment	$ 4,717	$ 262

(2) Other income

	2018	2017
Revenue from dividends	$ 1,545	$ 1,219
Others	6,978	10,665
	$ 8,523	$ 11,884

(3) Other expenses

	2018	2017
Depreciation of leased assets	$ 6,915	$ 8,004
Others	7,003	923
	$ 13,918	$ 8,927

(4) Depreciation, amortization and depletion

	2018	2017
Depreciations summary by functions		
Operating costs	$211,138	$235,144
Operating expenses	9,206	12,635
Non-operating expenses	6,915	8,004
	$227,259	$255,783
Amortization summary by functions		
Operating costs	$ 7,845	$ 6,932
Operating expenses	3,661	2,488
	$ 11,506	$ 9,420
Depletion summary by functions		
Operating costs	$ 2	$ -

(5) Employee benefits

	2018	2017
Post-employment benefits		
Defined contribution plans	$ 7,835	$ 7,914
Defined benefit plans	2,939	4,124
	10,774	12,038
Wages and salaries	217,629	222,603
Insurance expense	23,251	24,010
Other employee benefits/welfare	15,699	15,875
Total employee benefits/welfare	$267,353	$274,526
Summarized by function		
Operating costs	$187,720	$192,447
Operating expenses	79,633	82,079
	$267,353	$274,526

(6) Remuneration for employees, directors and supervisors

The Company shall appropriate 3% and not less than 5% of the profit before tax prior to the deduction of allocated remuneration 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 remuneration for employees, the directors and supervisors of the year 2016 was decided by the board of directors on March 20, 2017 as follows:

	2016
	Cash
Remuneration for employees	$ 12,447
Remuneration for directors and supervisors	20,745

If the amount of the annual parent company only financial statements still changes after the issued date, it will be treated as changes in accounting estimates and adjusted for subsequent years.

There is no difference between the amount of the remuneration for employees, the directors and supervisors actually paid and recognized in the consolidated financial statements in 2016.

For information on the remuneration for employees, the directors and supervisors of the Company in 2019 and 2018, please check it on the Market Observation Post System of the Taiwan Stock Exchange.

(7) Foreign exchange gains or losses

	2018	2017
Total foreign exchange gains	$ 660	$ 1,942
Total foreign exchange losses	(725)	(409)
Net profit (loss)	($ 65)	$ 1,533

(8) Gains and Losses on disposals of financial assets

	2018	2017
Available-for-Sale financial assets	$ -	($ 575)

25. Taxation

(1) Income tax recognized as profit or loss

The main components of the income tax expense (income) are as follows:

	2018	2017
Current income tax		
Created in current period	$ -	$ 32,852
Adjustment of previous years	1,545	1,715
	1,545	34,567
Deferred income tax		
Created in current period	31,746	(49,503)
Effect of tax rate changes	(16,500)	-
Income tax expenses(income) of recognized in profit or loss	$ 16,791	($ 14,936)

The reconciliation of accounting profit and current income tax expense (income) is as follows:

	2018	2017
Loss before tax	($160,180)	($116,047)
Income tax income calculated at statutory tax rate for loss before tax	($ 32,036)	($19,728)
Un-deductible expenses on tax	4,024	4,968
Unrecognized the subtractable temporary differences and the loss deduction	60,070	(1,684)
Tax-free income	(312)	(207)
The reconciliation of Current income tax expense in the previous year is recognized in current year	1,545	1,715
Differences recognized from effect of tax rate changes	(16,500)	-
Income tax expense (income) recognized in profit or loss	$ 16,791	($ 14,936)

The Income Tax Act in the ROC was amended in 2018, the Profit-seeking Enterprise Income Tax rate will be adjusted from 17% to 20%. The deferred income tax income that should be recognized in profit or loss as a result of changes in tax rates have been recognized in full when tax rates change. In addition, the tax rate of unappropriated retained earnings will be reduced from 10% to 5% in 2018.

(2) Current tax assets and liabilities

	December 31, 2018	December 31, 2017
Current tax assets		
Tax refund receivable	$ 17,517	$ 14,027
Current tax liabilities		
Income tax payable	$ -	$ 13,089

(3) Deferred tax assets and liabilities

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

2018

	Balance at the beginning of the year	Recognized in profit or loss	Balance at the end of the year
Deferred 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
Impairment loss on financial assets at FVOCI	-	(27)	(27)
	$ 135,267	($ 23,126)	$ 112,141
Deferred 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

2017

	Balance at the beginning of the year	Recognized in profit or loss	Balance at the end of the year
Deferred tax assets			
Temporary differences			
Pension limit exceeded	$ 12,847	$ 608	$ 13,455
Investment losses for using equity method	71,678	32,470	104,148
Unrealized inventory valuation losses	11,836	724	12,560
Impairment loss on financial assets measured at cost	3,995	-	3,995
Gross profit from advance receipts with an issued bill of lading	3,142	(2,033)	1,109
Unrealized foreign exchange losses	99	(99)	-
	$ 103,597	$ 31,670	$ 135,267
Deferred tax liabilities			
Temporary differences			
Accelerated depreciation of Fixed assets	$ 59,604	($ 17,838)	$ 41,766
Unrealized foreign exchange gains	-	5	5
	$ 59,604	($ 17,833)	$ 41,771

(4) Income tax approval

The Company reported the profit-seeking enterprise income tax, income tax declaration cases of the Company approved by the tax collection authorities as of the end of 2016.

26. Loss per Share

To calculate the net loss of loss per share and the weighted average shares of ordinary stock is as follows:

Loss

	2018	2017
To calculate the net loss of basic loss per share	($ 176,971)	($ 101,111)

Number of share

unit：1,000 shares

	2018	2017
The weighted average shares of ordinary stock which is used to calculate the basic loss per share	404,738	404,738

27. Cash Flow Information

Changes in liabilities arising from financing activities

2018

	January 1, 2018	Cash Flow	Non-cash changes Discount amortization	December 31, 2018
Short-term notes and bills payable	$ 79,768	$ 80,000	$ 144	$ 159,912

2017

	January 1, 2017	Cash Flow	Non-cash changes Discount amortization	December 31, 2017
Short-term notes and bills payable	$ 109,760	($ 30,000)	$ 8	$ 79,768

28. Agreement of Operating Lease

(1) The Company is the tenant

Operating lease includes lease of land, plant, storage land, etc.; the lease period is 1 to 5 years.

The total amount of future minimum lease payments for non-cancelable operating lease is as follows:

	December 31, 2018	December 31, 2017
Within 1 year	$ 44,781	$ 30,831
More than 1 year but not more than 5 years	117,009	72,118
	$161,790	$102,949

Recognized expense of Lease payment as below:

	2018	2017
Lease payment	$ 37,813	$ 32,699

(2) The Company is the lessor

Operating lease includes lease of real estate, plant and equipment; the lease period is 1 to 5 years.

The total amount of future minimum lease payments for non-cancelable operating lease is as follows:

	December 31, 2018	December 31, 2017
Within 1 year	$ 29,775	$ 31,674
More than 1 year but not more than 5 years	5,138	10,558
	$ 34,913	$ 42,232

29. 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.

30. Financial Instrument

(1) Information of fair value – financial instrument which is 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.

(2) Information of fair value – financial instruments measured at fair value

I.Fair value hierarchy

December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets measured at FVPL				
Fund Benefit Certificate	$ 856	$ -	$ -	$ 856
Financial assetsmeasured at FVOCI				
Eqiuty instrument investments				
－Domestic listed (OTC) stock	$ 105,718	$ -	$ -	$ 105,718
－Domestic unlisted (OTC) stock	-	-	18,702	18,702
Total	$ 105,718	$ -	$ 18,702	$ 124,420

December 31, 2017

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Domestic listed (OTC) stock	$ 33,944	$ -	$ -	$ 33,944
Domestic Fund Benefit Certificate	991	-	-	991
Total	$ 34,935	$ -	$ -	$ 34,935

There is no transfer between level 1 and level 2 of fair value measurement in 2018 and 2017.

II. Adjustment of financial instruments by level 3 measurement of fair value

2018

Financial assets	Financial assets at FVOCI Equity Instruments
Balance at the begin of the period	$ 20,077
Effect of retrospective application of IFRS 9	1,752
Balance at the begin of the period（IFRS9）	21,829
Proceeds from capital reduction	(2,890)
Other comprehensive income （Unrealized gains (losses) on financial assets measured at FVOCI）	(237)
Balance at the end of the period	$ 18,702

III. Evaluation technology and inputs of Level 3 measurement of fair value

The domestic unlisted (OTC) equity investment adopts analogy of the Company Act for the listed (OTC) 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.

(3) Financial instruments

	December 31, 2018	December 31, 2017
Financial assets		
Financial assets mandatorily measured at FVPL	$ 856	$ -
Measured at amortised cost（Note 1）	843,943	-
Loans and receivables （Note 2）	-	1,072,280
Available-for-sale financial assets（Note 3）	-	55,012
Financial assets measured at FVOCI		
Equity instrument investments	124,420	-
Financial liabilities		
Measured at amortised cost（Note 4）	1,971,493	1,596,355

Note 1： The balance includes financial assets measured at amortized cost such as cash, notess receivable, accounts receivable, other receivables and restricted assets (recognized other financial assets and other non-current assets).

Note 2： The balance includes loans and receivables measured at amortized cost such as cash, notess receivable, accounts receivable, other receivables and restricted assets (recognized other financial assets and other non-current assets).

Note 3： The balance includes the balance of financial asset measured at costs that are classified as available-for-sale.

Note 4： The balance includes financial liabilities masured at amortised cost such as short-term borrowings, short-term notes and bills payable, notes payable, accounts payable, partical other payables and long-term borrowings.

(4) Objective and policy of financial risk management

The main financial instruments of the Company include receivables, payables and loans. The Financial Department of the Company supervises and manages the related financial risk of operation of the Company in accordance with the internal risk report for risk degree and extensive analysis of exposure. The risks include market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

I.Market risk

The main financial risk for operation of the Company is foreign currency exchange risk (please see ① as follows) and interest rate risk (please see ② as follows).

The exposure of related market risk of financial instrument of the Company and the management and measurement of the exposure don't change.

① Currency risk

The monetary asset in non-functional currency and carrying amount of monetary liabilities on balance sheet date of the Company, please see Note 34.

<u>Sensitivity Analysis</u>

The Company is mainly impacted by the foreign exchange rate fluctuation of USD, RMB and Japanese Yen.

The following table shows the sensitivity analysis of the Company when the exchange rate of the New Taiwan Dollar (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.

	Effect of US dollars		Effect of RMB	
	2018	2017	2018	2017
Profit (loss)	($ 11)	($ 8)	($ 350)	($ 345)

	Effect of Japanese Yen	
	2018	2017
Profit (loss)	($ 1,391)	($ 144)

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.

② Interest rate risk

The financial assets in interest rate exposure and the carrying amount of financial liability on balance sheet date of the Company are as follows:

	December 31, 2018	December 31, 2017
Interest rate risk with fair value		
-Financial assets	$ 269,540	$ 269,557
-Financial liabilities	268,200	420,000
Interest rate risk with cash flow		
-Financial assets	327,970	575,957
-Financial liabilities	1,399,921	810,768

Sensitivity Analysis

The following sensitivity analysis is determined by rate exposure of non-derivatives on the end of reporting period in balance sheet. 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 basis points; this also represents the assessment of reasonably possible change range for interest rate from key management personnel.

If interest rate increases/decreases 25 basis points, the loss before tax increases/decreases NT$2,680,000 in 2018 and the loss before tax increases/decreases NT$587,000 in 2017 with all other variables held constant; the main reasons are floating rate loan, demand deposit and exposure in restricted asset (recognized other financial assets and other non-current assets) interest rate risk of the Company.

II. Credit risk

Credit risk means that the counterparty arrears contract obligation and cause the Company financial loss risk. As the end of reporting period in balance sheet, the Company may be caused exposure of maximum credit risk by the counterparty not doing contract obligation, which is mainly from the carrying amount of financial assets recognized on consolidated balance sheet.

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, 2018		December 31, 2017	
	Book Value	Largest credit risk exposed amount	Book Value	Largest credit risk exposed amount
Off-balance sheet commitments and guarantee				
Endorsement for subsidiary	$ -	$ 748,910	$ -	$ 748,210

The credit risk of the Company is mainly concentered on the key account (KA) of the Company; as the end of December, 2018 and 2017, the receivables exceed 5% of total receivables, which are separately 51.25%and 59.59% of total receivables.

III. Liquidity risk

The Company can operate and reduce the impact of fluctuations in cash flows by managing and maintaining enough cash in place. The management personnel in the Company supervises using situation of bank finance to ensure following the loan borrowing clause.

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 NT$1,329,915,000 and NT$2,064,859,000.

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, 2018

	Weighted average valid rate (%)	Requirement: Pay at once or less than one month	1 month to 3 months	3 months to 12 months	1 year to 5 years	Above 5 years
Non - derivative financial liabilities						
Non-Interest-Bearing liability	-	$ 158,071	$ 175,720	$ 13,208	$ 2,874	$ 17,892
Floating interest rate tool	1.59%	-	104,411	879,960	480,000	180,000
Fixed interest rate tool	1.29%	131,000	-	137,200	-	-
		$ 289,071	$ 280,131	$ 1,030,368	$ 482,874	$ 197,892

December 31, 2017

	Weighted average valid rate (%)	Requirement: Pay at once or less than one month	1 month to 3 months	3 months to 12 months	1 year to 5 years	Above 5 years
Non - derivative financial liabilities						
Non-Interest-Bearing liability	-	$ 177,520	$ 231,115	$ 29,056	$ -	$ 19,558
Floating interest rate tool	1.58%	-	129,912	580,856	180,000	-
Fixed interest rate tool	1.89%	100,000	-	320,000	-	-
		$ 277,520	$ 361,027	$ 929,912	$ 180,000	$ 19,558

31. Related Party Transactions

Except as disclosed in other notes, the transactions between the Company and its related parties are as follows.

1) Related party and Relations

Related party	Relations
Subsidiaries	
Dasheng Enterprise	The Company's subsidary
Luckicon Ready-mixed Co.	The Company's subsidary
Luckyship Co.	The Company's subsidary
Lucky Cement Japan	The Company's subsidary
Fuyu Development Company	The Company's Sub-subsidary
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 foundation is the same as the chairman of the parent company
Fudong Freight Co., Ltd (Fudong Freight Co.)	The directors of the company are the same as the major shareholders of the parent company
Changjun Water Resources biotechnology Co., Ltd (Changjun Water Resources Co.)	The chairman of the company is one of the parent company chairman's first-degree relatives
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
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 from July, 2016

(2) Business transaction

	2018	2017
Sales		
Subsidiaries	$347,320	$223,843
Other related parties	813	-
	$348,133	$223,843
Purchase		
Fuan Mining Co.	$224,915	$343,707
Subsidiaries	2,595	1,518
Other related parties	24,118	34,594
	$251,628	$379,819
Operating costs - transportation expenses		
Other related parties	$ 12,323	$ 15,613
Operating expenses		
Other related parties	$ 3,370	$ 4,206
Non-operating income		
Fuyu Development Company	$ 15,128	$ 21,080
Subsidiaries	5,482	6,598
Other related parties	2,406	2,438
	$ 23,016	$ 30,116

Except the payment period for the payment by Fuan Mining Co. was paid before September 30, 2017, depending on the demand for funds. The purchase price and sales price between the Company and the related parties were negotiated respectively and were equal to the non-related parties.

Non-operating income is rental revenue between the Company and related parties; the determination and collection method of rent are same as general leasing transactions.

(3) Balance of receivables from related parties on balance sheet date is as follows：

	December 31, 2018	December 31, 2017
Notes receivable		
Subsidiaries	$ 39,153	$ 11,398
Other related parties	199	-
	$ 39,352	$ 11,398
Accounts receivable		
Subsidiaries	$ 36,623	$ 12,404
Other related parties	346	-
	$ 36,969	$ 12,404
Other receivable（excluding loan to related parties）		
Subsidiaries	$ 102	$ 88
Other related parties	103	131
	$ 205	$ 219

No guarantee received for receivables- related parties. No expense on doubtful debts in receivables- related parties recognized in 2018 and 2017.

(4) Balance of payables from related parties on the end of reporting period in balance sheet is as follows:

	December 31, 2018	December 31, 2017
Notes payable		
Fuan Mining Co.	$ 41,678	$ 21,580
Other related parties	1,823	5,167
Subsidiaries	196	8
	$ 43,697	$ 26,755
Accounts payable		
Fuan Mining Co.	$ 21,195	$ 61,393
Subsidiaries	189	-
Other related parties	2,273	4,836
	$ 23,657	$ 66,229
Other payable		
Subsidiaries	$ 389	$ 424
Other related parties	1,158	2,450
	$ 1,547	$ 2,874

No guarantee provided for the balance of the payables - related parties.

(5) The balance of contract liabilities in the end of reporting period in the balance sheet:

	December 31, 2018	December 31, 2017
Subsidiaries	$ 4,542	$ 5,933

(6) Loans to related parties

Relationship category	December 31, 2018	December 31, 2017
Other receivables－related parties		
Dasheng Enterprise	$ 67,097	$226,869
Luckyship Co.	3,005	30,048
	$ 70,102	$256,917

Relationship category	2018	2017
Interest income		
Subsidiaries	$ 3,621	$ 4,737

The Company provides loans to subsidiaries, the interest rate ranges are1.8763%-1.95% and 1.885%-1.988% in 2018 and 2017.

(7) Remunerations of key management personnel

	2018	2017
Short-term employee benefits	$ 12,947	$ 12,895
Benefit after retirement	222	382
	$ 13,169	$ 13,277

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

32. Pledged Assets

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

	December 31, 2018	December 31, 2017
Notes receivable	$ 7,200	$ -
Property, plant and equipment	748,704	762,023
Restricted assets（Other current assets and other non-current assets）	214,018	180,451
	$ 969,922	$ 942,474

33. Significant Contingent Liabilities and Unrecognized Contractual Commitments

The Company and Dasheng Enterprise signed joint consrtuction and separate sale contract on May 8, 2014. Dasheng Enterprise provided 154 lands such as the #433-district of Daitianfu section of the Anle District of Keelung City as a joint consrtuction base. The Company provided funds, technology, land re-division project, and license fees. After the completion of the joint consrtuction the house will be sold by the Company, and Dasheng Enterprise will cooperated sale the relevant land. Both parties shall sign a sales contract with the buyer and receive the sales separately. The Company provided a joint consrtuction deposits NT$159,000,000 to Dasheng Enterprise in May, 2014, and recognized the guarantee deposits paid of the Company. Both companies agreed to use the loans extended by the Company to Dasheng Enterprise and Dasheng Enterprise should repay it without interest on the agreed terms. The joint consrtuction and separate sale project was at the stage of site preparation and did not obtain construction license as of December 31, 2018.

34. The Information of Foreign Currency Assets and Liabilities with Important Impact

The following information is expressed in accordance with the total currency without functional currency of the Company; the disclosed exchange rate refers to the exchange rate of foreign currency to functional currency. There are foreign currency assets and liabilities with important impact as follow:

Unit： Thousands of NT dollars and foreign currency

December 31, 2018

	Foreign curreny	Exchange rate	Carrying Amount
Foreign currency Financial assets			
Monetary items			
US dollars	$ 7	30.715 （USD：NTD）	$ 208
RMB	1,566	4.472 （RMB：NTD）	6,980
Japanese Yen	100,008	0.2782 （JPY：NTD）	27,642

December 31, 2017

	Foreign curreny	Exchange rate	Carrying Amount
Foreign currency Financial assets			
Monetary items			
US dollars	$ 9	29.76 （USD：NTD）	$ 267
RMB	1,519	4.549 （RMB：NTD）	6,908
Japanese Yen	10,885	0.2642 （JPY：NTD）	2,876
Foreign currency Financial liabilities			
Monetary items			
US dollars	4	29.76 （USD：NTD）	110

Foreign exchange gains or losses (realized or unrealized) of the Company in 2018 and 2017 are respectively losses NT$65,000 and gains NT$1,533,000. Because there is variety of foreign currency transactions, it cannot disclose exchange gains and losses in accordance with foreign currency of each important impact

35. Additional Disclosures

(1) Significant Transactions and (2) The Related Information of transferring to investment:

A. Financings provided：Schedule 1

B. Endorsement/guarantee provided：Schedule 2

C. Marketable securities held (excluding investments in subsidiaries and associates)：Schedule 3

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：Schedule 4

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：Schedule 5

H. Receivables from related parties amounting to at least NT$100 millions or 20% of the paid-in capital：None

I. Information about the derivative financial instruments transaction：None

J. Information of the investees (excluded the investees in Mainland China): Schedule 6

(3) Investment Information in mainland China：

I. 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： Schedule 7

II. Significant direct or indirect transactions with the investee, its prices and terms of payment and unrealized gains or losses: there are no significant transactions and unrealized gains or losses between the Company and subsidiaries and the investee company in mainland China.

① The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period：None

② The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period：None

③ The amount of property transactions and the amount of the resultant gains or losses：None

④ The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purpose：None

⑤ The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds：None

⑥ Other transactions that have material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services：None

Lucky Cement Corporation

Financings Provided

For the Years Ended December 31, 2018

Schedule 1 In Thousands of New Taiwan Dollars

No.	Company of Lending Funds	Borrower	Relation Account	Mmaximum Balance in Current Period	Where is the related party	Balance, end of the period (Note 4)	Amonut of real dealing	Interest rate collar (%)	Character on loan of funds (Note 1)	Amount between business	Necessary reasons for short term financial assets	Amount of allowance for uncollectible be submitted	Collateral		Limitation of loan of funds to individual party (Note 2)	Total limitation of loan of funds (Note 3)
													Name	Value		
0	Lucky Cement Corp.	Dasheng Enterprise	Receivables of Affiliated Enterprise－Financing	$ 390,000	Yes	$ 200,000	$ 67,000	1.8763%	(2)	$ -	Operating Turnover	$ -	－	－	$ 422,692	$ 1,690,768
		Luckyship Marine Co.	Receivables of Affiliated Enterprise－Financing	30,000	Yes	30,000	3,000	1.8763%	(2)	-	Operating Turnover	-	－	－	422,692	1,690,768
		Lucky Cement Corp., Japan	Receivables of Affiliated Enterprise－Financing	30,000	Yes	30,000	-	1.8763%	(2)	-	Operating Turnover	-	－	－	422,692	1,690,768
			Receivables of Affiliated Enterprise－Financing			$ 260,000										
1	Luckicon Ready-mixed Co.,	Dasheng Enterprise	Receivables of Affiliated Enterprise － Financing	40,000	Yes	20,000	20,000	1.95%	(2)	-	Operating Turnover	-	－	－	52,182	104,364

Note 1：The expressions for nature of fund loan is as follows:：

(1) Party with business.

(2) 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.

Lucky Cement Corporation

Endorsement/Guarantee Provided

For the Years Ended December 31, 2018

Schedule 2

Unit: NT$1,000, unless otherwise noted

No.	Company Name of endorser	The party for enforcement and guarantee		Limitation amount of enforcement and guarantee for single enterprise (Note 1)	Maximun balance of enforcement and guarantee in current period	Balance of enforcement and guarantee, end of the periodr	Amonut of real dealing	Amount of enforcement and guarantee by property guarantee	Ratio of accumulated amount of enforcement and guarantee to net value of financial statement of lastest period (%)	Maximun limitation on enforcement and guarantee (Note 2)	Enforcement and guarantee belong to parent vs. subsidiary company	Enforcement and guarantee belong to subsidiary vs. parent company	Enforcement and guarantee belong to Mainland China	Remark
		Company	Relations											
0	Lucky Cement Corp.	Dasheng Enterprise	Subsidiary	$ 1,690,768	$ 620,000	$ 620,000	$ 560,000	$ 120,000 (Note 3)	14.67%	$ 2,113,460	Y	–	–	
		Luckicon Ready-mixed Co.,	Subsidiary	1,690,768	70,000	70,000	-	-	1.66%	2,113,460	Y	–	–	
		Luckyship Marine Co.	Subsidiary	1,690,768	45,000	45,000	11,638	-	1.06%	2,113,460	Y	–	–	
		Lucky Cement Corp., Japan	Subsidiary	1,690,768	13,910	13,910	4,451	-	0.33%	2,113,460	Y	–	–	
						$ 748,910								

Note 1: The upper limit that Lucky Cement Corporation endorses for single company shall not go beyond 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.

Lucky Cement Corporation

Marketable Securities Held

December 31, 2018

Schedule 3

In Thousands of New Taiwan Dollars

Company	Type and Name of Securities	Relationship with the Issuer of Securities	Account	End of period				Remarks
				Shares	Carrying Amount	(%)	Fair Value (Note 1 & 2)	
Lucky Cement Corp.	Fund Beneficiary Certificate							
	O-Bank No.1 Real Estate Investment Trust	—	Current financial assets at FVPL	100,000	$ 856	-	$ 856	
	Non-listed (OTC) Company Common Stock							
	Cando Corporation	—	Non-current financial assets at FVOCI	398,889	-	0.1	-	Note 3
	Jonfeng Mining Co., Ltd	—	Non-current financial assets at FVOCI	1,071,428	9,536	10.58	9,536	
	Global Securities Finance Corp.	—	Non-current financial assets at FVOCI	700,837	4,583	0.18	4,583	
	WK Technology Fund	—	Non-current financial assets at FVOCI	1,156,000	4,583	2.77	4,583	
	Listed (OTC) Company Common Stock							
	Taiwan Cement Corp	—	Current financial assets at FVOCI	440,000	15,664	-	15,664	
	Asia Cement Corporation	—	Current financial assets at FVOCI	500,000	16,975	-	16,975	
	Winbond Electronics Corp.	—	Current financial assets at FVOCI	130,181	1,764	-	1,764	
	Excelsior Medical Co., Ltd.	—	Current financial assets at FVOCI	40,000	1,840	-	1,840	
	United Microelectronics Corporation	—	Current financial assets at FVOCI	72,351	814	-	814	
	Medigen Biotechnology Corporation	—	Current financial assets at FVOCI	28,628	1,289	-	1,289	
	Highwealth Construction	—	Current financial assets at FVOCI	8,000	360	-	360	
	China Development Financial	—	Current financial assets at FVOCI	13,496	131	-	131	
	First Financial Holding Co. Ltd.	—	Current financial assets at FVOCI	883	18	-	18	
	Capital Securities Corp.	—	Current financial assets at FVOCI	875	8	-	8	
	Hua Nan Financial Holdings Co. Ltd.	—	Current financial assets at FVOCI	402	$ 7	-	$ 7	
	Far Eastern New Century Corporation	—	Current financial assets at FVOCI	800,000	22,320	-	22,320	
	U-Ming Marine Transport Corporation	—	Current financial assets at FVOCI	128,000	4,128	-	4,128	
	Formosa Plastics Corporation	—	Current financial assets at FVOCI	400,000	40,400	-	40,400	
Luckyship Marine Co.	Non-listed (OTC) Company Common Stock							
	Jonfeng Mining Co., Ltd.	—	Non-current financial assets at FVOCI	35,129	313	0.35	313	
	Listed (OTC) Company Common Stock							
	Medigen Biotechnology Corporation	—	Current financial assets at FVOCI	242	11	-	11	
Just Bright Ltd.	Listed Company Common Stock							
	Global Lighting Technologies Inc. (Stock Name：GLT 4935)	—	Current financial assets at FVOCI	991,908	31,146	-	31,146	

(To be continued)

(Continued)

Company	Type and Name of Securities	Relationship with the Issuer of Securities	Account	End of period				Remarks
				Shares	Carrying Amount	(%)	Fair Value (Note 1 & 2)	
Luckicon Ready-mixed Co.,	Fund Beneficiary Certificate							
	MEGA BAOJUAN Money Market Fund	—	Current financial assets at FVPL	2,826,600	28,375	-	28,375	
	Nomura Global Short Duration Bond Fund	—	Current financial assets at FVPL	948,650	9,656	-	9,656	
	Shin Kong Emerging ASEAN Bond Fund	—	Current financial assets at FVPL	500,015	4,483	-	4,483	
	TSG Phnom Penh Real Estate Development Fund	—	Non-current financial assets at FVPL	500	6,535	-	6,535	
	Marketable Security - Corporate Bond							
	The Cathay United Jenai EMC USD Fixed Interest Allocation Bond	—	Current financial assets at FVOCI	-	5,375	-	5,375	

Note 1：Financial assets measured at FVPL, its fair value is based on the net asset value of funds on December 31, 2018.

Note 2：Listed (OTC) stocks of financial assets measured at FVPL, its fair value is based on stock closing price on December 31, 2018. Corporate bond is based on market price on December 31, 2018. Non-listed (OTC) stocks are estimated market value by the fair value evaluation method.

Note 3：It has been recognized as loss of impairments.

Note 4：Please refer to Schedule 6 and 7 for info regarding to subsidiary investment.

Lucky Cement Corporation

Acquisition of individual real estate properties at costs of at least NT$300 million or 20% of the paid-in capital

For the Years Ended December 31, 2018

Schedule 4

In Thousands of New Taiwan Dollars

Types of Property	Transaction Date	Transaction Amount	Payment Term	Counter-party	Nature of Relationships	Prior Transaction of Related Counter-party				Price Reference	Purpose of Acquisition	Other Terms
						Owner	Relationships	Transfer Date	Amount			
The land in 9th Cao'aopo subsection in Cao'aopo section of Yangmei District, Taoyuan City	107/8/13	$ 356,996	paid	Non-related parties	-	-	-	-	$ -	According to the judgment price of the court and the resolution of the board of directors.。	It is convenient to use due to the land is adjacent to the factory.	-

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 Years Ended December 31, 2018

Schedule 5

In Thousands of New Taiwan Dollars

Company Name	Transaction Counterpart	Relations	Transaction Status				Status and Reasons of Difference between Transaction Condition and General Transaction		Accounts, Notes Receivable (Payable)		Remarks
			Purchase (Sale)	Amount	Account for Purchase (Sale) Percentage to Total (%)	Credit Period	Unit Price	Credit Period	Balance	Accounts, Notes Receivable (Payable) Percentage to Total (%)	
Lucky Cement Corp.	Luckicon Ready-mixed Co.,	Subsidiary	Sale	($ 347,184)	(12.35)	About 90 days	Quite	Quite	Accounts receivable $36,623 Notes receivable 39,153	29.37 13.44	
Lucky Cement Corp.	Fuan Mining Co., Ltd.	Other related parties	Purchase	224,915	20.37	About 90 days	Agreed	Quite	Accounts payable (21,195) Notes payable (41,678)	(20.23) (39.79)	

Lucky Cement Corporation

Names, Locations, and Related Information of Investees

For the Years Ended December 31, 2018

Schedule 6

In Thousands of New Taiwan Dollars

Investment company	Invested company	Address	Main business items	Original investment amount (Note 4)		Holding at the end of the period			Current (loss) profit of invested company	Investment (loss) profit accounted this Period (Note 1)	Remarks
				At the end of the period	End of last year	Number of shares	Rate	Carrying Amount			
Lucky Cement Corp.	Dasheng Enterprise	14F., No.237, Songjiang Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.)	Real Estate Sales & Lease	$ 2,167,473	$ 1,887,473	157,295,283	99.99	$ 2,334,592	($ 109,341)	($ 109,341)	
	Luckicon Ready-mixed Co.,	No.191, Sec. 1, Meishi Rd., Yangmei Dist., Taoyuan City 326, Taiwan (R.O.C.)	Ready-mixed Concrete Manufacture & Trades	99,998	99,998	21,999,868	99.99	260,907	(21,227)	(21,227)	
	Just Bright Ltd.	Tropic Isle Building, PO Box 438, Road Town, Tortola, British Virgin Islands	Investment Business	1,566	1,566	50,000	100.00	31,154	931	931	
	Lucky Cement Corp., Japan	Aichi, Japan hekinan Yu Jin-Pu-cho 12 gu	Cement Trading	82,300	82,300	200	100.00	24,059	(636)	(636)	Note 2
	Luckyship Marine Co.	13F., No.237, Songjiang Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.)	Shipping Agent	88,615	8,615	8,499,994	99.99	52,791	(18,534)	(18,534)	
	Elumina Technology Inc.	12F., No.237, Songjiang Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.)	Manufacture and Sale Light-emitting Diode Products	-	93,384	-	-	-	(1,147)	(810)	Note 3
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	7,500	1,000,000	100.00	9,623	(10,665)	(9,587)	
Elumina Technology Inc.	ELUMINA HOLDING LIMITED	Beaufort House, P. O. Box 438, Road Town, Tortola, British Virgin Islands	Holding Company	-	45,563	-	-	-	(2)	(2)	Note 3

Note1：It has been calucated pursuant to the Accountant’s reviewed financial statement.

Note2：Original investment amount that the Company invested in Lucky Cement Corp., Japan and did not finish equity registration is 150,000,000 Japanese Yen in December 31, 2018.

Note3：The board of directors of Elumina Technology Inc. resolved to dissolve Elumina Technology Inc. and its subsidiaries on July 31, 2015, and they were dissolved in November 2018.

Note4：The original investment amount includes the previous year's capital reduction to make up for the decrease in losses.

Note5：Please refer to Shcedule 7 for the information regarding to the invested company in China.

Lucky Cement Corporation

Investment Information in Mainland China

For the Years Ended December 31, 2018

Schedule 7

Unit: NT$1,000, unless otherwise noted

Invested company in China	Major business	Paid-up capital	Inventory type (Note 1)	The amount of accumulated investment remitted from Taiwan at the beginning of the period (Note 4)	Remittance or recovery of investment amount in this period		The amount of accumulated investment remitted from Taiwan at the end of the period	Current profit and loss of invested company (Note 2)	The proportion of shares held by the Company directly or indirectly	Investmend (Loss) profit accounted of this period (Note 2)	Book value of end-of-period investment (Note 2)	Investment income has been remitted as of this period
					Remittance	Recovered						
ELUMINA (Xiamen) Technology Inc.	Manufacture and sale light-emitting diode products	$ 80,631	(2)	$ 80,631	$ -	$ -	$ 80,631	$ -	70.59%	$ -	$ -	$ -

Cumulative amount of investment from Taiwan investing China at end of this period	Investment Review Committee of the Ministry of Economic Affairs approved amount of investment	Upper limit of investment to China pursuant to regulation of Investment Review Committee of the Ministry of Economic Affairs (Note 3)
USD2,522,000	USD1,286,000	$4,226,920x60%=$2,536,152

Note 1：Investment mode has the following three kinds, wherein types are presented hereof:

(1) Direct investment in China.

(2) Invest in China companies through companies in the third area（investment company of the third area is ELUMINA HOLDING LIMITED）.

(3) Others

Note 2：Calculated by the limits set forth in the “China Investment or Technic Cooperation & Review Principle” issued by Investment & Review Committee, August 29, 2008

Note 3：Elumina Technology Inc. is the parent company of ELUMINA (Xiamen) Technology Inc. The board of directors of Elumina Technology Inc. resolved to dissolve Elumina Technology Inc. and its subsidiaries on July 31, 2015, and they were dissolved in November 2018.

6.5 2018 The Consolidated Financial Statements

Lucky Cement Corporation

Audit Report of Consolidated Financial Statements by Certified Public Accountants

Deloitte

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Independent Auditors' Report

The Board of Directors and Shareholders
Lucky Cement Corporation

Opinion

We have audited the accompanying consolidated financial statements of Lucky Cement Corporation and subsidiaries (the "Group"), which comprise the consolidated balance sheets as of December 31, 2018 and 2017, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended on accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards(IFRS), International Accounting Standards(IAS), IFRIC Interpretations(IFRIC), and SIC Interpretations(SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for 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 Consolidated Financial Statements section of our report. We are independent of the Group and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained us 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 the most significance in our audit of the consolidated financial statements for the year ended December 31, 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we don't provide a separate opinion on these matters.

Key audit matters for the Group's consolidated financial statements for the year ended December 31, 2018 are state as follows:

Inventory Valuation

The Group measures inventory costs with the method of comparing costs or net realizable value; except for the inventory of the same category, each item is regarded as basis during comparing the cost and the net realizable value; please see Note 4 (6) for relevant accounting policies; please see Note 5 (1) for relevant accounting judgments, estimating and assumption of the uncertainty.

The inventory amounts are NT$ 478,922,000 excluding developing property and property to be developed (please see Note 12) on December 31, 2018, and they account for 7% of total assets of consolidated financial statements on December 31, 2018. The main items are materials and products; the costs and relevant prices are affected by cement market, domestic housing market and government real estate policy and have violent fluctuates which causing risk for net realizable value lower than carrying amount. Following the regulation of "Inventory" of IAS 2, the assessment of the net realizable value of inventories involves estimates and judgments, and the results of their judgments directly affect the recognition of the amount of profit and loss, the key audit matters are listed.

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

1. Validated the calculation of inventory cost at the end period and the decision method to evaluate the net realizable value to confirm that the inventory has been evaluated at lower of cost or net realizable value.
2. Inspected the book value of inventory based on the evaluation documents for the inventory on December 31, 2018, to make sure the completeness of its evaluation details. We sampled and got the latest raw material quotation or sales invoice to verify the net realizable

value which has significant discrepancies with reference price or not, and recalculated inventory value to assess the appropriateness of its evaluation basis.

3. Assessed whether there was any outdated or damaged inventory, when the stocktaking did at the end of the year.

Valuation for Developing Property and Property to Be Developed

The Group measures developing property and property to be developed with the method of comparing costs or net realizable value, please see Note 4 (6) for relevant accounting policies; please see Note 5 (2) for relevant accounting judgments, estimating and assumption of the uncertainty.

The amount that the Group invested in developing property and property to be developed is NT$ 3,132,048,000 (please see Note 12) on December 31, 2018, and they account for 43% of total assets of consolidated financial statements on December 31, 2018. Due to the significant amount of developing property and property to be developed, and which are still in the phase of developing, the management assessed the net realized value of developing property and property to be developed in accordance with IAS2 "Inventory", and entrusted external experts to issue property valuation report as a basis for assessing the net realizable value, which involved estimation and judgment, and its judgment result directly affects the recognition of the amount of profit and loss, the key audit matters are listed.

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

1. Evaluate the professional competence, capability and objectivity of the independent real estate appraiser entrusted by the management of the Group and verify the qualification of the evaluator. It also

discusses with its management the scope of work of the evaluators and reviews the terms of their appointment to confirm that there are no matters affecting their objectivity or limiting their scope of work.

2. Evaluate the real estate appraisers' reasonableness of the value estimate, the assumptions and evaluation methods used in the contents and check whether the net realizable value is appropriate.
3. Verify the rationality of important assumptions and parameters, such as checking the disclosur information of the parameters.

Other Matter

We have also audited the parent company only financial statements of Lucky Cement Corporation for the years ended December 31, 2018 and 2017 on which we have issued an unmodified opinion.

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

The management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as the management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the management is responsible for assessing the Group'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 the management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including Independent Directors and Supervisors) are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the general accepted auditing standards 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 consolidated financial statements.

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

1. Identify and assess the risk of significant misstatement of the consolidated financial statements, whether due to fraud or error, the appropriate response to the design and implementation of the risk to be assessed, and obtain sufficient and appropriate audit evidence as a basis for our opinion. Because the fraud may involve conspiracy,

forgery, intentional omission, false declaration or overstepped internal control, the risk of failure to detect the significant false expression of fraud is higher than the cause of error.

2. Obtain a necessary understanding of internal control relevant to the audit in order to design the audit procedures that are appropriate in the circumstance, but not for the purpose of expressing any opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
4. Concluded on the appropriateness of the 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 situations that may significantly doubt on the Group's ability to continue operation. If we conclude that a material uncertainty exists, we had to draw attention in our auditors' report to related disclosures in the consolidated 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 situations may cause the Group to lose the ability to continue operation.
5. Evaluate the overall presentation, structure and content of consolidated financial reports (including related notes) and whether the consolidated financial statements fairly express transactions and events.
6. Obtain adequate and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express the opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group's audit case. We are responsible for our audit opinion.

We communicate with those charged with governance regarding the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control identified during our audit.

We also provide those charged with governance with a declaration that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may be deemed to affect our independence (including the related safeguards).

From the matters communicated with those charged with governance, we decide the key audit matters of the Group's consolidated financial statements for the year ended December 31, 2018. We describe these matters in auditors' report unless the Act precludes public disclosure about the matter when, in extremely rare cases, we decide that a matter should not be communicated in auditors' report, because it is reasonable to expect the negative impact of this communication to outweigh the enhanced public interest.

Deloitte & Touche

Accountants Huang, Hai-Yue		Accountants Liu, Yong-Fu
The approval number of Securities and Futures Commission No. 0920131587 of Taiwan-Finance-Securities	&	The approval number of Securities and Futures Commission No. 0920123784 of Taiwan-Finance-Securities

March 22, 2019

Lucky Cement Corporation and Subsidiaries
Consolidated Balance Sheets
December 31, 2018and 2017

In Thousands of New Taiwan Dollars

Code	Assets	December 31, 2018 Amount	%	December 31, 2017 Amount	%
	Current Assets				
1100	Cash and cash equivalents（Note 4 & 6）	$ 198,802	3	$ 251,893	4
1110	Current financial assets at fair value through profit or loss(Note 4 & 7）	43,370	1	-	-
1120	Current financial assets at fair value through other comprehensive income（Note 4 & 8）	142,250	2	-	-
1125	Available-for-sale financial assets（Note 4 & 9）	-	-	151,476	2
1150	Notes receivable, net（Note 4 & 11）	317,921	4	392,263	6
1160	Notes receivable due from related parties, net（Note 4, 11 & 33）	5,170	-	-	-
1170	Accounts receivable, net（Note 4 & 11）	262,504	4	198,238	3
1180	Accounts receivable due from related parties, net（Note 4, 11 & 33）	11,140	-	8,861	-
1200	Other receivable（Note 4 & 33）	5,650	-	3,514	-
1220	Current tax assets（Note 4 & 26）	21,288	-	16,642	-
130X	Inventories（Note 4, 5 & 12）	3,610,970	50	3,773,847	52
1410	Prepayments（Note 14）	181,273	3	163,767	2
1476	Other current financial assets（Note 15 & 32）	108,232	1	133,348	2
1479	Other current assets（Note 16）	29,959	-	27,222	-
11XX	Total Current Assets	4,938,529	68	5,121,071	71
	Non-Current Assets				
1510	Non-current financial assets at fair value through profit or loss（Note 4 & 7）	6,535	-	-	-
1517	Non-current financial assets at fair value through other comprehensive income（Note 4 & 8）	19,015	-	-	-
1523	Non-current available-for-sale financial assets（Note 4 & 9）	-	-	8,949	-
1543	Non-current financial assets at cost（Note 4 & 10）	-	-	23,216	-
1600	Property, plant, and equipment（Note 4 & 17）	1,877,077	26	1,648,561	23
1840	Deferred tax assets（Note 4 & 26）	143,366	2	157,911	2
1920	Guarantee deposits paid	90,351	1	88,131	1
1990	Other non-current assets（Note 18）	218,624	3	189,013	3
15XX	Total Non-Current Assets	2,354,968	32	2,115,781	29
1XXX	Total Assets	$ 7,293,497	100	$ 7,236,852	100
Code	Liabilities and Equity				
	Current Liabilities				
2100	Short-term borrowings（Note 19 & 34）	$ 852,651	12	$ 873,642	12
2110	Short-term notes and bills payable（Note 19）	219,736	3	139,577	2
2130	Contract liabilities（Note 24）	198,806	3	-	-
2150	Notes payable（Note 20）	148,346	2	186,975	3
2160	Notes payable to related parties（Note 20 & 33）	43,594	1	26,747	-
2170	Accounts payable（Note 20）	114,859	1	126,733	2
2180	Accounts payable to related parties（Note 2 & 33）	23,540	-	66,229	1
2219	Other payables（Note 21）	118,173	2	120,788	2
2220	Other payables to related parties（Note 33）	1,157	-	20,777	-
2230	Current tax liabilities（Note 26）	238	-	13,235	-
2310	Advance receipts	-	-	231,276	3
2320	Long-term liabilities, current portion（Note 19 & 34）	11,200	-	111,200	2
2399	Other current liabilities	3,769	-	7,969	-
21XX	Total Current Liabilities	1,736,069	24	1,925,148	27
	Non-Current Liabilities				
2540	Long-term borrowings（Note 19 & 34）	1,160,438	16	691,638	9
2570	Deferred tax liabilities（Note 4 & 26）	33,935	-	41,771	1
2640	Net defined benefit liability（Note 4& 22）	60,826	1	68,649	1
2645	Guarantee deposits received	29,431	-	35,304	-
2655	Shareholder accounts（Note 33）	45,800	1	45,800	1
25XX	Total Non-Current Liabilities	1,330,430	18	883,162	12
2XXX	Total Liabilities	3,066,499	42	2,808,310	39
	Equity Attributable to the Owner Company（Note 23）				
3110	Ordinary share	4,047,380	55	4,047,380	56
3200	Capital surplus	8	-	8	-
	Retained earnings				
3310	Legal reserve	166,309	3	166,309	2
3320	Special reserve	17,376	-	14,135	-
3350	Un-appropriated retained earnings(accumulated deficit)	(1,032)	-	177,528	3
3300	Total Retained Earnings	182,653	3	357,972	5
3400	Other Equity	(3,121)	-	(3,241)	-
31XX	Total Equity Attributable to Owners of Parent	4,226,920	58	4,402,119	61
36XX	Non-Controlling Interests（Note 23）	78	-	26,423	-
3XXX	Total Equity	4,226,998	58	4,428,542	61
	Total Liabilities and Equity	$ 7,293,497	100	$ 7,236,852	100

The accompanying notes are an integral of the consolidated financial statements.
(Please refer to the March 22th, 2019 Deloitte Taiwan Audit Report.)

Lucky Cement Corporation and Subsidiaries

Consolidated Statements of Comprehensive Income

For the Years Ended December 31, 2018 and 2017

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

Code		2018 Amount	2018 %	2017 Amount	2017 %
	Operating Revenue（Note 4 & 33）				
4110	Sales revenue	$ 3,332,514	100	$ 3,437,942	100
4190	Less：Sales discounts and allowances	(1,913)	-	(3,488)	-
4100	Net sales revenue	3,330,601	100	3,434,454	100
5000	Operating costs（Note 12, 25 & 33）	3,283,834	99	3,305,953	96
5900	Gross Profit from operations	46,767	1	128,501	4
	Operating expenses（Note 25 & 33）				
6100	Selling expense	105,704	3	102,141	3
6200	Administrative expenses	110,714	4	119,077	4
6450	Expected credit impairment loss	1,594	-	-	-
6000	Total Operating Expenses	218,012	7	221,218	7
6500	Net other income(expenses)（Note 25）	16,103	1	(7,627)	-
6900	Net operating income(loss)	(155,142)	(5)	(100,344)	(3)
	Non-Operating Income and Expense（Note 4, 25 & 33）				
7100	Interest income	2,170	-	1,935	-
7110	Rent income	9,008	-	9,621	-
7190	Other income	17,928	1	15,272	1
7225	Gain (loss) on disposals of investments	289	-	(437)	-
7230	Foreign exchange gains or loss	172	-	1,075	-
7235	Gains (losses) on financial assets at FVPL	(3,417)	-	-	-

(To be continued)

(Continued)

Code		2018 Amount	2018 %	2017 Amount	2017 %
7590	Miscellaneous disbursements (Note 13)	(30,253)	(1)	(15,400)	-
7510	Interest Expense	(32,417)	(1)	(30,733)	(1)
7000	Total Non-Operating Income and Expenses	(36,520)	(1)	(18,667)	-
7900	Profit (loss) from continuing operations before tax	($ 191,662)	(6)	($ 119,011)	(3)
7950	Tax income (expense) (Note 4 & 26)	(9,280)	-	16,708	-
8000	Profit (loss) from continuing operations	(200,942)	(6)	(102,303)	(3)
8100	Profit (loss) from discontinued operations (Note 4 & 27)	(672)	-	(775)	-
8200	Profit (loss)	(201,614)	(6)	(103,078)	(3)
	Other comprehensive income				
8310	Items that will not be reclassified subsequently to profit or loss:				
8311	Re-measurement of defined benefit plans (Note 22)	2,825	-	5,019	-
8316	Unrealized gains (losses) from investments in equity instruments measured at FVOCI	(12,958)	-	-	-
8360	Components of other comprehensive income that will be reclassified to profit or loss				
8361	Exchange differences on translation	15,845	-	(1,348)	-

(To be continued)

(Continued)

Code		2018 Amount	2018 %	2017 Amount	2017 %
8362	Unrealized gains (losses) on valuation of available-for-sale financial assets	-	-	(29,294)	(1)
8367	Unrealized gains (losses) from investments in Debt instruments measured at FVOCI	(747)	-	-	-
8300	Other comprehensive income or loss, net	4,965	-	(25,623)	(1)
8500	Total comprehensive income	($ 196,649)	(6)	($ 128,701)	(4)
	Profit (loss), attributable to：				
8610	Attributable to owner of parent	($ 176,971)	(5)	($ 101,111)	(3)
8620	Attributable to non-controlling interests	(24,643)	(1)	(1,967)	-
8600		($ 201,614)	(6)	($ 103,078)	(3)
	Comprehensive income attributable to:				
8710	Attributable to owner of parent	($ 172,004)	(5)	($ 126,733)	(4)
8720	Attributable to non-controlling interests	(24,645)	(1)	(1,968)	-
8700		($ 196,649)	(6)	($ 128,701)	(4)
	Earnings (loss) per share （Note 28）				
	From continuing operations and discontinuing operations				
9750	Basic	($ 0.44)		($ 0.25)	
	From continuing operations				
9710	Basic	($ 0.44)		($ 0.25)	

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

(Please refer to the March 22th, 2019 Deloitte Taiwan Audit Report.)

Lucky Cement Corporation and Subsidiaries

Consolidated Statements of Changes in Equity

For the Years Ended December 31, 2018 and 2017

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

		Equity Attributable to Shareholders of the Parent										
				Retained Earnings			Others					
Code		Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Retained Earnings（accumulated deficit）	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on available-for-sale financial assets	Unrealized gains (losses) from financial assets measured at FVOCI	Total	Non-controlling Interests	Total Equity
A1	Balance, January 1, 2017	$ 4,047,380	$ 8	$ 134,776	$ 14,135	$ 547,996	($ 6,840)	$ 34,240	$ -	$ 4,771,695	$ 30,141	$ 4,801,836
	2016 Appropriation and Distribution of Retained Earnings：											
B1	Legal Reserve	-	-	31,533	-	(31,533)	-	-	-	-	-	-
B5	Cash Dividends－NT$ 0.6 Per Share	-	-	-	-	(242,843)	-	-	-	(242,843)	-	(242,843)
O1	Subsidiary Shareholders'' Cash Dividends	-	-	-	-	-	-	-	-	-	(1,750)	(1,750)
D1	Net income (loss) in 2017	-	-	-	-	(101,111)	-	-	-	(101,111)	(1,967)	(103,078)
D3	Other comprehensive income (loss) in 2017	-	-	-	-	5,019	(1,347)	(29,294)	-	(25,622)	(1)	(25,623)
D5	Total comprehensive income (loss) in 2017	-	-	-	-	(96,092)	(1,347)	(29,294)	-	(126,733)	(1,968)	(128,701)
Z1	Balance, December 31, 2017	4,047,380	8	166,309	14,135	177,528	(8,187)	4,946	-	4,402,119	26,423	4,428,542
A3	Effects of retrospective application	-	-	-	-	(2,887)	-	(4,946)	5,716	(2,117)	-	(2,117)
	Adjusted balance, January 1, 2018	4,047,380	8	166,309	14,135	174,641	(8,187)	-	5,716	4,400,002	26,423	4,426,425
	Appropriation of retained earnings in 2017:											
B3	Special reserve	-	-	-	3,241	(3,241)	-	-	-	-	-	-
D1	Net income (loss) in 2018	-	-	-	-	(176,971)	-	-	-	(176,971)	(24,643)	(201,614)
D3	Other comprehensive income (loss) in 2018	-	-	-	-	2,825	15,847	-	(13,705)	4,967	(2)	4,965
D5	Total comprehensive income (loss) in 2018	-	-	-	-	(174,146)	15,847	-	(13,705)	(172,004)	(24,645)	(196,649)
I1	Increase in non-controlling interestests, net	-	-	-	-	-	-	-	-	-	2,293	2,293
M7	Total equity exchanges for subsidiary	-	-	-	-	(1,078)	-	-	-	(1,078)	(3,993)	(5,071)
Q1	Disposal of equity instruments measured at FVOCI	-	-	-	-	2,792	-	-	(2,792)	-	-	-
Z1	Balance, December 31, 2018	$ 4,047,380	$ 8	$ 166,309	$ 17,376	($ 1,032)	$ 7,660	$ -	($ 10,781)	$ 4,226,920	$ 78	$ 4,226,998

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

(Please refer to the March 22th, 2019 Deloitte Taiwan Audit Report.)

Lucky Cement Corporation and Subsidiaries

Consolidated Statements of Cash Flows

For the Years Ended December 31, 2018 and 2017

In Thousands of New Taiwan Dollars

Code		2018	2017
	Cash Flow from Operating Activities		
A00010	Profit (loss) from continuing operations before tax	($ 191,662)	($ 119,011)
A00020	loss from discontinued operations before tax	(672)	(775)
A10000	Profit (loss) before Tax	(192,334)	(119,786)
A20000	Adjustments:		
A20300	Expected credit impairment loss／bad debt expense	1,594	8,745
A20100	Depreciation expense	238,371	268,510
A20200	Amortization expense	8,903	9,420
A20400	Net losses on financial assets at FVPL	3,417	-
A20900	Interest expense	32,417	30,733
A21200	Interest income	(2,170)	(1,935)
A21300	Dividend income	(2,537)	(4,194)
A22500	Loss (gain) on disposal of property, plant and equipment	(16,103)	(265)
A23100	Loss (gain) on disposal of financial assets	(289)	437
A23700	Impairment loss on property, plant and equipment	-	7,892
A22900	Other expense（Note 13）	14,620	-
A30000	Changes in operating assets and liabilities		
A31130	Notes receivable	74,342	48,269
A31140	Notes receivable due from related parties	(5,170)	12,050
A31150	Accounts receivable	(66,017)	96,775
A31160	Accounts receivable due from related parties	(2,279)	14,499
A31180	Other receivable	(2,034)	(2,319)
A31200	Inventories	162,876	(150,780)
A31230	Prepayments	(17,505)	5,216
A31240	Other current assets	(2,750)	(5,788)
A32125	Contract liabilities	(32,470)	-
A32130	Notes payable	(38,629)	31,133
A32140	Notes payable to related parties	16,848	(64,439)
A32150	Accounts payable	(11,874)	(45,713)

(To be continued)
(Continued)

Code		2018	2017
A32160	Accounts payable to related parties	(42,689)	(24,204)
A32180	Other payable	(2,238)	(47,774)
A32190	Other payable to related parties	(1,292)	845
A32210	Receipts in advance	-	75,564
A32230	Other current liabilities	($ 4,201)	($ 4,389)
A32240	Net defined benefit liability	(7,823)	1,432
A33000	Cash inflow generated from operations	102,984	139,934
A33100	Interest received	1,697	2,324
A33300	Interest paid	(32,635)	(31,598)
A33500	Income taxes paid	(20,214)	(29,623)
AAAA	Net cash flows from operating activities	51,832	81,037
	Cash Flow from Investing Activities		
B00010	Acquisition of financial assets at FVOCI	(105,295)	-
B00020	Proceeds from disposal of financial assets at FVOCI	36,403	-
B00030	Proceeds from capital reduction of financial assets at FVOCI	2,890	-
B00100	Acquisition of financial assets at FVPL, designated as upon initial recognition	(11,025)	-
B00200	Proceeds from disposal of financial assets at FVPL, designated as upon initial recognition	33,943	-
B00300	Acquisition of available-for-sale financial assets	-	(35,235)
B00400	Proceeds from disposal of available-for-sale financial assets	-	31,120
B01400	Proceeds from capital reduction of financial assets at cost	-	14,450
B02700	Acquisition of property, plant and equipment	(467,835)	(37,853)
B02800	Proceeds from disposal of property, plant and equipment	17,461	12,528
B03800	Decrease in refundable deposits (increase)	(2,220)	621
B06600	Decrease in other financial assets	25,116	231,350
B06800	Decrease (increase) in other non-current assets	(38,514)	28,498
B07600	Dividends received	2,537	4,194
BBBB	Net cash flows from (used in) investing activities	(506,539)	249,673

(TO be continued)

(Continued)

Code		2018	2017
	Cash flows from financing activities		
C00100	Increase (decrease) in short-term loans	(20,991)	(312,187)
C00600	Increase (decrease) in short-term notes and bills payable（Note 29）	80,000	(90,000)
C01600	Proceeds from long-term debt	580,000	780,000
C01700	Repayments of long-term debt	(211,200)	(427,200)
C03000	Increase in guarantee deposits received (Decrease)	(5,873)	2,371
C03700	Increase in other payables to related parties (Decrease)	(18,328)	-
C04500	Cash dividends paid	$ -	($ 242,843)
C05400	Acquisition of ownership interests in subsidiaries	(5,071)	-
C05800	Dividends paid in non-controlling interests	-	(1,750)
C09900	Increase in non-controlling interests	2,293	-
CCCC	Net cash flows from (used in) financing activities	400,830	(291,609)
DDDD	Effect of exchange rate changes on cash	786	(298)
EEEE	Net increase (decrease) in cash and cash equivalents	(53,091)	38,803
E00100	Cash and cash equivalents at beginning of period	251,893	213,090
E00200	Cash and cash equivalents at beginning of period	$ 198,802	$ 251,893

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

(Please refer to the March 22th, 2019 Deloitte Taiwan Audit Report.)

Lucky Cement Corporation and Subsidiaries

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2018 and 2017

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

1. Company History

Lucky Cement Corporation (hereinafter referred to as the “Company”, the Company and its subsidiaries hereinafter referred to as the”Group”) 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 consolidated financial statements used New Taiwan Dollars (NT$) as the functional currency of the Company.

2. The Date and Procudure of Financial Report

The accompanying consolidated financial statements were reported to the Board of Directors and issued on March 22, 2019.

3. To Be Applicable for New Release, Revised Regulations, and Interpretation

(1) Criteria Governing the Preparation of Financial Reports by securities issuer but not yet effective and Financial Supervisory Commision (hereinafter referred to as “FSC”) accepted the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), International Financial Reporting Interpretations Committee (IFRIC), and Standing Interpretation Committee (SIC) (hereinafter referred to as “IFRSs”)

Except for the following explanations, it applied the amendments to Criteria Governing the Preparation of Financial Reports by securities issuer and the IFRSs regulations will not effect the Group’s accounting policy.

A. IFRS 9 "Financial Instruments" and related amendments

IFRS 9 "Financial Instruments" supersedes IAS 39 "Financial Instruments: Recognition and Measurement", with consequential amendments to IFRS 7 "Financial Instruments: Disclosures" and other standards. IFRS 9 sets out the requirements for classification, measurement and impairment of financial assets and hedge accounting. Please refer to Note 4 for the relevant accounting policies.

Classification, measurement and impairment of financial assets

Based on the facts and circumstances existing on January 1, 2018, the Group assesses the classification of existing financial assets on that day for retrospective adjustment, and chooses not to restate the comparative period. The changed situation on measurement categories and carrying amount for each class of the Group's financial assets when retrospectively applying IAS 39 and IFRS 9 on January 1, 2018 is detailed below:

	Measurement Categories		Carrying Amount		
Financial Assets	IAS 39	IFRS 9	IAS 39	IFRS 9	Note
Cash and cash equivalents	Loans and receivables	Amortised cost	$ 251,893	$ 251,893	(5)
Stock investment	Available-for-sale financial assets	Investments in equity instruments measured at fair value through other comprehensive income (FVOCI)	78,736	78,736	(1)
	Financial assets at cost	Investments in equity instruments measured at FVOCI	23,216	24,107	(2)
Fund beneficiary certificate	Available-for-sale financial assets	mandatorily measured at fair value through profit or loss (FVPL)	75,937	75,937	(3)
Bond investment	Available-for-sale financial assets	Investments in debt instruments measured at FVOCI	5,752	5,752	(4)
Notes receivable, accounts receivable and other receivables	Loans and receivables	Amortised cost	602,876	599,868	(5)
Restricted assets	Loans and receivables	Amortised cost	218,754	218,754	(5)

	Carry Amount as of January 1, 2018 (IAS 39)	Reclassifications	Remeasurements	Carry Amount as of January 1, 2018 (IFRS 9)	Retained Earnings Effect on January 1, 2018	Other Equity Effect on January 1, 2018	Note
Financial assets at FVPL							
Add：Reclassifications from available-for-sale financial assets（IAS 39） -Mandatory reclassifications	$ -	$ 75,937	$ -	$ 75,937	($ 7,379)	$ 7,379	(3)
Financial assets at FVOCI							
－Debt instruments							
Add：Reclassifications from available-for-sale financial assets（IAS 39）	-	5,752	-	5,752	-	-	(4)
－Equity instruments							
Add：Reclassifications from available-for-sale financial assets（IAS 39）	-	78,736	-	78,736	-	-	(1)
Add：Reclassifications from financial assets at cost（IAS 39）	-	23,216	891	24,107	7,500	(6,609)	(2)
	-	107,704	891	108,595	7,500	(6,609)	
Financial assets at amortised cost							
Add：Reclassifications from loans and receivables（IAS 39）	-	1,073,523	(3,008)	1,070,515	(3,008)	-	(5)
Total	$ -	$ 1,257,164	($ 2,117)	$ 1,255,047	($ 2,887)	$ 770	

① Originally, the stock investment classified as available-for-sale financial assets in accordance with IAS 39, the Group's choice was classified according to IFRS 9 as mandatorily measured at FVOCI, and related other equity - unrealized gains (losses) on available-for-sale financial assets NT$11,906,000 is classified as other equity - unrealized gains (losses) on financial assets measured at FVOCI.

② The unlisted (OTC) stock investments originally measured at cost according to IAS 39 are classified as IFRS 9 and are mandatorily measured at FVOCI, and should be remeasured at fair value. Due to retroactive application, the adjustments of unrealized gains (losses) on financial assets measured at FVOCI decreased by NT$6,609,000 and retained earnings adjustments increased by NT$7,500,000 on January 1, 2018.

③ The fund beneficiary certificates were originally classified as available-for-sale financial assets in accordance with IAS 39. Because its cash flow is not entirely for the payment of principal and interest on the outstanding principal amount, and is not an equity instrument, it is mandatorily categorised under IFRS 9 as a measure of FVPL. As a result of the retrospective application, the other equity–the adjustments of unrealized gains (losses) on available-for-sale financial assets increased by NT$7,379,000 and the retained earnings adjustment decreased by NT$7,379,000 on January 1, 2018.

④ The bond investments were originally classified as available-for-sale financial assets in accordance with IAS 39, its original contractual cash flows entirely paid for the payment of principal and interest on the outstanding principal amount. In accordance with the facts and circumstances on January 1, 2018, the evaluation business model was to hold financial assets to achieve the purpose of collecting contractual cash flows and selling financial assets, and to classify as IFRS 9 as FVOCIf, and related other equity - unrealized gains (losses) on available-for-sale financial assets of NT$419,000 was reclassified as other equity - unrealized gains (losses) on financial assets measured at FVOCI.

⑤ Cash and cash equivalents, notes receivable, accounts receivable, other receivables and restricted assets were originally classified as loans and receivables in accordance with IAS 39, and are classified as financial assets measured at amortised cost in accordance with IFRS 9 and assessed expected credit losses. Due to retroactive application, the adjustment of allowance loss increased by NT$3,008,000 and retained earnings adjustment decreased by NT$3,008,000 on January 1, 2018.

B. IFRS 15 "Revenue from Contracts with Customers" and related amendments

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and will supersede IAS 18 "Revenue," IAS 11 "Construction Contracts" and related interpretations. Please refer to Note 4 for the relevant accounting policies.

The net result of the recognition of revenue, amount received and receivable is recognized as contract assets (liabilities). Prior to the application of IFRS 15, contracts dealt with under IAS 18 recognize the decrease in receivables or advance receipts when revenue is recognized.

If the signed contract is irrevocable, the Group will recognize both the receivables and the contractual liabilities when it has an unconditional right to collect payments. Prior to the application of IFRS 15, the unearned revenue was recognized at the time of collection.

The Company elected only to retrospectively apply IFRS 15 to contracts that were not completed on January 1, 2018. The relevant cumulative effect was adjusted to retained earnings on that date.

Current impact of liabilities

	January 1, 2018 Amount before Adjustments	Adjustments Arising from Initial Application	January 1, 2018 Amount after Adjustments
Contract liabilities－current	$ -	$ 231,276	$ 231,276
Advance receipts	231,276	(231,276)	-
Impact of liabilities	$ 231,276	$ -	$ 231,276

	December 31,2018
Increase in contract liabilities	$ 198,806
Decrease in advance receipts	(198,806)
	$ -

(2) Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers for application starting from 2019 and the IFRSs endorsed by FSC with effective date starting 2019.

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB (Note 1)
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendment to IFRS 9" Prepayment Features with Negative Compensation"	January 1, 2019 (Note 2)
IFRS 16 "Leases"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019（Note 3）

Note 1： Except the notes, the above New Release ／ Amendments ／ Amendments Regulations or Explains will start from the year of the effective date.

Note 2：The FSC allows the Group to elect to apply this amendment in advance on January 1, 2018.

Note 3： The plan amendment, curtailment or settlement that occurres after January 1, 2019 is applied to this amendment.

IFRS 16"Leases"

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 and a number of related interpretations.

Identifying a lease

Upon initial application of IFRS 16, the Group will elect to apply IFRS 16 only to contracts signed (or changed) on or after January 1, 2019 in order to determine whether those contracts are, or contain, a lease. Contracts identified as containing a lease under IAS 17 and IFRIC 4 will not be reassessed and will be accounted for in accordance with the transitional provisions under IFRS 16.

The Group is the tenant

Upon initial application of IFRS 16, the Group will recognize right-of-use assets and lease liabilities for all leases on the consolidated balance sheets, except for those whose payments under low-value and short-term leases will be recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Group will present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities will be classified within financing activities; cash payments for the interest portion will be classified within operating activities. Currently, payments under operating lease contracts are recognized as expenses on a straight-line basis. Cash flows for operating leases are classified within operating activities on the consolidated statements of cash flows.

The Group is expected to adjust the cumulative impact of the retroactive application of IFRS 16 to the retained earnings on January 1, 2019 without recompiling the comparative information.

In accordance with the agreement of IAS 17 for operating leases currently, the measurement of the lease liability on January 1, 2019 will be discounted by the remaining lease payments at the incremental borrowing rate of the lessee at the commencement date. The total right-of-use assets will be measured at the amount of the lease liabilities with the adjustment of the previously recognized prepaid or payable lease payments.eased on that date. Except for the expected expediency ②, the recognized right-of-use assets will be subject to IAS 36 assessment impairment.

The Group is expected to apply the following expediency:

① Use a single discount rate to measure lease liabilities for lease combinations with reasonably similar characteristics.

② The lossable lease contract liabilities recognized at the end of 2018 will adjust the right-to-use assets as of January 1, 2019, and will not be assessed for impairment according to IAS 36.

③ Leases that are closed before December 31, 2019 will be treated on a short-term lease basis.

④ The original direct cost is not included in the measurement of the right-of-use asset as of January 1, 2019.

⑤ When lease liabilities are measured, the lessee may use hindsight, such as in determining the lease term.

The Group is the lessor

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

Expected impact of assets, liabilities and equity on January 1, 2019

	December 31,2018 Carrying Amount	Adjustments from Initial Application	January 1, 2019 Adjusted Carrying Amount
Right-of-use assets	$ -	$ 168,565	$ 168,565
Impact of assets	$ -	$ 168,565	$ 168,565
Current lease liabilities	$ -	$ 52,224	$ 52,224
Non-current lease liabilities	-	116,341	116,341
Impact of liabilities	$ -	$ 168,565	$ 168,565

Except for the above impacts, as of the date the consolidated financial statements were authorized for issue, the Group continues assessing other possible impacts that application of the aforementioned amendments and the related amendments will have on the Group’s financial position and financial performance and will disclose these other impacts when the assessment is completed.

(3) The IFRSs issued by IASB but not yet endorsed and issued into effect by FSC

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB (Note 1)
Amendments to IFRS 3 "the definition of a business"	January 1, 2020（Note 2）
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 and IAS 8 "the definition of materiality"	January 1, 2020 (Note 3）

Note 1： Except the notes, the above New Release／Amendments／Amendments Regulations or Explains will start from the year of the effective date.

Note 2： The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020.

Note 3： The amendments are effective for annual reporting periods beginning on or after 1 January 2020.

As of the date the consolidated financial statements were authorized for issue, the Group continues assessing other possible impacts that application of the aforementioned amendments and the related amendments will have on the Group's financial position and financial performance and will disclose these other impacts when the assessment is completed.

4. Summary of Significant Accounting Policies

(1) Statement of Compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

(2) Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that measured at fair value.

The fair value measures are divided into Levels 1 to 3 according to the observable and significance of the relevant input values:

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

B. 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

C. Level 3 inputs are unobservable inputs for the asset or liability.

(3) Classification of current and non-current assets and liabilities

Current assets include:

A. Assets held primarily for the purpose of trading;

B. Assets expected to be realized within 12 months after the reporting period; and

C. Cash and cash equivalents (excludes the asset which is restricted from exchanging or paying off the liabilities more than 12 months after the reporting period.)

Current liabilities include:

A. Liabilities held primarily for the purpose of trading;

B. Liabilities due to be settled within 12 months after the reporting period(even if a long-term refinancing or rescheduling payment agreement is completed after the end of each reporting period and before the issuance of the financial statements, it is also a current liability.); and

C. Liabilities cannot be unconditionally deferred the settlement period to at least 12 months after the end of each reporting period.

Those who are not of the above current assets or current liabilities are classified as non-current assets or non-current liabilities.

The Group is engaged in the Construction and Development section, its operating cycle is longer than one year. Its assets and liabilities related to the construction business will be based on the normal operating cycle as the standard for dividing the current or non-current.

(4) Basis of consolidation

The consolidated financial statements incorporate the financial statements of Lucky Cement Corporation and the entities controlled by Lucky Cement (its subsidiaries). The adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of Lucky Cement and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

When the Group loses control of the subsidiary, the profit and loss of the disposition is the difference between the following two:

A. the aggregate of the fair value of consideration received and the fair value of any retained interest at the date when control is lost; and
B. the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest.

The Group shall account for all amounts recognized in other comprehensive income in relation to the subsidiary on the same basis as would be required if the Group had directly disposed of the related assets and liabilities.

See Note 13 and Schedule 6 for the detailed information of subsidiaries, the percentage of ownership and main business.

(5) Foreign currencies

When each individual entity prepares the financial statements, a currency other than the individual functional currency (foreign currency) is converted into a functional currency record according to the exchange rate of the transaction day.

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

Nonmonetary 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 nonmonetary items are included in profit or loss for the year except for exchange differences arising from the retranslation of nonmonetary 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.

Nonmonetary items that are measured at historical cost in a foreign currency are not retranslated.

When preparing consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the year. Exchange differences arising are recognized in other comprehensive income.

(6) Inventories

Inventories include raw materials, repair parts, supplies, finished goods, work in progress, merchandise, developing property and property to be developed. Inventories are stated at the lower of cost or net realizable value. The comparison of cost and net realizable value are based on individual items except for inventory in the same category. Under normal circumstances, the net realizable value refers to the balance between the estimated selling price minus the estimated costs to be incurred and the estimated costs required to complete the sale. Inventory cost calculation uses weighted average method; actual construction cost for property stock is according to the proportion of building floor, in line with the principle of recognition of property sales revenue, the operating costs are recognized at the end of the reporting period.

The land to be built in the property to be developed is prepared for construction, and when it is actively developed and obtained a construction permit, it will be recognized to the developing property.

(7) Property, plant and equipment

Property, Plant and Equipment are recognized as cost and subsequent will measure at cost less accumulated depreciation and accumulated impairment.

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 de-recognition 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.

(8) Impairment of tangible assets

At the end of each reporting period, the Group assesses whether there is any indication that tangible assets may have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated. When it cannot be estimated the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

(9) Financial instruments

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

When financial assets and financial liabilities are initially recognized, financial assets or financial liabilities are not measured at fair value through profit or loss, it measured as fair value plus direct transaction costs attributable to the acquisition or issue of financial assets or financial liabilities. Transaction costs that are directly attributable to acquisition or issue of financial assets or financial liabilities measured at fair value through profit or loss are immediately recognized as profit or loss.

A. Financial assets

By convention, financial assets transactions are recognized and derecognized from the transaction date.

I. Measurement category

2018

The types of financial assets held by the Group are financial assets measured at FVPL, financial assets measured at amortised cost, and investments in debt and equity instrument measured at FVOCI.

a. Financial assets measured at FVPL

Financial assets measured at FVPL include financial assets that are mandatorily measured at FVPL and are designated at FVPL. Financial assets that are mandatorily measured at FVPL include the investment in equity instrument that the Group has not designated to measure at FVOCI and the investment in debt instrument that is not meet the classification to measure at amortised cost or measure at FVOCI.

Financial assets that are measured at FVPL are measured at fair value. The remeasurement of the resulting gains or losses (excluding any dividends or interest earned on the financial assets) is recognised in profit or loss. For the determination of fair value, please refer to Note 32.

b. Financial assets at amortised cost

The Group's investment in financial assets is classified as financial assets at amortized cost if it meets both of the following conditions:

(a) It is held under a business model. The purpose of this model is to hold financial assets to collect contractual cash flows.

(b) When contract terms generate cash flows on the specific date, these cash flows are entirely for the payment of principal and interest on the outstanding principal amount.

After initial recognition, financial assets at amortised cost (including cash and cash equivalents, other financial assets, notes receivable measured at amortised cost, accounts receivables and other receivables) are measured at amortised cost which is the total carrying amount determined by the effective interest method deducted the any impairment loss. Any foreign currency gain or loss is recognized in profit or loss.

Except for the following two situations, interest income is calculated by multiplying the effective interest rate by the total carrying amount of financial assets:

(a) Purchased or originated credit-impaired financial asset, interest income is calculated by multiplying the effective interest rate after credit adjustment by the financial assets at amortized cost.

(b) It does not belong to the purchased or initiated credit impairment, but it subsequently becomes a credit impairment financial asset. Interest income is calculated by multiplying the effective interest rate by the financial assets at amortized cost.

Cash equivalents includes certificate deposits that are highly liquid and can be converted into cash at any time within a period of three months from the date of acquisition, with minimal risk of changes in value, to meet short-term cash commitments.

c. Debt instrument investments measured at FVOCI

The Group's debt instrument investments that meet the following two conditions are classified as financial assets measured at FVOCI:

(a) It is held under a business model. The purpose of the model is achieved through the collection of contractual cash flows and the sale of financial assets.

(b) When contract terms generate cash flows on the specific date, these cash flows are entirely for the payment of principal and interest on the outstanding principal amount.

The debt instrument investments measured at FVOCI, the change in the carrying amount is determined by using the effective interest method to calculate the interest income, foreign currency exchange gains or losses, impairment losses or reversal of impairment loss are recognized in profit or loss. It is recognized in other comprehensive income and reclassified to profit or loss when the investment is disposed.

d. Equity instrument investments measured at FVOCI

When the Group initially recognized, it can make an irrevocable choice to designated measure equity instrument investment at FVOCI, when that are not held for trading and not the recognition or consideration by the enterprise's mergers and acquisitions (M&A).

Equity instrument investments measured at FVOCI are measured at fair value. The changes in subsequent fair value are recognized in other comprehensive income and are accumulated in other equity. At the time of investment disposition, cumulative gains and losses are directly transferred to retained earnings and are not reclassified to profit or loss.

Dividends of equity instrument investments measured at FVOCI are recognised in profit or loss when the rights to the Group's receipts are established, unless the dividend clearly represents the recovery of part of the investment costs.

2017

The Group’s financial assets included available-for-sale financial assets, loans and receivables.

a. Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets designated as available-for-sale or financial assets that are not classified as loans and receivables, held-to-maturity investments, or measured at FVPL.

Changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income, and are reclassified to profit or loss when the investment is disposed or impairment is determined.

Dividends of available-for-sale equity investments are recognized when the rights to Group receipts are established.

Available-for-sale financial assets are classified as “financial assets at cost” if they belong to equity instrument investments without publicly price in the active market and the fair value cannot be measured reliably. The subsequent measurement is measured by the amount of costs minus impairment loss. When these financial assets are measured at fair value reliably, the difference between the carrying amount and the fair value is recognized in other comprehensive income. If there is impairment, it is recognized in profit or loss.

b. Loans and receivables.

Loans and receivables (including accounts receivable, cash and cash equivalents and other receivables) are measured at amortised cost less impairment loss using the effective interest method, except for interest of short-term receivables recognized without materiality situation.

Cash equivalents includes certificate deposits that are highly liquid and can be converted into cash at any time within a period of three months from the date of acquisition, with minimal risk of changes in value, to meet short-term cash commitments.

II. Impairment of financial assets

2018

The Group assesses the impairment loss of financial assets (including receivables) at amortization costs on the basis of expected credit losses on each balance sheet date.

Accounts receivable recognizes loss allowance for lifetime expected credit losses. Other financial assets are evaluated first to see whether the credit risk has increased significantly since the original recognition. If there is no significant increase, the 12-month expected credit loss will be used to recognize the allowance loss. If there has been a significant increase, it will be recognized as loss allowance for lifetime expected credit losses.

The expected credit loss is the weighted average credit loss with the weight of default risk. The 12-month expected credit loss represents the expected credit losses arising from potential defaults of financial instruments in the 12 months after the reporting date. The lifetime expected credit losses represent expected credit losses arising from all possible defaults of the financial instruments during the expected period of existence.

The Group recognizes an impairment loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of the financial asset.

2017

Financial assets are assessed for indicators of impairment at the end of each reporting period by the Group. Those financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets and their estimated future cash flows have been lost.

For financial assets at amortized cost, such as notes receivable, accounts receivable and other receivables, such assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually.

For financial assets at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of its estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial assets at the date the impairment loss is reversed does not exceed what the amortized cost would have been had the impairment loss not been recognized.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

When an available-for-sale financial asset is considered to be impaired, cumulative losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

For the available-for-sale equity instrument investments, impairment loss previously recognized in profit or loss is not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income.

For financial assets at cost, the amount of the impairment loss is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of a financial asset is reduced by the impairment loss directly for all financial assets, with the exception of accounts receivable and other receivables, where the carrying amount is reduced through the allowance account. When accounts receivable and other receivables are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss except for uncollectible accounts receivable and other receivables that are written off against the allowance account.

III. Derecognition of financial assets

The Group 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.

Prior to 2017 (inclusive), when a financial asset was decognized as a whole, the difference between its carrying amount and the consideration received plus any cumulative profit or loss that had been recognised in other comprehensive inocme was recognized in profit or loss. When the derecognition of entire financial assets measured at amortised cost, the difference between the carrying amount and the consideration received is recognized in profit or loss from 2018. When the derecognition of the entire debt instrument investments measured at FVOCI, the difference between the carrying amount and the consideration received plus any cumulative profit or loss that had been recognised in other comprehensive inocme was recognized in profit or loss. When the derecognitions of the entire equity instrument investments measured at FVOCI, cumulative gains and losses are directly transferred to retained earnings and are not reclassified to profit or loss.

B. Financial liabilities

I. Subsequent measurement

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

II. Derecognition of financial liabilities

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.

(10) Revenue recognition

<u>2018</u>

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

<u>Revenue from merchandise sales</u>

The revenue from merchandise sales mainly comes from sales of cement, other cement subsidiary products and cement products. Since cement, other cement accessory products and cement products have the right to set prices and use of the products at the time of shipment, and they have the primary responsibility for resale and bear the obsolete risks of obsolete products, the Group was recognized the revenue and receivables at that time.

<u>2017</u>

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. The sales return is based on past experience and other relevant factors to reasonably estimate the future return amount.

Sales of goods

Revenue from the sale of goods is recognized when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

① The Group has transferred to the buyer the significant risks and rewards of ownership of the goods；

② The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold；

③ The amount of revenue can be measured reliably；

④ It is probable that the economic benefits associated with the transaction will flow to the Group; and

⑤ The costs incurred or to be incurred in respect of the transaction can be measured reliably.

(11) Leasing

A. The Group as a lessor

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

B. The Group as a lessee

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

(12) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are part of the cost of the asset, until almost all necessary activities for the asset to reach the intended use or sale status have been completed.

Other than stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

(13) Employee benefits

A. Short-term employee benefits

Short-term employee benefits-related liabilities are measured as non-discounted amounts expected to be paid in exchange for employee services.

B. Retirement benefits

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

Defined benefit costs (including service cost, net interest and re-measurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost) and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expense in the period in which they occur. Re-measurement, 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 and will not be reclassified to profit or loss in subsequent period.

The net defined benefit liabilities (assets) are the shortfalls (remaining) for the determination of the retirement benefit plans. The net determined benefit assets may not exceed the refund of the withdrawal funds from the plan or may reduce the present value of future withdrawals.

(14) Taxation

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

A. Current Tax

An additional profit-seeking income tax shall be levied at the rate of ten percent on unappropriated retained earnings according to the Income Tax Act, it recognized as tax expense in the year that the shareholders' meeting approved the resolution.

Adjustments to income tax payable in previous years are included in current year income tax.

B. Deferred Tax

Deferred tax is calculated based on the temporary differences between the carrying amounts of assets and liabilities and the taxable basis for calculating taxable income.

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

Deferred tax liabilities are recognized for taxable temporary differences related to investment subsidiaries, except that the Group can control the timing of the reversal of the temporary differences, and the temporary difference is likely to not be reversed in the foreseeable future. In relation to such investments, temporary differences can be subtracted, only if they are likely to have sufficient taxable income to realize the benefits of temporary differences, and they are expected to be recognized within the foreseeable future, it can be recognized deferred tax assets.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and the carrying amount is reduced for those who are no longer likely to have sufficient taxable income to recover all or part of their assets. Those that have not been recognized as deferred tax assets are also reviewed at the end of each reporting period and the carrying amount is increased for deferred tax assets are likely to generate taxable income for the deductible in the future.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates 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 Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

C. Current and Deferred Taxes for the Year

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

(15) Discontinuing operations

Corporate components cease to operate if they are about to be scrapped and represent a single major business line or operating area, the recovery of its carrying amount is not continued through the use. The enterprise component should be classified as the discontinuing operations on the date of cessation of use. Its operating results shall be expressed separately in Consolidated Statements of Comprehensive Income, and should also be re-expressed in the consolidated financial statements in the previous period.

5. Critical Accounting Judgments and Key Sources of Estimation and Uncertainty

When the Group applies accounting policies, it is not easy to obtain relevant information from other sources, the management must make relevant judgments, estimates and assumptions based on historical experience and other relevant factors. Actual results may differ from estimates.

The management will continue to review estimates and basic assumptions. If the revision of the estimate affects only the current period, it is recognized in the revision period; if the revision of the accounting estimate affects both the current period and the future period, it is recognized in the current revision period and future period.

The following are information about the key assumptions and the estimated uncertainty. These assumptions and uncertainties have the risk of causing significant adjustments to the carrying amounts of assets and liabilities in the next financial year.

(1) Inventory evaluation

The net realizable value of inventories (excluding developing property and property to be developed) is estimated balance as the estimated selling price in the business process less the estimated costs to be incurred for completion and the estimated costs required to complete the sale. These estimates are based on current market conditions and historical sales experience of similar products. Changes in market conditions may have a significant impact on these estimates.

(2) Evaluation for developing property and property to be developed

The Group regularly evaluates the book value of the developing property and property to be developed to determine that developing property and property to be developed have been stated at the lower of cost and net realizable value in accordance with accounting policies. The estimated net realized value of the Group based on the recent average selling prices of developing property and property to be developed in similar developments in the same industry, which are estimated based on current market conditions and historical sales experience of similar products. Changes in market conditions may significantly impact on these estimates.

6. Cash and Cash Equivalents

	December 31, 2018	December 31, 2017
Cash on hand and revolving funds	$ 1,507	$ 1,432
Checking and demand deposits	161,963	233,128
Bank foreign currency demand deposits	35,332	9,333
Cash equivalents		
Certificates of deposits with original maturities of within 3 months	-	8,000
	$ 198,802	$ 251,893

Market interest rate range for Cash in banks and Certificates of deposits with original maturities of within 3 months on the end of the reporting period is as follows:

	December 31, 2018	December 31, 2017
Cash in banks	0.05%~0.48%	0.05%~0.20%
Certificates of deposits with original maturities of within 3 months	-	0.66%

7. Financial Instrument Measured at FVPL—2018

	December 31, 2018
Current	
Mandatorily measured at FVPL	
—Mutual funds	$ 43,370
Non-Current	
Mandatorily measured at FVPL	
—Mutual funds	$ 6,535

8. Financial Assets Measured at FVOCI－2018

	December 31, 2018
Current	
Equity instrument investments measured at FVOCI	$ 136,875
Debt instrument investments measured at FVOCI	5,375
	$ 142,250
Non-Current	
Equity instrument investments measured at FVOCI	$ 19,015

(1) Equity instrument investments measured at FVOCI

	December 31, 2018
Current	
Listed and OTC stocks	
Formosa Plastics Corporation	$ 40,400
Global Lighting Technologies Inc Common Stocks (GLT 4935)	31,146
Far Eastern New Century Corporation	22,320
Asia Cement Corporation Common Stocks	16,975
Taiwan Cement Corp Common Stocks	15,664
U-Ming Marine Transport Corporation	4,128
Excelsior Medical Co., Ltd. Common Stocks	$ 1,840
Winbond Electronics Corp. Common Stocks	1,764
Medigen Biotechnology Corp. Common Stocks	1,300
United Microelectronics Corp. Common Stocks	814
Highwealth Construction Common Stocks	360
China Development Financial Common Stocks	131
First Financial Holding Co. Ltd. Common Stocks	18
Capital Securities Corp. Common Stocks	8
Hua Nan Financial Holdings Co. Ltd. Common Stocks	7
	$ 136,875
Non Current	
Non-listed (OTC) Company Common Stock	
Jonfeng Mining Co., Ltd. Common Stocks	$ 9,849
Global Securities FinanceCorp. Common Stocks	4,583
WK Technology Fund Common Stocks	4,583
	$ 19,015

For the above investment information, please refer to the "State of Securities held at the end of the period" in Schedule 3.

For other relevant information on financial assets measured at FVOCI, please refer to Note 23 (5).

The Group 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 Group 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 be measured at FVOCI. These investments were previously classified as available-for-sale financial assets or financial assets measured at cost in accordance with IAS 39. For reclassifications and information for 2017, please refer to Note 3, Note 9 and Note 10.

(2) Debt instrument investments measured at FVOCI

	December 31, 2018
Current	
Bond investment	$ 5,375

The bonds held by the Group have a coupon rate of 3.375%. The corporate bonds held were originally classified as available-for-sale financial assets under IAS 39. For reclassification and information for 2017, please refer to Note 3 and Note 9.

9. Available-for-sale Financial Assets－2017

	December 31, 2017
Current	
Listed and OTC stocks	$ 78,736
Domestic mutual funds	66,988
Foreign corporate bonds	5,752
	$ 151,476
Non-Current	
Foreign mutual funds	$ 8,949

10. Financial Assets at Cost－2017

	December 31, 2017
Domestic non-listed (OTC) Company Common Stock	$ 23,216

The above stocks are classified as available-for-sale financial assets according to the types of financial assets measured.

Management believed that the above mentioned equity investments held by the Group, whose fair value cannot be reliably measured due to the range of reasonable fair value estimates was so significant and it is impossible to reasonably estimate the probability of various estimates; therefore they were measured at cost less impairment loss at the end of reporting period.

11. Notes Receivable and Accounts Receivable

	December 31, 2018	December 31, 2017
Notes receivable		
From operating activities		
Non-related parties	$ 317,921	$ 392,263
Related parties	$ 5,170	$ -
Accounts receivable		
From operating activities		
Non-related parties	$ 306,489	$ 241,186
Less: allowance for uncollectible accounts	(43,985)	(42,948)
	$ 262,504	$ 198,238
Related parties	$ 11,140	$ 8,861

(1) Notes receivable

2018

The Group's credit period for the sale of goods is 90 to 150 days, and no interest is charged to notes receivable. In order to minimize credit risks, the management of the Group has designed relevant internal control procedures for the determination of credit limits and credit approvals, and has taken appropriate actions for the recovery of overdue notes receivable. In addition, the Group reviews the recoverable amount of notes receivable at the end of the reporting period to ensure that adequate impairment loss is made for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced.

The Group 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 Group'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 Group's customer base. However, the expected credit loss ratio of the Group based on the preparation matrix at the end of reporting period was zero because it did not recognize the expected credit losses of the notes receivable.

<u>2017</u>

The Group applied the same credit policy in 2018 and 2017. When deciding the recoverability of notes receivable, the Group considers any change in the credit quality from the date credit was initially granted up to the end of the reporting period. If the credit quality changes, it is determined based on the reasons for the change; when the Group assesses the objective impairment evidence of the notes receivable, it individually evaluates the impairment amount. Without objective impairment evidence of the notes receivable, assess the overall impairment of the notes receivable, that is, the Group recognizes an allowance for uncollectible accounts based on past experience in assessing the rate at which notes receivable cannot be recovered.

None of notes receivable was dued on December 31, 2017.

The mortgage information of notes receivable, please see the Note 34 for reference.

(2) Accounts receivable

<u>2018</u>

The Group's credit period for the sale of goods is 90 to 150 days, and no interest is charged to accounts receivable. In order to minimize credit risks, the management of the Group has designed relevant internal control procedures for the determination of credit limits and credit approvals, and has taken appropriate actions for the recovery of overdue accounts receivable. In addition, the Group reviews the recoverable amount of accounts receivable at the end of the reporting period to ensure that adequate impairment loss is made for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced.

The Group 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 preparation matrix of the Group is first divided according to whether the customer has financial difficulties. If the customer has evidence showing that it is a financial difficulty, the Group will recognize 100% of the expected impairment loss. If the customer does not have financial difficulties, due to the different composition of individual sales targets, the company will further differentiate the customer base according to the company, and set the expected credit loss rate based on the overdue days of accounts receivable.

If there is evidence that the counterparty is facing serious financial difficulties and the Group cannot reasonably expects the recoverable amount, the Group directly reverses the related accounts receivables, but it will continue to pursue the activities, and the recoverable amount will be recognized in profit or loss.

The loss allowance of the accounts receivables by the Group in the preparation matrix is as follows:

December 31, 2018

I. Lucky Cement Corp.

	Customers without financial difficulty						
	Not past due	Past due within 30 days	Past due 31～60 days	Past due 61～180 days	Past due over 181 days	Customers with financial difficulty	Total
Expected credit loss rate	0.24%	-	-	-	100%	100%	
Total carrying amount	$ 87,954	$ -	$ -	$ -	$ 269	$ -	$ 88,223
Loss allowance (lifetime expected credit losses)	(214)	-	-	-	(269)	-	(483)
Amortised cost	$ 87,740	$ -	$ -	$ -	$ -	$ -	$ 87,740

II. Luckicon Ready-mixed Concrete Factory Co., Ltd.

	Customers without financial difficulty						
	Not past due	Past due within 30 days	Past due 31～60 days	Past due 61～180 days	Past due over 181 days	Customers with financial difficulty	Total
Expected credit loss rate	4.13%	5.78%	7.18%	10.63%～100%	100%	100%	
Total carrying amount	$ 165,737	$ 4,986	$ 208	$ 73	$ -	$ 29,375	$ 200,379
Loss allowance (lifetime expected credit losses)	(6,845)	(288)	(15)	(22)	-	(29,375)	(36,545)
Amortised cost	$ 158,892	$ 4,698	$ 193	$ 51	$ -	$ -	$ 163,834

III. Others

	Customers without financial difficulty						
	Not past due	Past due within 30 days	Past due 31～60 days	Past due 61～180 days	Past due over 181 days	Customers with financial difficulty	Total
Expected credit loss rate	0%	3%-4	6%-7%	11%-12%	100%	100%	
Total carrying amount	$ 11,293	$ -	$ -	$ -	$ -	$ 6,594	$ 17,887
Loss allowance (lifetime expected credit losses)	-	-	-	-	-	(6,594)	(6,594)
Amortised cost	$ 11,293	$ -	$ -	$ -	$ -	$ -	$ 11,293

Changes in loss allowance from accounts receivable are as follows：

	2018
Balance at January 1, 2018 (IAS 39)	$ 42,948
Effect of retrospective application of IFRS 9	3,008
Balance at January 1, 2018 (IFRS 9)	45,956
Add：Impairment loss	1,594
Less：write-off	(3,537)
Effect of exchange rate changes	(28)
Balance at September 30, 2018	$ 43,985

2017

The Group applied the same credit policy in 2018 and 2017. When deciding the recoverability of accounts receivable, the Group considers any change in the credit quality from the date credit was initially granted up to the end of the reporting period. If the credit quality changes, it is determined based on the reasons for the change; when the Group assesses the objective impairment evidence of the accounts receivable, it individually evaluates the impairment amount. Without objective impairment evidence of the accounts receivable, assess the overall impairment of the accounts receivable, that is, the Group recognizes an allowance for uncollectible accounts based on past experience in assessing the rate at which accounts receivable cannot be recovered.

The analysis of accounts receivable is as below: ：

	December 31, 2017
30 days or less	$ 143,444
31 to 60 days	38,424
61 to 90 days	9,801
91 to 120 days	7,140
121 to 150 days	1,485
Above 151 days	40,892
Total	$ 241,186

The above may base on the open amount day for aging.

For some Accounts Receivable that were past due at the end of the reporting period in the consolidated balance sheets, the Group did not recognize an allowance for impairment loss because there was no significant change in credit quality and the amounts were considered recoverable from the managers' opinions in the Group. The Group to the accounts receivable did not hold any collateral or other credit enhancement.

The aging of overdue but not impairment accounts receivable is as the following:

	December 31, 2017
Above 151 days	$ 2,168

The aging will based on the days of overdue.

Changes in allowance for uncollectible accounts from accounts receivable are as follows:

	Individual impairment loss	Group impairment loss	Total
Balance on January 1, 2017	$ 35,025	$ 2,064	$ 37,089
Add: Recognized doubtful debt expenses	8,572	173	8,745
Less: Write-off	(2,886)	-	(2,886)
Balance on December 31, 2017	$ 40,711	$ 2,237	$ 42,948

12. Inventories

	December 31, 2018	December 31, 2017
Developing property and property to be developed	$ 3,132,048	$ 3,142,546
Raw materials	216,522	301,563
Work in progress	111,610	133,459
Finished goods	110,088	142,034
Repaired part and materials	34,922	45,039
Merchandise	5,780	9,206
	$ 3,610,970	$ 3,773,847

The cost of sales associated with inventory is NT$3,283,834,000 which included inventory valuation losses NT$101,799,000(include valuation losses of developing property and property to be developed NT$97,924,000 and inventory valuation losses NT$3,875,000) in 2018.

The cost of sales associated with inventory is NT$3,305,953,000 which included inventory valuation losses NT$133,548,000(include valuation losses of developing property and property to be developed NT$129,257,000 and inventory valuation losses NT$4,291,000) in 2017.

The Group's property appraisal report issued by external experts on each balance sheet date evaluates the net realizable value of the developing property and property to be developed.

As at December 31, 2018 and 2017, the estimated retrieved inventories over 12 months were NT$3,132,048,000 and NT$3,142,546,000 respectively, most of them are developing property and property to be developed.

See the Note 34 for the information of inventory pledge.

13. Subsidiaries

The subsidiaries in the consolidated financial statements: :

Investment Business	Subsidiary Title	Business Type	Percentage of held stock		Remark
			December 31, 2018	December 31, 2017	
Lucky Cement Corp	Dasheng Enterprise Co., Ltd.(Dasheng Enterprise)	Sale and rental national residential, commercial buildings, parking lots and industrial areas	99.99	99.99	1.&4.
	Luckicon Ready-mixed Concrete Factory Co., Ltd(Luckicon Ready-mixed Co.,)	Production and sell concrete	99.99	99.99	1.
	Lucky Cement Corp., Japan (Lucky Cement Japan,)	Buy and sell cement	100.00	100.00	
	Luckyship Marine Co., Ltd (Luckyship Co.,)	Shipping agent	99.99	99.99	5.
	Just Bright Ltd.	Investment Business	100.00	100.00	
	ELUMINA Technology Inc. (ELUMINA Inc.)	Manufacture and sale light-emitting diode products	-	70.59	2.&6.
Luckicon Ready-mixed Concrete Factory Co., Ltd	Fuyu Development Company	Mine gravel	100.00	75.00	3.
ELUMINA Technology Inc.	Elumina Holding Limited	Holding company	-	100.00	2.
Elumina Holding Limited	ELUMINA(Xiamen) Technology Inc.	Manufacture and sale light-emitting diode products	-	100.00	2.

Note:

1. Important subsidiaries are Luckicon Ready-mixed Concrete Factory Co., Ltd. and Dasheng Enterprise Co., Ltd.
2. Elumina Technology Inc. and its subsidiaries were dissolved in November 2018. The trade generated a loss of NT$ 14,620,000 and recognized in other expenses. Please see Note 27 discounting operation.

3. Luckicon Ready-mixed Co., obtained a 25% equity interest in Fuyu Development Company for non-controlling interests, and the shareholding ratio increased from 75% to 100% in March of 2007.

4. In August 2018, Dasheng Enterprise reduced its capital to make up a loss of NT$ 300,000,000 and increased its capital by cash to issue new shares of NT$290,000,000 at the same time.

5. In August 2018, Luckyship Marine Co. reduced its capital to make up a loss of NT$ 50,000,000 and increased its capital by cash to issue new shares of NT$80,000,000 at the same time.

6. In August 2018, Elumina Technology Inc. increased its capital by issuing new shares of NT$ 7,800,000 and the parent company subscribed by shareholding ratio for NT$ 5,507,000.

14. Prepayments

	December 31, 2018	December 31, 2017
Office supplies	$ 98,523	$ 100,091
Prepaid expenses	80,336	60,517
Advanced payment for material	937	2,985
Others	1,477	174
	$ 181,273	$ 163,767

15. Other Financial Assets

	December 31, 2018	December 31, 2017
Other financial assets		
Restricted assets	$ 108,232	$ 133,348

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, 2018	December 31, 2017
Restricted assets	0.13%~3.5%	0.13%~3.55%

Please see the Note 34 for the mortgage information of other financial assets for reference.

16. Other Current Assets

	December 31, 2018	December 31, 2017
Excess business tax paid	$ 23,701	$ 20,743
Others	6,258	6,479
	$ 29,959	$ 27,222

17. Property, Plant and Equipment

	Land	Building	Machinery and equipment	Electrical equipment	Transportation equipment	Other equipment	Total
Cost							
Balance on January 1, 2017	$ 724,675	$ 2,200,972	$ 6,087,434	$ 1,191,208	$ 1,030,982	$ 493,456	$11,728,727
Add	-	3,137	12,178	2,750	16,746	3,042	37,853
Disposal	-	(174)	(12,351)	-	(5,754)	(1,879)	(20,158)
Net exchange differences	-	(3,592)	(464)	-	(12)	(18)	(4,086)
Balance on December 31, 2017	$ 724,675	$ 2,200,343	$ 6,086,797	$ 1,193,958	$ 1,041,962	$ 494,601	$11,742,336
Accumulated depreciation and impairment							
Balance on January 1, 2017	$ -	$ 1,727,589	$ 5,677,336	$ 1,154,397	$ 797,407	$ 472,262	$ 9,828,991
Depreciation	-	63,598	111,506	7,925	73,004	12,477	268,510
impairment	-	-	-	-	7,892	-	7,892
Disposal	-	(120)	(403)	-	(5,493)	(1,879)	(7,895)
Net exchange differences	-	(3,226)	(469)	-	(10)	(18)	(3,723)
Balance on December 31, 2017	$ -	$ 1,787,841	$ 5,787,970	$ 1,162,322	$ 872,800	$ 482,842	$10,093,775
Balance on December 31, 2017, net	$ 724,675	$ 412,502	$ 298,827	$ 31,636	$ 169,162	$ 11,759	$ 1,648,561
Cost							
Balance on January 1, 2018	$ 724,675	$ 2,200,343	$ 6,086,797	$ 1,193,958	$ 1,041,962	$ 494,601	$11,742,336
Add	359,427	86,870	16,669	2,364	-	2,505	467,835
Disposal	-	-	(8,123)	-	(122,354)	(710)	(131,187)
Net exchange differences	-	4,411	570	-	15	24	5,020
Balance on December 31, 2018	$ 1,084,102	$ 2,291,624	$ 6,095,913	$ 1,196,322	$ 919,623	$ 496,420	$12,084,004
Accumulated depreciation and impairment							
Balance on January 1, 2018	$ -	$ 1,787,841	$ 5,787,970	$ 1,162,322	$ 872,800	$ 482,842	$10,093,775
Depreciation	-	60,799	110,734	8,070	50,258	8,510	238,371
Disposal	-	-	(6,765)	-	(122,354)	(710)	(129,829)
Net exchange differences	-	4,188	385	-	14	23	4,610
Balance on December 31, 2018	$ -	$ 1,852,828	$ 5,892,324	$ 1,170,392	$ 800,718	$ 490,665	$10,206,927
Balance on December 31, 2018, net	$ 1,084,102	$ 438,796	$ 203,589	$ 25,930	$ 118,905	$ 5,755	$ 1,877,077

The Group assesses the impairment for the years 2018 and 2017 and expects that the future cash inflow of ship equipment used by Luckyship Marine Co., Ltd. to provide rental and transportation revenue will be reduced, resulting in the recoverable amount being less than the carrying amount. Therefore, the consolidated company recognized a loss of impairment of NT$7,892,000 in 2017. The Group determines the recoverable amount of this transportation and transportation equipment based on the fair value less disposal costs. The relevant fair value is determined by the market method. The main assumption includes the estimated value of the sale, and it belongs to the second-level fair value measurement.

The part of the parent company's land is aboriginal reservations 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 NT$356,996,000.

The Group's property, plant and equipment are depreciated on the straight-line method basis of the following durable years: ：

Buildings	
Main building of Plant	35 to 55 years
Electrical power equipment	10 to 15 years
Engineering system	3 to 5 years
Machinery and equipment	2 to 10 years
Electrical equipment	5 to 15 years
Transportation equipment	3 to 10 years
Other equipment	3 to 10 years

The mortgage information of Property, Plant and Equipment, please refer to Note 34.

18. Other Non-Current Assets

	December 31, 2018	December 31, 2017
Long-term prepaid expenses	$ 65,376	$ 84,824
Restricted assets	134,467	85,406
Net limestone mining rights	18,781	18,783
	$ 218,624	$ 189,013

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

	December 31, 2018	December 31, 2017
Restricted assets	0.13%~1.065%	0.13%~1.126%

Other information regarding to non-current asset collaterals, please refer to Note 34.

19. Loans

(1) Short-term borrowings

	December 31, 2018	December 31, 2017
Secured borrowings (Note 34)		
Bank loan	$ 752,651	$ 653,642
Unsecured borrowings		
Credit loan	100,000	220,000
	$ 852,651	$ 873,642

The interest rate of the bank loan is as follows：

	December 31, 2018	December 31, 2017
Secured borrowings	1.30%~1.55%	1.35%~1.60%
Unsecured borrowings	1.45%	1.55%~1.57%

(2) Short-term notes and bills payable

	December 31, 2018	December 31, 2017
Commercial paper payable	$ 220,000	$ 140,000
Less: Discount on short-term notes and bills payable	(264)	(423)
	$ 219,736	$ 139,577

Short-term notes and bills payable that is not due as follows:

December 31, 2018

Guarantee / acceptance institution	Par Value	Discount Amounts	Carrying Amounts	Rate range
Commercial paper payable				
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	110,000	193	109,807	1.228%~1.73%
	$ 220,000	$ 264	$ 219,736	

December 31, 2017

Guarantee / acceptance institution	Par Value	Discount Amounts	Carrying Amounts	Rate range
Commercial paper payable				
Ta Ching Bills Finance Corporation	$ 50,000	$ 145	$ 49,855	1.580%
Mega Bills Finance Corporation	30,000	87	29,913	1.588%
Grand Bills Finance Corporation	60,000	191	59,809	1.730%
	$ 140,000	$ 423	$ 139,577	

The maturity of each guaranteed commercial paper is 180 days or less.

(3) Long-term borrowings

	December 31, 2018	December 31, 2017
Secured borrowings (Note 34)		
Bank loan	$ 1,011,638	$ 622,838
Unsecured borrowings		
Bank loan	160,000	180,000
Less: Long-term borrowings have maturity of 1 year or less.	(11,200)	(111,200)
Bank loan	$ 1,160,438	$ 691,638

	Details	December 31, 2018	December 31, 2017
Secured borrowings			
Parent company			
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	$ -
Taishin International Bank	The period is from December 12, 2017 to December 12, 2019, the principle will be repaid at once in maturitity date. It has been repaid earlier in April of 2018.	-	100,000
Dasheng Enterprise			
O-Bank	The period is from November 21, 2017 to November 21, 2022, the principle will be repaid at once in maturitity date.	250,000	250,000
O-Bank	The period is from December 28, 2017 to December 28, 2022, the principle will be repaid at once in maturitity date.	250,000	250,000
Luckyship Marine			
Mega International Commercial Bank Co., Ltd.	The period is from November 17, 2015 to November 17, 2019, every 3 months was served as an installment, pay by 16 installments for the principle.	$ 9,450	$ 18,900
Mega International Commercial Bank Co., Ltd	The period is from February 15, 2016 to February 15, 2020, every 3 months was served as an installment , pay by 16 installments for the principle.	2,188	3,938
Unsecured borrowings			
Parent company			
The Export-Import Bank of the Republic of China	The period is from October 11, 2017 to November 11, 2018, the principle will be repaid at once in maturitity date.	-	100,000
O-Bank	The original period is from November 24, 2017 to November 23, 2019. The period was changed from April 2018 to April 2020 in April 2018.	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 maturitity date.	80,000	-
subtotal		1,171,638	802,838
Less: Long-term borrowings have maturities of 1 year or less		(11,200)	(111,200)
Long-term borrowings		$ 1,160,438	$ 691,638

The annual interest rates of long-term borrowings were 1.73%~2.20% and 1.7894%~2.20% respectively for December 31, 2018and 2017.

20. Notes and Accounts Payable

	December 31, 2018	December 31, 2017
Notes payable		
From operating activities		
Non-related parties	$ 148,346	$ 186,975
Related parties	$ 43,594	$ 26,747
Accounts payable		
From operating activities		
Non-related parties	$ 114,859	$ 126,733
Related parties	$ 23,540	$ 66,229

21. Other Payables

	December 31, 2018	December 31, 2017
Wages and salaries payable	$ 41,408	$ 49,853
Utilities expense payable	19,052	18,128
Taxes payable	20,637	17,458
Maintenance fee payables	1,619	2,853
Other	35,457	32,496
	$ 118,173	$ 120,788

22. Post-Employment Benefit Plan

(1) Defined contribution plans

The Company, Dasheng Enterprise, Luckicon Ready-mixed Co., Fuyu Development Company, Luckyship Co., and ELUMINA Technology Inc. adopted a pension plan under the Labor Pension Act, which is a government-managed defined contribution plan. Under the LPA, the Group makes monthly contributions to employees' individual pension accounts at 6% of monthly wages and salaries.

The employees of the Group in mainland China and Japan are members of the retirement benefits program operated by the governments of China and Japan. The subsidiary is required to provide a specific proportion of the salary cost to the retirement benefit plan to provide the project funds. The obligation of the Group for this government's retirement benefit plan is only to raise a specific amount.

(2) Defined benefit plans

The Company, Dasheng Enterprise, Luckicon Ready-mixed Co., Luckyship Co., and ELUMINA Technology Inc. adopted the defined benefit plan in accordance with the Labor Standards Act is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company, Dasheng Enterprise and Luckicon Ready-mixed Co., contribute amounts equal to 2% 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 Group 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 Group 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 Group has no right to influence the investment policy and strategy. Luckyship Co. did not set up and raise pension funds as of December 31, 2018.

The amounts recognized in the consolidated balance sheets in respect of the Group’s defined benefit plans were as follows:

	December 31, 2018	December 31, 2017
Present value of defined benefit obligation	$ 269,426	$ 304,407
Fair value of plan assets	(208,600)	(235,758)
Net defined benefit liabilities	$ 60,826	$ 68,649

The changes of net defined benefit liabilities are follows：

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities
Balance on January 1, 2017	$ 337,042	($ 264,806)	$ 72,236
Service cost			
Current service cost	4,065	-	4,065
Interest expense（income）	3,695	(2,972)	723
Recognize in profit or loss	7,760	(2,972)	4,788
Re-measurement			
Return on plan assets (excluding amounts included in net interest)	-	608	608
Actuarial loss - changes in demographic assumptions	25	-	25
Actuarial loss - changes in financial assumptions	2,815	-	2,815
Actuarial gain – experience adjustments	(8,467)	-	(8,467)
Recognized in other comprehensive income	(5,627)	608	(5,019)
Contributions from the employer	-	(2,356)	(2,356)
Benefits paid	(34,768)	33,768	(1,000)
Balance on December 31, 2017	$ 304,407	($ 235,758)	$ 68,649
Balance on January 1, 2017	$ 304,407	($ 235,758)	$ 68,649
Service cost			
Current service cost	2,808	-	2,808
Interest expense（income）	2,981	(2,346)	635
Recognize in profit or loss	5,789	(2,346)	3,443
Re-measurement			
Return on plan assets (excluding amounts included in net interest)	-	(7,620)	(7,620)
Actuarial loss - changes in demographic assumptions	11	-	11
Actuarial loss - changes in financial assumptions	2,167	-	2,167
Actuarial loss – experience adjustments	2,617	-	2,617
Recognized in other comprehensive income	4,795	(7,620)	(2,825)
Contributions from the employer	-	(4,441)	(4,441)
Benefits paid	(45,565)	41,565	(4,000)
Balance on December 31, 2018	$ 269,426	($ 208,600)	$ 60,826

Determine the amount of profit or loss that the benefit plan recognizes as a function of the following:

	2018	2017
Operating costs	$ 2,350	$ 3,350
Selling expenses	415	576
Administrative expenses	678	862
	$ 3,443	$ 4,788

Through the defined benefit plans under the Labor Standards Act, the Group is exposed to the following risks:

A. 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, the return generated by plan assets should not be below the interest rate for a 2-year certificated deposit with local banks.

B. Interest risk: The decrease in the interest rate of the government bonds will increase the present value of the defined benefit obligations, but will also increase the debt investment remuneration of the plan assets. The effect of the two on the net defined benefit liabilities is partially offset.

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

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

	December 31, 2018	December 31, 2017
Discount rates	0.875%~0.88%	0.875%~1.00%
Expected rates of salary increase	1.25%	1.25%

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

	December 31, 2018	December 31, 2017
Discount rates		
0.25% increase	(\$ 5,211)	(\$ 5,955)
0.25% decrease	\$ 5,369	\$ 6,142
Expected rates of salary increase		
0.25% increase	\$ 5,170	\$ 6,013
0.25% decrease	(\$ 5,217)	(\$ 5,860)

As the actuarial assumptions may be related to each other, and only a single hypothetical change is unlikely, the above sensitivity analysis may not reflect the actual change in the present value of the determined benefit obligations.

	December 31, 2018	December 31, 2017
The expected contributions to the plan for the next year	\$ 2,062	\$ 2,311
The average duration of the defined benefit obligation	3.1~8.1 years	3.1~8.4 years

23. Equity

(1) Share capital

Common Stock

	December 31, 2018	December 31, 2017
Authorized shares (in thousands)	498,646	498,646
Authorized capital	$ 4,986,460	$ 4,986,460
Issued and paid shares (in thousands)	404,738	404,738
Issued capital	$ 4,047,380	$ 4,047,380

A holder of issued common shares with par value of NT$10 per share is entitled to vote and to receive dividends.

(2) Capital surplus

	December 31, 2018	December 31, 2017
Only to make up for losses		
From share of changes in equities of 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.

(3) Retained earnings and dividend policy

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 NTD$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 (6) of Note 25, Employee Benefits for the revised remuneration allocation policy of employee and directors, supervisors before/after the versions of the Articles of Association. The appropraiton & 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 diluated 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.

The appropriations of 2016 earnings have been approved by shareholders meeting held on June 7, 2017. The resolution of dividends per share was as follows：

	Appropriation of Earnings	Dividend per share (NT$1.00)
Legal reserve	$ 31,533	
Cash dividends	242,843	$ 0.6

The proposal to offset deficits of 2017 and decide not to distribute dividends has been approved by shareholders meeting of the Company held on June 15, 2018.

The Company's board of directors proposed to offset deficits of 2018 and decided not to distribute the dividends 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 NT$120,000, the proposal to offset deficits is still subject to the resolution of the shareholders meeting held in 2019.

(4) Special reserve

	December 31, 2018	December 31, 2017
Special reserve	$ 17,376	$ 14,135

Upon initial application of IFRS 16, the amount of the accumulated conversion of the Company is NT$ 14,135,000 transferred to the retained surplus, and the same amount of special reserve has been added.

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 NT$ 3,241,000.

The Company's board of directors proposed to offset 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 NT$120,000, the proposal to offset deficits is still subject to the resolution of the shareholders meeting held in 2019.

(5) Other equity interest

I. Unrealized gains or losses on available-for-sale financial assets

Balance on January 1, 2017	$ 34,240
Unrealized gains (losses) on available-for-sale financial assets	(29,731)
Cumulative (gain) loss reclassified to profit or loss upon disposal of available-for-salefinancial assets	437
Balance on December 31, 2017	$ 4,946
Balance on January 1, 2018（IAS 39）	$ 4,946
Effect of retrospective application of IFRS 9	(4,946)
Balance on January 1, 2018（IFRS 9）	$ -

II. Unrealized gains or losses on financial assets measured at FVOCI

	2018
Balance on January 1, 2018（IAS 39）	$ -
Effect of retrospective application of IFRS 9	5,716
Balance on January 1, 2018（IFRS 9）	5,716
Unrealized gains (losses) on financial assets measured at FVOCI	(13,705)
Disposals of the accumulated profit or loss of equity instruments measured at FVOCI are transferred to retained earnings	(2,792)
Balance at the end of the period	($ 10,781)

(6) Non-controlling interests

	2018	2017
Balance at the begin of the period	$ 26,423	$ 30,141
Number of share attributable to non-controlling equity		
Profit (loss)	(24,643)	(1,967)
Exchange differences on translation of foreign financial statements	(2)	(1)
Cash dividends distributed by subsidiaries	-	(1,750)
Changes in the ownership interest of subsidiaries	(3,993)	-
Increase in non-controlling interests	2,293	-
Balance at the end of the period	$ 78	$ 26,423

24. Revenue

(1) Segmentation of customer contract revenue

	2018
Cement	$ 1,952,417
Stone	491,363
Cement products	341,988
Others	544,833
	$ 3,330,601

(2) Balance of assets and liabilities related to the sales contract

	December 31, 2018
Notes receivable（Note 11）	$ 317,921
Notes receivable －Related parties (Note 11)	5,170
Accounts receivable（Note 11）	262,504
Accounts receivable－Related parties（Note 11）	11,140
Receivables	$ 596,735
Contract liability	
Sales revenue of goods	$ 198,806

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:

	2018
Contract liability from the beginning of the year	
Sales of goods	$ 231,276

(3) 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 :

	December 31, 2018
Sales of goods	
Fulfill in 2019	$ 198,806

25. Loss from Continuing Operations

(1) Net other income (expense)

	2018	2017
Gains on disposals of property, plant and equipment	$16,103	$ 265
Impairment of property, plant and equipment	-	(7,892)
	$16,103	($ 7,627)

(2) Other income

	2018	2017
Revenue from dividends	$ 2,537	$ 4,194
Others	15,391	11,078
	$ 17,928	$ 15,272

(3) Depreciation and amortization

	2018	2017
Depreciations summary by functions		
Operating costs	$ 222,044	$ 246,585
Operating expenses	9,412	13,921
Non-operating expenses	6,915	8,004
	$ 238,371	$ 268,510
Amortization summary by functions		
Operating costs	$ 5,240	$ 6,932
Operating expenses	3,661	2,488
	$ 8,901	$ 9,420
Depletion summary by functions		
Operating costs	$ 2	$ -
Operating expenses	-	-
	$ 2	$ -

(5) Employee benefits

	2018	2017
Post-employment benefits		
Defined contribution plans	$ 13,051	$ 13,240
Defined benefit plans (Note 22)	3,443	4,788
	16,494	18,028
Other employee benefits	364,548	366,144
	$ 381,042	$ 384,172
Summarized by function		
Operating costs	$ 278,702	$ 279,349
Operating expenses	102,340	104,823
	$ 381,042	$ 384,172

(6) Remuneration for employees, directors and supervisors

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

Amount

	2016
Remuneration for employees	$ 12,447
Remuneration for directors and supervisors	20,745

If the amount of the annual consolidated financial statements still changes after the issued date, it will be treated as changes in accounting estimates and adjusted for subsequent years.

There is no difference between the amount of the remuneration for employees, the directors and supervisors actually paid and recognized in the consolidated financial statements in 2016.

For information on the remuneration for employees, the directors and supervisors of the Company in 2019 and 2018, please check it on the Market Observation Post System of the Taiwan Stock Exchange.

(7) Foreign exchange gains or losses

	2018	2017
Total foreign exchange gains	$ 458	$ 5,050
Total foreign exchange losses	(286)	(3,975)
Net profit (loss)	$ 172	$ 1,075

(8) Gains and Losses on disposals of financial assets

	2018	2017
Gains on Disposals of Available-for-Sale financial assets	$ -	$ 138
Losses on Disposals of Available-for-Sale financial assets	-	(575)
Gains on financial assets at FVPL	289	-
Net gains (losses)	$ 289	($ 437)

26. Income Tax from Continuing Operations

(1) Income tax recognized as profit or loss

The main components of the income tax expense (income) are as follows:

	2018	2017
Current income tax		
Created in current period	$ 111	$ 32,998
Adjustments on prior years	2,460	3,721
	2,571	36,719
Deferred income tax		
Created in current period	27,205	(53,427)
Effect of tax rate changes	(20,496)	-
Income tax expenses (income) of recognised in profit or loss	$ 9,280	($ 16,708)

The reconciliation of accounting profit and current income tax expense (income) is as follows:

	2018	2017
Profit (loss) before tax from continuing operations	($ 191,662)	($ 119,011)
Income tax expense (income) calculated at statutory tax rate for profit (loss) before tax	($ 38,332)	($ 20,232)
Un-deductible expenses on tax	6,188	6,243
Unrecognized the subtractable temporary differences / loss deduction	59,772	(5,727)
Tax-free income	(312)	(713)
Differences recognized from effect of tax rate changes	(20,496)	-
The reconciliation of Current income tax expense in the previous year is recognized in current year	2,460	3,721
Recognized income tax expense (income) in profit or loss	$ 9,280	($ 16,708)

In February 2018, the Income Tax Act in the ROC was amended and, starting from 2018, the Profit-seeking Enterprise Income Tax rate will be adjusted from 17% to 20%. In addition, the tax rate of unappropriated retained earnings will be reduced from 10% to 5% in 2018. For China's subsidiaries, the applicable tax rate is 25%; for other jurisdictions, the tax is calculated based on the applicable tax rate in each jurisdiction.

(2) Current tax assets and liabilities

	December 31, 2018	December 31, 2017
Current tax assets		
Tax refund receivable	$ 21,288	$ 16,642
Current tax liabilities		
Income tax payable	$ 238	$ 13,235

(3) Deferred tax assets and liabilities

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

2018

	Balance at the beginning of the year	Recognized in profit or loss	Balance at the end of the year
Deferred tax assets			
Temporary differences			
Pension limit exceeded	$ 18,525	$ 3,479	$ 22,004
Loss deduction	12,010	36,637	48,647
Investment losses for using equity method	104,148	(61,048)	43,100
Unrealized inventory valuation losses	12,605	2,998	15,603
Unrealized foreign exchange losses	79	(52)	27
Bad debt limit exceeded	5,440	2,311	7,751
Impairment loss on financial assets at FVOCI	3,995	1,852	5,847
Gross profit from advance receipts with an issued bill of lading	1,109	(722)	387
	$ 157,911	($ 14,545)	$ 143,366
Deferred tax liabilities			
Temporary differences			
Accelerated depreciation of Fixed assets	$ 41,766	($ 7,919)	$ 33,847
Unrealized foreign exchange gains	5	83	88
	$ 41,771	($ 7,836)	$ 33,935

2017

	Balance at the beginning of the year	Recognized in profit or loss	Balance at the end of the year
Deferred tax assets			
Temporary differences			
Pension limit exceeded	$ 17,859	$ 666	$ 18,525
Loss deduction	8,108	3,902	12,010
Investment losses for using equity method	71,678	32,470	104,148
Unrealized inventory valuation losses	11,887	718	12,605
Unrealized foreign exchange losses	99	(20)	79
Bad debt limit exceeded	5,549	(109)	5,440
Impairment loss on financial assets measured at cost	3,995	-	3,995
Gross profit from advance receipts with an issued bill of lading	3,142	(2,033)	1,109
	$ 122,317	$ 35,594	$ 157,911
Deferred tax liabilities			
Temporary differences			
Accelerated depreciation of Fixed assets	$ 59,604	($ 17,838)	$ 41,766
Unrealized foreign exchange gains	-	5	5
	$ 59,604	($ 17,833)	$ 41,771

(4) Income tax approval

The Company, Luckicon Ready-mixed Co., and Fuyu Development Company as of the end of 2016 income tax declaration cases, approved by the tax collection authorities, the number of approved and declared is no significant difference.

Dasheng Enterprise and Luckyship Co., as of the end of 2017 income tax declaration cases, approved by the tax collection authorities, the number of approved and declared is no significant difference.

27. Discontinuing Operations

The board of directors of ELUMINA technology Inc. decided to dissolve ELUMINA technology Inc. and its subsidiaries - Elumina Holding Limited and Elumina (Xiamen) Company on July 31, 2015, and had the dissolution of liquidation; the Group classified the cash-generating units into the discounting operation in 2015. ELUMINA technology Inc. and its subsidiaries completed the dissolution process in November 2018.

The Profit (loss) of discontinuing operations in current period is as bellow:

	2018	2017
Current profit (loss)	($ 672)	($ 775)

Information regarding to the Profit/Loss and Cash Flow of Business Suspension Unit is as bellow:

	2018	2017
Operating expenses	($ 653)	($ 754)
Non-operating income and expenses	(19)	(21)
Pre-tax profit (loss) of business suspension units	(672)	(775)
Tax expense	-	-
Current profit (loss)	($ 672)	($ 775)
Profit (loss) of business suspension unit belongs to:		
Owners of the Company	($ 474)	($ 547)
Non-controlling interests	(198)	(228)
	($ 672)	($ 775)
Net cash outflow generated from operations	($ 1,491)	($ 3,779)
Net cash flows from investing activities	1,000	3,300
Net cash flows (outflow)	($ 491)	($ 479)

28. Earnings (Loss) per Share

Unit : NTD 1.00 per share

	2018	2017
Basic earnings (loss) per share		
From continuing operations	($ 0.44)	($ 0.25)
From discontinued operations	-	-
Total basic earnings (loss)per share	($ 0.44)	($ 0.25)

To calculate the net profit (loss) of earnings (loss) per share and the weighted average shares of ordinary stock which is belonging to continuing business units is as follows:

Profit (loss)

	2018	2017
Profit (loss) attributable to owners of parent	($ 176,971)	($ 101,111)
Plus: used to calculate the basic unit of the loss of business units per unit loss of net loss	474	547
To calculate the net profit (loss) of the continuing business unit's earnings (loss) per share	($ 176,497)	($ 100,564)

Number of share

Unit：1,000 Shares

	2018	2017
The weighted average shares of ordinary stock which is used to calculate the basic earnings (loss) per share	404,738	404,738

29. Cash Flow Information

Changes in liabilities arising from financing activities

2018

	January 1, 2018	Cash Flow	Non-cash changes Discount amortization	December 31, 2018
Short-term notes and bills payable	$ 139,577	$ 80,000	$ 159	$ 219,736

2017

	January 1, 2017	Cash Flow	Non-cash changes Discount amortization	December 31, 2017
Short-term notes and bills payable	$ 229,443	($ 90,000)	$ 159	$ 139,577

30. Agreement of Operating Lease

(1) The Group is the tenant

Operating lease includes lease of land, plant, storage land, etc.; the lease period is 1 to 5 years. And as the end of lease, if there is any addition or modification of rented production equipment for ready-mixeded concrete factory and related equipment in Keelung factory rented by Luckicon Ready-mixed Concrete

Factory Co., Ltd. should be transferred to the lessor free.

The total amount of future minimum lease payments for non-cancelable operating lease is as follows:

	December 31, 2018	December 31, 2017
Within 1 year	$ 56,963	$ 42,917
More than 1 year but not more than 5 years	124,862	77,779
	$ 181,825	$ 120,696

Recognized expense of Lease payment as below:

	2018	2017
Lease payment	$ 58,927	$ 53,867

(2) The Group is the lessor

Operating lease includes lease of real estate, plant and equipment; the lease period is 1 to 5 years.

The total amount of future minimum lease payments for non-cancelable operating lease is as follows:

	December 31, 2018	December 31, 2017
Within 1 year	$ 8,316	$ 10,144
More than 1 year but not more than 5 years	1,837	5,180
	$ 10,153	$ 15,324

31. Financial Risk Management

The Group 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 group.

32. Financial Instrument

(1) Information of fair value — financial instrument which is 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.

(2) Information of fair value－financial instruments measured at fair value

I. Fair value hierarchy

December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets measured at FVPL				
Fund Benefit Certificate	$ 43,370	$ -	$ 6,535	$ 49,905
Financial assetsmeasured at FVOCI				
Eqiuty instrument investments				
－Domestic listed (OTC) stock	$ 136,875	$ -	$ -	$ 136,875
－Domestic unlisted (OTC) stock	-	-	19,015	19,015
Debt instrument investments				
－Corporate bonds	5,375	-	-	5,375
Total	$ 142,250	$ -	$ 19,015	$ 161,265

December 31, 2017

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Domestic listed (OTC) stock	$ 78,736	$ -	$ -	$ 78,736
Domestic Fund Benefit Certificate	66,988	-	-	66,988
Foreign Fund Benefit Certificate	-	-	8,949	8,949
Foreign corporate bonds	5,752	-	-	5,752
Total	$ 151,476	$ -	$ 8,949	$ 160,425

There is no transfer between level 1 and level 2 of fair value measurement in 2018 and 2017.

II. Adjustment of financial instruments by level 3 measurement of fair value

2018

Financial assets	Financial assets at FVPL	Financial assets at FVOCI	
	Fund Benefit Certificate	Equity Instruments	Total
Balance at the begin of the period	$ 8,949	$ 23,216	$ 32,165
Effect of retrospective application of IFRS 9	-	891	891
Balance at the begin of the period (IFRS9)	8,949	24,107	33,056
Proceeds from capital reduction	-	(2,890)	(2,890)
Profit /loss (Other gains and losses)	(2,414)	-	(2,414)
Other comprehensive income (Unrealized gains (losses) on financial assets measured at FVOCI)	-	(2,202)	(2,202)
Balance at the end of the period	$ 6,535	$ 19,015	$ 25,550

2017

	Available-for-sale Financial Assets
	Fund Benefit Certificate
Balance at the begin of the period	$ 16,480
Other comprehensive income (Unrealized gains (losses) on available-for-sale financial assets)	(7,531)
Balance at the end of the period	$ 8,949

III. Evaluation technology and inputs of Level 3 measurement of fair value

The fair value of the beneficiary certificate of a private overseas equity fund is determined by refrring to the net value of the fund provided by the fund company.

The domestic unlisted (OTC) equity investment adopts analogy of the Company Act for the listed (OTC) 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.

(3) Financial instruments

	December 31, 2018	December 31, 2017
Financial assets		
Financial assets mandatorily measured at FVPL	$ 49,905	$ -
Measured at amortised cost（Note 1）	1,046,172	-
Loans and receivables （Note 2）	-	1,073,523
Available-for-sale financial assets（Note 3）	-	183,641
Financial assets measured at FVOCI		
Equity instrument investments	155,890	-
Debt instrument investments	5,375	-
Financial liabilities		
Measured at amortised cost（Note 4）	2,651,161	2,314,453

Note 1： The balance includes financial assets measured at amortized cost such as cash and cash equivalents, notess receivable, accounts receivable, other receivables and restricted assets (recognized other financial assets and other non-current assets).

Note 2： The balance includes loans and receivables measured at amortized cost such as cash and cash equivalents, notess receivable, accounts receivable, other receivables and restricted assets (recognized other financial assets and other non-current assets).

Note 3： The balance includes the balance of financial asset measured at costs that are classified as available-for-sale.

Note 4： The balance includes financial liabilities masured at amortised cost such as short-term borrowings, short-term notes and bills payable, notes payable, accounts payable, partical other payables and long-term borrowings.

(4) Objective and policy of financial risk management

The main financial instruments of the Group include receivables, payables and loans. The Financial Department of the Group supervises and manages the related financial risk of operation of the Group in accordance with the internal risk report for risk degree and extensive analysis of exposure. The risks include market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

I. Market risk

The main financial risk for operation of the Group is foreign currency exchange risk (please see ① as follows) and interest rate risk (please see ② as follows).

The exposure of related market risk of financial instrument of the Group and the management and measurement of the exposure don't change.

① Currency risk

The monetary asset in non-functional currency and carrying amount of monetary liabilities on balance sheet date of the Group (included the monetary items calculated in write-off non-functional currency in consolidated financial statement); please see Note 35.

Sensitivity Analysis

The Group is mainly impacted by the foreign exchange rate fluctuation of USD, RMB and Japanese Yen.

The following table shows the sensitivity analysis of the Group 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 group, 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.

	Effect of US dollars		Effect of RMB	
	2018	2017	2018	2017
Profit (loss)	($ 462)	($ 487)	($ 350)	($ 345)

	Effect of Japanese Yen	
	2018	2017
	($ 1,391)	($ 144)

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 Group.

② Interest rate risk

The financial assets in interest rate exposure and the carrying amount of financial liability on balance sheet date of the Group are as follows:

	December 31, 2018	December 31, 2017
Interest rate risk with fair value		
-Financial assets	$ 154,629	$ 162,087

-Financial liabilities	268,200	420,000
Interest rate risk with cash flow		
-Financial assets	377,224	431,993
-Financial liabilities	1,975,833	1,396,057

Sensitivity Analysis

The following sensitivity analysis is determined by rate exposure of non-derivatives on balance sheet date. The internal of the Group 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 2018 decreases/increases NT$3,997,000 and the loss before tax in 2017 increases/decreases NT$2,410,000 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 Group.

II. Credit risk

Credit risk means that the counterparty arrears contract obligation and cause group financial loss risk. As end of balance sheet date, the Group may be caused exposure of maximum credit risk by the counterparty not doing contract obligation, which is mainly from the carrying amount of financial assets recognized on consolidated balance sheet.

The policy adopted by the Group 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 Group is same as the carrying amount:

	December 31, 2018		December 31, 2017	
	Book Value	Largest credit risk exposed amount	Book Value	Largest credit risk exposed amount
Off-balance sheet commitments and guarantee				
Endoresement for subsidiary	$ -	$ 748,910	$ -	$ 748,210

The credit risk of the Group is mainly concentered on the key account (KA) of the Group; as the end of December 31, 2018 and 2017, the receivables should exceed 5% of total receivables, which are separately 43.60% and 51.01% of total receivables.

III. Liquidity risk

The Group can operate and reduce the impact of fluctuations in cash flows by managing and maintaining enough cash in place. The management personnel in the Group supervises using situation of bank finance to ensure following the loan borrowing clause.

Bank loan is an important source of liquidity for the Group. As the end of December 31, 2018 and 2017, the unused long-term and short-term bank loan commitments of the Group are separately NT$1,893,815,000 and NT$2,578,984,000.

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 Group, which is written by undiscounted cash flows of financial liabilities.

December 31, 2018

	Weighted average valid rate (%)	Requirement: Pay at once or less than one month	1 month to 3 months	3 months to 12 months	1 year to 5 years	Above 5 years
Non - derivative financial liabilities						
Non-Interest-Bearing liability		$ 232,472	$ 209,445	$ 17,805	$ 5,317	$ 63,692
Floating interest rate tool	1.62%	-	67,212	743,888	984,725	180,000
Fixed interest rate tool	1.29%	131,000	-	137,200	-	-
		$ 363,472	$ 276,657	$ 898,893	$ 990,042	$ 243,692

December 31, 2017

	Weighted average valid rate (%)	Requirement: Pay at once or less than one month	1 month to 3 months	3 months to 12 months	1 year to 5 years	Above 5 years
Non - derivative financial liabilities						
Non-Interest-Bearing liability	-	$ 245,750	$ 269,489	$ 49,429	$ 12,562	$ 65,358
Floating interest rate tool	1.70%	-	35,355	669,064	691,638	-
Fixed interest rate tool	1.52%	100,000	-	320,000	-	-
		$ 345,750	$ 304,844	$ 1,038,493	$ 704,200	$ 65,358

33. Related Party Transactions

The transaction, account balance, income and losses between the Company and subsidiaries will be completely eliminated after consolidated reporting, so they are not disclosed in the notes. In addition to the discourse of other notes, the transaction between related party and the Group is as follows:

(1) Related party and Relations

Related party	Relations
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 foundation is the same as the chairman of the parent company
Fudong Freight Co., Ltd (Fudong Freight Co.)	The directors of the company are the same as the major shareholders of the parent company
Changjun Water Resources biotechnology Co., Ltd (Changjun Water Resources Co.)	The chairman of the company is one of the parent company chairman's first-degree relatives
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
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
Cheng Haibin	The parent company chairman's third-degree relatives
Fuan Mining Co., Ltd. (Fuan Mining Co.)	The manger is the spouse of the parent company chairman's first-degree relatives.

(2) Business transaction

	2018	2017
Sales		
Other related parties	$ 68,228	$ 96,842
Purchase		
Fuan Mining Co.	$ 224,915	$ 343,707
Other related parties	25,679	34,728
	$ 250,594	$ 378,435

(To be continued)

(Continued)

	2018	2017
Operating costs - transportation expenses		
Other related parties	$ 12,323	$ 15,613
Operating expenses		
Other related parties	$ 3,889	$ 4,441
Non-operating income		
Other related parties	$ 2,409	$ 2,438
Non-operating expenses		
Other related parties	$ 890	$ 696

Except the payment period for the payment by Fuan Mining Co. was paid before September 30, 2017, depending on the demand for funds. The purchase price and sales price between the Group and the related parties were negotiated respectively and were equal to the non-related parties.

Non-operating income is rental revenue between the Group and related parties; the determination and collection method of rent are same as general leasing transactions.

Non-operating expenses are rent expense between the Group and related parties; the determination and collection method of rent are same as general leasing transactions.

(3) Balance of receivables from related parties on balance sheet date is as follows：

	December 31, 2018	December 31, 2017
Notes receivable		
Other related parties	$ 5,170	$ -
Accounts receivable		
Other related parties	$ 11,140	$ 8,861
Other receivable		
Other related parties	$ 551	$ 559

No guarantee received for receivables- related parties. No expense on doubtful debts in receivables- related parties recognized in 2018 and 2017.

(4) Balance of payables from related parties on the end of reporting period in balance sheet is as follows:

	December 31, 2018	December 31, 2017
Notes payable		
Fuan Mining Co.	$ 41,678	$ 21,580
Other related parties	1,916	5,167
	$ 43,594	$ 26,747
Accounts payable		
Fuan Mining Co.	$ 21,195	$ 61,393
Other related parties	2,345	4,836
	$ 23,540	$ 66,229
Other payable（exclude financial）		
Other related parties	$ 1,157	$ 2,449

No guarantee provided for the balance of the payables - related parties.

(5) Loans from related parties

	December 31, 2018	December 31, 2017
Other payable		
Other related parties	$ -	$ 18,328
Shareholder accounts		
Cheng Haibin	$ 45,800	$ 45,800

Shareholder accounts of the Group are no interest borrowing from stockholders.

(7) Remunerations of key management personnel

	2018	2017
Short-term employee benefits	$ 17,385	$ 17,956
Benefit after retirement	441	826
	$ 17,826	$ 18,782

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

34. Pledged Assets

The Group 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, 2018	December 31, 2017
Notes receivable	$ 7,200	$ -
Developing property（Recognized Inventory）	3,012,245	3,022,742
Property, plant and equipment	794,480	815,592
Restricted assets（Recognized Other financial assets and other non-current assets）	242,699	218,754
	$ 4,056,624	$ 4,057,088

35. The Information of Foreign Currency Assets and Liabilities with Important Impact

The following information is expressed in accordance with the total currency without functional currency of the Group; the disclosed exchange rate refers to the exchange rate of foreign currency to functional currency. There are foreign currency assets and liabilities without important impact as follow:

Unit： Thousands of NT dollars and foreign currency

December 31, 2018

	Foreign curreny	Exchange rate	Carrying Amount
Foreign currency Financial assets			
Monetary items			
US dollars	$ 294	30.715 （USD：NTD）	$ 9,002
US dollars	7	6.8632 （USD：RMB）	229
RMB	1,566	4.472 （RMB：NTD）	6,980
Japanese Yen	100,008	0.2872 （JPY：NTD）	28,722

December 31, 2017

	Foreign curreny		Exchange rate		Carrying Amount
Foreign currency Financial assets					
Monetary items					
US dollars	$	321	29.76 （USD：NTD）	$	9,525
US dollars		7	6.5342 （USD：RMB）		222
RMB		1,519	4.549 （RMB：NTD）		6,908
Japanese Yen		10,887	0.2642 （JPY：NTD）		2,876

Foreign exchange gains or losses (realized or unrealized) of the Group in 2018 and 2017 are respectively losses NT$172,000 and gains NT$1,075,000. Because there is variety of foreign currency transactions, it cannot disclose exchange gains and losses in accordance with foreign currency of each important impact.

36. Additional Disclosures

(1) Significant Transactions and (2) The Related Information of transferring to investment:

A. Financings provided：Schedule 1

B. Endorsement/guarantee provided：Schedule 2

C. Marketable securities held (excluding investments in subsidiaries and associates)：Schedule 3

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：Schedule 4

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：Schedule 5

H. Receivables from related parties amounting to at least NT$100 millions or 20% of the paid-in capital：None

I. Information about the derivative financial instruments transaction：None

J. Others: The business relationship between the parent and the subsidiaries and significant transactions between them：Schedule 8

K. Information of the investees (excluded the investees in Mainland China): Schedule 6

(3) Investment Information in mainland China：

I. 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： Schedule 7

II. Significant direct or indirect transactions with the investee, its prices and terms of payment and unrealized gains or losses: there are no significant transactions and unrealized gains or losses between the parent company-subsidiaries and the investee company in mainland China.

① The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period：None

② The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period：None

③ The amount of property transactions and the amount of the resultant gains or losses：None

④ The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purpose：None

⑤ The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds：None

⑥ Other transactions that have material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services：None

37. Segment Information

The Group defined its reportable segments as follows:：

Cement segment: producing and selling business for products related to cement.

Other segment: Other operations of non-cement business。The main business of ELUMINA Technology Inc. and its subsidiary Elumina Holding Ltd. and ELUMINA (Xiamen) company are producing and selling light-emitting Diode, and the unit of cash is transferred to discontinued operation on August, 2015; please see Note 27 for related instruction.

(1) Revenue of segments and operating results

The Group revenues and operating results analyzed by the operating segments were as follows：

	Income of Segments t		Profit/Loss of Segments	
	2018	2017	2018	2017
Cement segment	$ 3,275,401	$ 3,396,350	($ 45,627)	$ 52,499
Other segmentt	55,200	38,104	(109,515)	(152,843)
Total amount of business unit	$ 3,330,601	$ 3,434,454	(155,142)	(100,344)
Interest revenue			2,170	1,935
Rent income			9,008	9,621
Other revenue			17,928	15,272
Gains (losses) on disposals of financial assets			289	(437)
Foreign exchange gains			172	1,075
Loss from financial assets measured at FVPL			(3,417)	-
Other expenses			(30,253)	(15,400)
Interest expense			(32,417)	(30,733)
Profit (loss) from continuing operations before tax			(191,662)	(119,011)
Loss from discontinued operations before tax			(672)	(775)
Profit (loss) before tax			($ 192,334)	($ 119,786)

The revenue of segments reported above is generated with external client exchange. There is no selling between segments in 2018 and 2017.

The revenue of segments means the profits earned by each segment, excluded interest revenue which shall be apportioned, rent income, other revenue, gains (losses) on disposals of financial assets, foreign exchange gains (losses), gains or losses from financial assets measured at FVPL, other expense, impairment loss and interest expense.

(2) Total assets and liabilities of segments

	December 31, 2018	December 31, 2017
Segment assets		
Continuing operating segment		
Cement segment	$ 4,001,015	$ 3,941,495
Other segment t	3,292,482	3,293,622
Total of segment assets	7,293,497	7,235,117
Assets related discontinued operations	-	1,735
Total assets	$ 7,293,497	$ 7,236,852

	December 31, 2018	December 31, 2017
Segment liabilities		
Continuing operating segment		
Cement segment	$ 2,440,119	$ 2,134,893
Other segment	626,380	665,514
Total of segment liabilities	3,066,499	2,800,407
Liabilities related discontinued operations	-	7,903
Toatl liabilities	$ 3,066,499	$ 2,808,310

(3) Information by area

The Group's main operating area is in the Republic of China.

(4) Main customer's information

The annual sales revenue of NT$3,330,601,000 and NT$3,434,454,000 in 2018 and 2017, there were NT$400,868,000 and NT$503,829,000 respectively from the largest customer of the Group. In the year of 2018 and 2017, there was no other income from a single customer that exceeded 10% of the Group's total revenue.

Lucky Cement Corporation and Subsidiaries

Financings Provided

For the Years Ended December 31, 2018

Schedule 1

In Thousands of New Taiwan Dollars

No.	Company of Lending Funds	Borrower	Relation Account	Mmaximum Balance in Current Period	Where is the related party	Balance, end of the period (Note 4)	Amonut of real dealing	Interest rate collar (%)	Character on loan of funds (Note 1)	Amount between business	Necessary reasons for short term financial assets	Amount of allowance for uncollectible be submitted	Collateral		Limitation of loan of funds to individual party (Note 2)	Total limitation of loan of funds (Note 3)
													Name	Value		
0	Lucky Cement Corp.	Dasheng Enterprise	Receivables of Affiliated Enterprise－Financing	$ 390,000	Yes	$ 200,000	$ 67,000	1.8763%	(2)	$ -	Operating Turnover	$ -	-	-	$ 422,692	$1,690,768
		Luckyship Marine Co.	Receivables of Affiliated Enterprise－Financing	30,000	Yes	30,000	3,000	1.8763%	(2)	-	Operating Turnover	-	-	-	422,692	1,690,768
		Lucky Cement Corp., Japan	Receivables of Affiliated Enterprise－Financing	30,000	Yes	30,000	-	1.8763%	(2)	-	Operating Turnover	-	-	-	422,692	1,690,768
						$ 260,000										
1	Luckicon Ready-mixed Co.,	Dasheng Enterprise	Receivables of Affiliated Enterprise－Financing	40,000	Yes	20,000	20,000	1.95%	(2)	-	Operating Turnover	-	-	-	52,182	104,364

Note 1：The expressions for nature of fund loan is as follows:：

(1) Party with business.

(2) 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.

Note 5：The trade between headquarter and subsidiary has been written off in the prepared financial statement.

Lucky Cement Corporation and Subsidiaries

Endorsement/Guarantee Provided

For the Years Ended December 31, 2018

Schedule 2

Unit: NT$1,000, unless otherwise noted

No.	Company Name of endorser	The party for enforcement and guarantee		Limitation amount of enforcement and guarantee for single enterprise (Note 1)	Maximun balance of enforcement and guarantee in current period	Balance of enforcement and guarantee, end of the periodr	Amonut of real dealing	Amount of enforcement and guarantee by property guarantee	Ratio of accumulated amount of enforcement and guarantee to net value of financial statement of lastest period (%)	Maximun limitation on enforcement and guarantee (Note 2)	Enforcement and guarantee belong to parent vs. subsidiary company	Enforcement and guarantee belong to subsidiary vs. parent company	Enforcement and guarantee belong to Mainland China	Remark
		Company	Relations											
0	Lucky Cement Corp.	Dasheng Enterprise	Subsidiary	$ 1,690,768	$ 620,000	$ 620,000	$ 560,000	$ 120,000 (Note3)	14.67%	$ 2,113,460	Y	-	-	
		Luckicon Ready-mixed Co.,	Subsidiary	1,690,768	70,000	70,000	-	-	1.66%	2,113,460	Y	-	-	
		Luckyship Marine Co.	Subsidiary	1,690,768	45,000	45,000	11,638	-	1.06%	2,113,460	Y	-	-	
		Lucky Cement Corp., Japan	Subsidiary	1,690,768	13,910	13,910	4,451	-	0.33%	2,113,460	Y	-	-	
						$ 748,910								

Note 1：The upper limit that Lucky Cement Corporation endorses for single company shall not go beyond 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.

Lucky Cement Corporation and Subsidiaries

Marketable Securities Held

December 31, 2018

Schedule 3

In Thousands of New Taiwan Dollars

Company	Type and Name of Securities	Relationship with the Issuer of Securities	Account	End of period				Remarks
				Shares	Carrying Amount	(%)	Fair Value (Note 1 & 2)	
Lucky Cement Corp.	Fund Beneficiary Certificate							
	O-Bank No.1 Real Estate Investment Trust	—	Current financial assets at FVPL	100,000	$ 856	-	$ 856	
	Non-listed (OTC) Company Common Stock							
	Cando Corporation	—	Non-current financial assets at FVOCI	398,889	-	0.1	-	Note3
	Jonfeng Mining Co., Ltd	—	Non-current financial assets at FVOCI	1,071,428	9,536	10.58	9,536	
	Global Securities Finance Corp.	—	Non-current financial assets at FVOCI	700,837	4,583	0.18	4,583	
	WK Technology Fund	—	Non-current financial assets at FVOCI	1,156,000	4,583	2.77	4,583	
	Listed (OTC) Company Common Stock							
	Taiwan Cement Corp	—	Current financial assets at FVOCI	440,000	15,664	-	15,664	
	Asia Cement Corporation	—	Current financial assets at FVOCI	500,000	16,975	-	16,975	
	Winbond Electronics Corp.	—	Current financial assets at FVOCI	130,181	1,764	-	1,764	
	Excelsior Medical Co., Ltd.	—	Current financial assets at FVOCI	40,000	1,840	-	1,840	
	United Microelectronics Corporation	—	Current financial assets at FVOCI	72,351	814	-	814	
	Medigen Biotechnology Corporation	—	Current financial assets at FVOCI	28,628	1,289	-	1,289	
	Highwealth Construction	—	Current financial assets at FVOCI	8,000	360	-	360	
	China Development Financial	—	Current financial assets at FVOCI	13,496	131	-	131	
	First Financial Holding Co. Ltd.	—	Current financial assets at FVOCI	883	18	-	18	
	Capital Securities Corp.	—	Current financial assets at FVOCI	875	8	-	8	
	Hua Nan Financial Holdings Co. Ltd.	—	Current financial assets at FVOCI	402	7	-	7	
	Far Eastern New Century Corporation	—	Current financial assets at FVOCI	800,000	22,320		22,320	
	U-Ming Marine Transport Corporation	—	Current financial assets at FVOCI	128,000	4,128		4,128	
	Formosa Plastics Corporation	—	Current financial assets at FVOCI	400,000	40,400		40,400	
Luckyship Marine Co.	Non-listed (OTC) Company Common Stock							
	Jonfeng Mining Co., Ltd.	—	Non-current financial assets at FVOCI	35,129	313	0.35	313	

(To be continued)

(Continued)

Company	Type and Name of Securities	Relationship with the Issuer of Securities	Account	End of period				Remarks
				Shares	Carrying Amount	(%)	Fair Value (Note 1 & 2)	
Luckyship Marine Co.	Listed (OTC) Company Common Stock							
	Medigen Biotechnology Corporation	–	Current financial assets at FVOCI	$ 242	11	-	$ 11	
Just Bright Ltd.	Listed Company Common Stock		Current financial assets at FVOCI					
	Global Lighting Technologies Inc. (Stock Name：GLT 4935)	–	Current financial assets at FVOCI	991,908	31,146	-	31,146	
Luckicon Ready-mixed Co.,	Fund Beneficiary Certificate							
	MEGA BAOJUAN Money Market Fund	–	Current financial assets at FVPL	2,826,600	28,375	-	28,375	
	Nomura Global Short Duration Bond Fund	–	Current financial assets at FVPL	948,650	9,656	-	9,656	
	Shin Kong Emerging ASEAN Bond Fund	–	Current financial assets at FVPL	500,015	4,483	-	4,483	
	TSG Phnom Penh Real Estate Development Fund	–	Non-current financial assets at FVPL	500	6,535	-	6,535	
	Marketable Security - Corporate Bond							
	The Cathay United Jenai EMC USD Fixed Interest Allocation Bond	–	Current financial assets at FVOCI	-	5,375	-	5,375	

Note 1：Financial assets measured at FVPL, its fair value is based on the net asset value of funds on December 31, 2018.

Note 2：Listed (OTC) stocks of financial assets measured at FVPL, its fair value is based on stock closing price on December 31, 2018. Corporate bond is based on market price on December 31, 2018. Non-listed (OTC) stocks are estimated market value by the fair value evaluation method.

Note 3：It has been recognized as loss of impairments.

Note 4：Please refer to Schedule 6 and 7 for info regarding to subsidiary investment.

Lucky Cement Corporation and Subsidiaries

Acquisition of individual real estate properties at costs of at least NT$300 million or 20% of the paid-in capital

For the Years Ended December 31, 2018

Schedule 4

In Thousands of New Taiwan Dollars

Types of Property	Transaction Date	Transaction Amount	Payment Term	Counter-party	Nature of Relationships	Prior Transaction of Related Counter-party				Price Reference	Purpose of Acquisition	Other Terms
						Owner	Relationships	Transfer Date	Amount			
The land in 9th Cao'aopo subsection in Cao'aopo section of Yangmei District, Taoyuan City	107/8/13	$ 356,996	paid	Non-related parties	-	-	-	-	$ -	According to the judgment price of the court and the resolution of the board of directors。	It is convenient to use due to the land is adjacent to the factory.	-

Lucky Cement Corporation and Subsidiaries

Total Purchases from or Sales to Related Parties of at least NT$100 Million or 20% of the Paid-in Capital

For the Years Ended December 31, 2018

Schedule 5

In Thousands of New Taiwan Dollars

Company Name	Transaction Counterpart	Relations	Transaction Status				Status and Reasons of Difference between Transaction Condition and General Transaction		Accounts, Notes Receivable (Payable)		Remarks
			Purchase (Sale)	Amount	Account for Purchase (Sale) Percentage to Total (%)	Credit Period	Unit Price	Credit Period	Balance	Accounts, Notes Receivable (Payable) Percentage to Total (%)	
Lucky Cement Corp.	Luckicon Ready-mixed Co.,	Subsidiary	Sale	($ 347,184)	(12.35)	About 90 days	Quite	Quite	Accounts receivable $36,623 Notes receivable 39,153	29.37 13.44	Note
Lucky Cement Corp.	Fuan Mining Co., Ltd.	Other related parties	Purchase	224,915	20.37	About 90 days	Agreed	Quite	Accounts payable (21,195) Notes payable (41,678)	(20.23) (39.79)	

Note：It has been written off in the prepared financial statement.

Lucky Cement Corporation and Subsidiaries

Names, Locations, and Related Information of Investees

For the Years Ended December 31, 2018

Schedule 6

In Thousands of New Taiwan Dollars

Investment company	Invested company	Address	Main business items	Original investment amount (Note 4)		Holding at the end of the period			Current (loss) profit of invested company	Investment (loss) profit accounted this Period (Note 1)	Remarks
				At the end of the period	End of last year	Number of shares	Rate	Carrying Amount			
Lucky Cement Corp.	Dasheng Enterprise	14F., No.237, Songjiang Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.)	Real Estate Sales & Lease	$ 2,167,473	$ 1,887,473	157,295,283	99.99	$ 2,334,592	($ 109,341)	($ 109,341)	
	Luckicon Ready-mixed Co.,	No.191, Sec. 1, Meishi Rd., Yangmei Dist., Taoyuan City 326, Taiwan (R.O.C.)	Ready-mixed Concrete Manufacture & Trades	99,998	99,998	21,999,868	99.99	260,907	(21,227)	(21,227)	
	Just Bright Ltd.	Tropic Isle Building, PO Box 438, Road Town, Tortola, British Virgin Islands	Investment Business	1,566	1,566	50,000	100.00	31,154	931	931	
	Lucky Cement Corp., Japan	Aichi, Japan hekinan Yu Jin-Pu-cho 12 gu	Cement Trading	82,300	82,300	200	100.00	24,059	(636)	(636)	Note 2
	Luckyship Marine Co.	13F., No.237, Songjiang Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.)	Shipping Agent	88,615	8,615	8,499,994	99.99	52,791	(18,534)	(18,534)	
	Elumina Technology Inc.	12F., No.237, Songjiang Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.)	Manufacture and Sale Light-emitting Diode Products	-	93,384	-	-	-	(1,147)	(810)	Note 3
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	7,500	1,000,000	100.00	9,623	(10,665)	(9,587)	
Elumina Technology Inc.	ELUMINA HOLDING LIMITED	Beaufort House, P. O. Box 438, Road Town, Tortola, British Virgin Islands	Holding Company	-	45,563	-	-	-	(2)	(2)	Note 3

Note1：It has been calucated pursuant to the Accountant's reviewed financial statement.

Note2：Original investment amount that the Company invested in Lucky Cement Corp., Japan and did not finish equity registration is 150,000,000 Japanese Yen in December 31, 2018.

Note3：The board of directors of Elumina Technology Inc. resolved to dissolve Elumina Technology Inc. and its subsidiaries on July 3, 2015, and they were dissolved in November 2018.

Note4：The original investment amount includes the previous year's capital reduction to make up for the decrease in losses.

Note5：Please refer to Shcedule 7 for the information regarding to the invested company in China.

Lucky Cement Corporation and Subsidiaries

Investment Information in Mainland China

For the Years Ended December 31, 2018

Schedule 7

Unit：NT$1,000, unless otherwise noted

Invested company in China	Major business	Paid-up capital	Inventory type (Note 1)	The amount of accumulated investment remitted from Taiwan at the beginning of the period (Note 4)	Remittance or recovery of investment amount in this period		The amount of accumulated investment remitted from Taiwan at the end of the period	Current profit and loss of invested company (Note 4)	The proportion of shares held by the Company directly or indirectly	Investmend (Loss) profit accounted of this period (Note 4)	Book value of end-of-period investment (Note 4)	Investment income has been remitted as of this period
					Remittance	Recovered						
ELUMINA (Xiamen) Technology Inc.	Manufacture and sale light-emitting diode products	$ 80,631	(2)	$ 80,631	$ -	$ -	$ 80,631	$ -	70.59%	$ -	$ -	$ -

Cumulative amount of investment from Taiwan investing China at end of this period	Investment Review Committee of the Ministry of Economic Affairs approved amount of investment	Upper limit of investment to China pursuant to regulation of Investment Review Committee of the Ministry of Economic Affairs (Note 3)
USD2,522,000	USD1,286,000	$4,226,920x60%=$2,536,152

Note 1：Investment mode has the following three kinds, wherein types are presented hereof:

(1) Direct investment in China.

(2) Invest in China companies through companies in the third area (investment company of the third area is ELUMINA HOLDING LIMITED).

(3) Others

Note 2：Calculated by the limits set forth in the "China Investment or Technic Cooperation & Review Principle" issued by Investment & Review Committee, August 29, 2008

Note 3：Elumina Technology Inc. is the parent company of ELUMINA (Xiamen) Technology Inc. The board of directors of Elumina Technology Inc. resolved to dissolve Elumina Technology Inc. and its subsidiaries on July 31, 2015, and they were dissolved in November 2018.

Note 4：It has been written off in the preparation of consolidated financial statement.

Lucky Cement Corporation and Subsidiary

Intercompany Relationships and Significant Intercompany Transactions

For the Years Ended December 31, 2018

Schedule 8

In Thousands of New Taiwan Dollars

No.	Name of Trader	Subject in Trade	Relations with trader (Note 1)	State of Trade			
				Account	Amount	Condition of Trade	The ratio of total revenue or total assets (%)
0	Lucky Cement Corp.	Luckicon Ready-mixed Co.,	1	Notes receivable	$ 39,153	About 90 days	0.53
	Lucky Cement Corp.	Luckicon Ready-mixed Co.,	1	Accounts receivable	36,623	About 90 days	0.50
	Lucky Cement Corp.	Luckicon Ready-mixed Co.,	1	Other receivables	94	About 90 days	-
	Lucky Cement Corp.	Luckicon Ready-mixed Co.,	1	Contract liability	4,542	About 90 days	0.06
	Lucky Cement Corp.	Luckicon Ready-mixed Co.,	1	Sales revenue	347,184	About 90 days	10.42
	Lucky Cement Corp.	Luckicon Ready-mixed Co.,	1	Rent income	1,525	30 days	0.05
	Lucky Cement Corp.	Luckicon Ready-mixed Co.,	1	Operating expenses	218	About 90 days	0.01
	Lucky Cement Corp.	Fuyu Development Company	1	Other receivables	4	About 90 days	-
	Lucky Cement Corp.	Fuyu Development Company	1	Notes payable	196	About 90 days	-
	Lucky Cement Corp.	Fuyu Development Company	1	Accounts payable	189	About 90 days	-
	Lucky Cement Corp.	Fuyu Development Company	1	Other payable	389	About 90 days	0.01
	Lucky Cement Corp.	Fuyu Development Company	1	Cost of sales	4,006	About 90 days	0.12
	Lucky Cement Corp.	Fuyu Development Company	1	Purchase	2,595	About 90 days	0.01
	Lucky Cement Corp.	Fuyu Development Company	1	Rent income	13,928	About 90 days	0.42
	Lucky Cement Corp.	Fuyu Development Company	1	Other income	1,200	30 days	0.04
	Lucky Cement Corp.	Luckyship Marine Co.	1	Other financial assets - Financing	3,000	Financing, the repayment period is one year	0.04
	Lucky Cement Corp.	Luckyship Marine Co.	1	Other receivables	7	About 90 days	-
	Lucky Cement Corp.	Luckyship Marine Co.	1	Rent income	256	30 days	0.01
	Lucky Cement Corp.	Luckyship Marine Co.	1	Interest income	143	30 days	-
	Lucky Cement Corp.	Dasheng Enterprise	1	Guarantee deposits paid	159,000	Returned upon completion according to the contract	2.18
	Lucky Cement Corp.	Dasheng Enterprise	1	Other financial assets - Financing	67,000	Financing, the repayment period is one year	0.91
	Lucky Cement Corp.	Dasheng Enterprise	1	Other receivables	99	About 90 days	-
	Lucky Cement Corp.	Dasheng Enterprise	1	Sales revenue	135	About 90 days	-
	Lucky Cement Corp.	Dasheng Enterprise	1	Rent income	80	30 days	-
	Lucky Cement Corp.	Dasheng Enterprise	1	Interest income	3,478	30 days	0.10
1	Luckicon Ready-mixed Co.,	Fuyu Development Company	1	Rent income	5,700	30 days	0.17
	Luckicon Ready-mixed Co.,	Dasheng Enterprise	3	Notes receivable	534	30 days	0.01
	Luckicon Ready-mixed Co.,	Dasheng Enterprise	3	Accounts receivable	816	About 90 days	0.01
	Luckicon Ready-mixed Co.,	Dasheng Enterprise	3	Other financial assets - Financing	20,000	Financing, the repayment period is one year	0.27
	Luckicon Ready-mixed Co.,	Dasheng Enterprise	3	Other receivables	33	About 90 days	-
	Luckicon Ready-mixed Co.,	Dasheng Enterprise	3	Sales revenue	11,867	About 90 days	0.36
	Luckicon Ready-mixed Co.,	Dasheng Enterprise	3	Interest income	676	30 days	0.02

Note 1： The relationships among the transaction parties are as follows:

1. The Company to the subsidiary 2. The subsidiary to the Company 3. Between subsidiaries

6.6 The Company and its affiliates shall disclose the impact on the financial status of the Company in the most recent year and up to and including the date of publication of the annual report: None

VII Examination Analysis and Risk Matters of Financial Position and Operating Results

7.1 Analysis of Financial Status

Analysis of Financial Status (Consolidated)：

Unit：NT$1,000

Item \ Year	2018	2017	Difference	
			Amount	%
Current Assets	$4,938,529	$5,121,071	($182,542)	(3.56)
Property, Plant and Equipment	1,877,077	1,648,561	228,516	13.86
Other Assets	477,891	467,220	10,671	2.28
Total Assets	7,293,497	7,236,852	56,645	0.78
Current Liabilities	1,736,069	1,925,148	(189,079)	(9.82)
Non-Current Liabilities	1,330,430	883,162	447,268	50.64
Total Liabilities	3,066,499	2,808,310	258,189	9.19
Paid –in Capital	4,047,380	4,047,380	0	0.00
Capital Surplus	8	8	0	0.00
Retained Earnings	182,653	357,972	(175,319)	(48.98)
Other Equity	(3,121)	(3,241)	120	(3.70)
Non-controlling interests	78	26,423	(26,345)	(99.70)
Total Equity	4,226,998	4,428,542	(201,544)	(4.55)

1. The increase in non-current liabilities resulted from the reduction of short-term borrowings and the increase of some medium-term and long-term borrowings.
2. The decrease in retained earnings was due to losses in the current year.
3. The decrease in non-controlling interests is the increase in subsidiaries' losses.

7.2 Analysis of Financial Performance

Analysis of Financial Performance (Consolidated)：

Unit: NT$1,000

	2018		2017		Difference	
	Subtotal	Total	Subtotal	Total	Amount	（ % ）
Total operating revenue	$3,332,514		$3,437,942		($105,428)	(3.07)
Less：Sales discounts and allowances	1,913		3,488		(1,575)	(45.15)
Net operating revenue		3,330,601		3,434,454	(103,853)	(3.02)
Operating costs		3,283,834		3,305,953	(22,119)	(0.67)
Gross profit (loss) from operations		46,767		128,501	(81,734)	(63.61)
Operating expenses		218,012		221,218	(3,206)	(1.45)
Net other income (expenses)		16,103		(7,627)	23,730	(311.13)
Net operating income (loss)		(155,142)		(100,344)	(54,798)	54.61
Non-operating income and expenses		(36,520)		(18,667)	(17,853)	95.64
Profit (loss) before tax from continuing operations		(191,662)		(119,011)	(72,651)	61.05
Total tax expense (income)		9,280		(16,708)	25,988	(155.54)
Profit (loss) from continuing operations		(200,942)		(102,303)	(98,639)	96.42
Profit (loss) from discontinued operations		(672)		(775)	103	(13.29)
Profit (loss)		(201,614)		(103,078)	(98,536)	95.59
Other comprehensive income [abstract]		4,965		(25,623)	30,588	(119.38)
Comprehensive income		(196,649)		(128,701)	(67,948)	52.80

Analysis of changes in financial ratio：

1. The decrease in gross profit from operations and net operating income was due to the decrease in sales in 2017 which led to the increase in fixed cost allocation
2. The Increase in net other income (expenses) was due to the gains on disposals of property, plant and equipment.
3. The Increase in non-operating expenses was due to dissolution and liquidation loss of ELUMINA Technology Inc..
4. The Increase in tax expense in 2018 was mainly due to the unrecognized "deductible temporary losses" that reversal could be deducted.

7.3 Analysis of Cash Flow

Review and Analysis of Consolidated Cash Flows
Analysis of Cash Flow

Unit：NT$1,000

The Balance of Cash Flow in the Beginning of Year	Net Cash Flow from Operating Activities	Cash Outflow (Inflow)	Cash Surplus (Deficit)	Leverage of Cash Surplus (Deficit)	
				Investment Plans	Financing Plans
251,893	51,832	104,923	198,802	–	–

1. Analysis of change in cash flow in the current year:：
   （1）Operating activities: Net cash flows from operating activities NT$ 51,832,000 is mainly coming from the decrease in iventories NT$ 162,876,000 and notes receivable NT$ 74,342,000.
   （2）Investment activities：Cash outflows from investing activities NT$ 506,539,000 comes mainly from the increase of acquisition of property, plant and equipment NT$ 467,835,000 and acquisition of financial assets at fair value through other comprehensive income NT$ 105,295,000.
   （3）Financing activities: Net cash flow from financing activities NT$ 400,830,000, which is mainly coming from the increase of short-term borrowings NT$ 59,009,000 and long-term borrowings NT$ 368,800,000.
   （4） The effect of exchange rate changes was caused by cash flow of NT$ 786,000.
2. Remedy for cash shortages and liquidity analysis：None
3. Analysis of cash liquidity for the coming year：
   ①The Balance of Cash flow in the beginning of the year ＝NT$198,802,000
   ②Estimated Net Cash Flow from Operating Activities＝241,374,000
   ③Estimated Cash Outflow (Inflow)＝307,664,000
   Estimated Cash Surplus (Deficit) ①＋②－③＝132,512,000

7.4 Impact of Financial Business of the Major Capital Expenditures in Recent Years: None

7.5 Investment Policy in the Last Year, Main Cause for Profits or Losses, Improvement Plans and the Investment Plans for the Coming Year

The most recent year was the development of an industry related to the Company's business. To expand the scale of operations and achieve a vertical separation or horizontal integration, the increase in operating niche was the Company's investment policy.

Loss of investment in 2018:

1. The reason for the loss of Dasheng Enterprise Co., Ltd. is that the newly-built development project of real estate has not yet been promoted, resulting in no operating income and bearing the interest expense of the development stage.
2. Luckicon Ready-mixed Concrete Factory Co., Ltd. suffered from the unstable real estate industry, the demand has not increased and resulting in losses.
3. Although the operating volume of Luckyship Marine Co., Ltd. has gradually increased, it is not enough to apportion the fixed costs, it caused losses due to the operating volume has not yet reached the Break-Even Point. The company is actively reviewing and developing feasible plans to improve its operating performance.

7.6 Analysis and Evaluation of Risk Management

1. Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Measures：

(1) Foreign exchange rates：：

Except that some of the materials of the Company are imported, the rest are domestic purchases, and our products are domestic sales. Therefore, the foreign currency of the Company’s accounts for a small proportion of the Company's total assets and it is short-term loans within one year. At the end of 2018, there were no liabilities for foreign currency borrowings, and foreign exchange gains for the year were NT$172,000. In order to reduce risks arising from changes in exchange rates, the Company, in addition to long-term tracking of changes in the international economy and finance, irregularly reviews the risk exposure of the Company's foreign currency position, and plans foreign currency demand to circumvent or reduce the possibility of future changes. The Company's financial hedging strategy is aimed at achieving a goal of avoiding most market price or cash flow risks.

(2) Interest rate：

In 2018, except that the short-term and long-term borrowings in the previous period had been repaid on time, the Company reduced short-term borrowings by NT$40,832,000 and increased long-term borrowings by NT$468,800,000. The annual interest expense was NT$32,417,000, and the interest expense accounted for 0.97% of the net revenue. As the fluctuation of interest rates is closely related to economic prosperity, it is still safe for the Company's current financial structure. Although there is regional growth in the global economy, the kinetic energy is still uncertain, the domestic political and economic environment is disturbed, and it is unlikely to raise interest rates in the short term. In order to ensure that the future interest expense due to rising interest rates is reduced, the Company will continue to improve its financial structure and will adopt more meticulous and effective capital planning and use measures.

(3) Inflation:

The Company has a positive correlation with product prices and inflation, so the impact on the company's profit and loss should not be excessive.

2. Policies, Main Causes of Gain or Loss and Future Response Measures with Respect to High-risk, High-leveraged Investments, Lending or Endorsement Guarantees, and Derivatives Transactions：

The Company does not engage in high-risk, high-leverage investments. For acquisition or disposal of major assets, loans to others, endorsement guarantees, and derivative commodity transactions, all are based on the Company’s policies and procedures, such as “Regulations Governing the Acquisition and Disposal of Assets”, “Procedures for Lending of Capital”, “Procedures for Endorsements and Guarantees” and “Procedures for Engaging in Derivatives Trading”.

3. Future Research & Development Projects and Corresponding Budget：

The Company is in the cement manufacturing industry, and the products are mature products used in general building materials. Therefore, the Company will actively optimize the production equipment, improve the operation rate, and improve the product quality to provide customers with better products and services. In addition, more active use of waste resources to reduce the use of natural resources has led to the recycling of economic resources.

4. Effects of and Response to Changes in Policies and Regulations Relating to Corporate Finance and Sales：

(1) With the policies and laws, such as Corporate Governance, Company Act, Securities and Exchange Act modified by the competent authority, the Company has been in cooperation, so there is no large impact for financial business currently.

(2) For the implementation of the new system for retirement, the Company has been pension in accordance with the law, so the new system has no impact for financial business.

(3) Another choice for pension reserve of retired employees in accordance with old system of retirement, the pension reserve has saved in pension fund account on March 31, 2016. At the end of March each year, the amount of insufficient funds is saved according to the actuary’s report.

(4) The revision of the Mining Law and the sharp increase in the special tax on mining will inevitably increase the burden on costs and reduce the gross profit, the Company is intended to more stringently control costs in order to achieve a breakthrough.

5. Effects of and Response to Changes in Technology and the Industry Relating to Corporate Finance and Sales：

The products of the Company are used for general public constructions and civil construction projects; but the construction methods and inspection standards have not changed largely, there is no impact for financial business of the Company.

6. The Impact of Changes in Corporate Image on Corporate Risk Management, and the Company’s Response Measures：

The Company has operating principles in steady and conservative and attentions to the image and risk management, so there is no any foreseeable crisis. Although the cement industry has entered a mature period with limited growth, the Company is actively transforming and looking for business opportunities.

7. Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans： None

8. Expected Benefits from, Risks Relating to and Response to Factory Expansion Plans：None

9. Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration：

The Company knows the risk of focusing on purchase/sales, so the purchase has adopted diversified procurement policy, except for purchases by special minerals and fixed suppliers, the rest is no focus on purchase from the same supplier. In terms of sales, it also spreads risks and implements credit management. The transactions are according to the characteristics of the industrial market transactions and it is based on the advance sales receipts method, except there are some give credit to the evaluation of the operations and financial status of domestic listed (OTC) companies and the sales of the affiliates of the Company. Therefore, the Company's assessment of the risk of recovery of accounts, in the listed (OTC) companies and the affiliates of the Company, the account recovery situation is generally good. As for the customers that belong to the advance payment, because the creditor's right has not yet been generated, it does not evaluate the Transaction Instruments received by the Company. After the customer picks up the goods, the creditor's right of the Company occurs. If the Transaction Instrument has not been cashed, the Company will estimate the Company's bad debt provision for the actual amount that has not been cashed

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10. Effects of, Risks Relating to and Response to Large Share Transfers or Changes in Shareholdings by Directors, Supervisors, or Shareholders with Shareholdings of over 10%：None

11. Effects of, Risks Relating to and Response to the Changes in Management Rights：None

12. Litigation or Non-litigation Matters：None

13. Other Major Risks：

The Company stipulate countermeasures by structuring informal organization system for general day-to-day operations and emergency events to strengthen the management of business risks：

(1) Operation of Meeting：

Accounting department takes charge of the preparation of business review information monthly, and the Chairman acts as the host to convene managers of units including but not limited to business department and factories to review the Company's operations, production and marketing issues for current month, tracking the implementation of the budget and developing improvement program.

(2) Meeting of the Head：

The Chairman convenes first level supervisors of each unit to attend the monthly meeting and each unit presents business situation in the meeting, in addition to review, tracking the implementation of work by each unit, and evaluate the impact of internal and external economic or non-economic environment changes on the Company's established operating principles and strategies and objectives, further stipulating adjusted strategy and program after joint discussion.

(3) Emergent Event Reporting System：

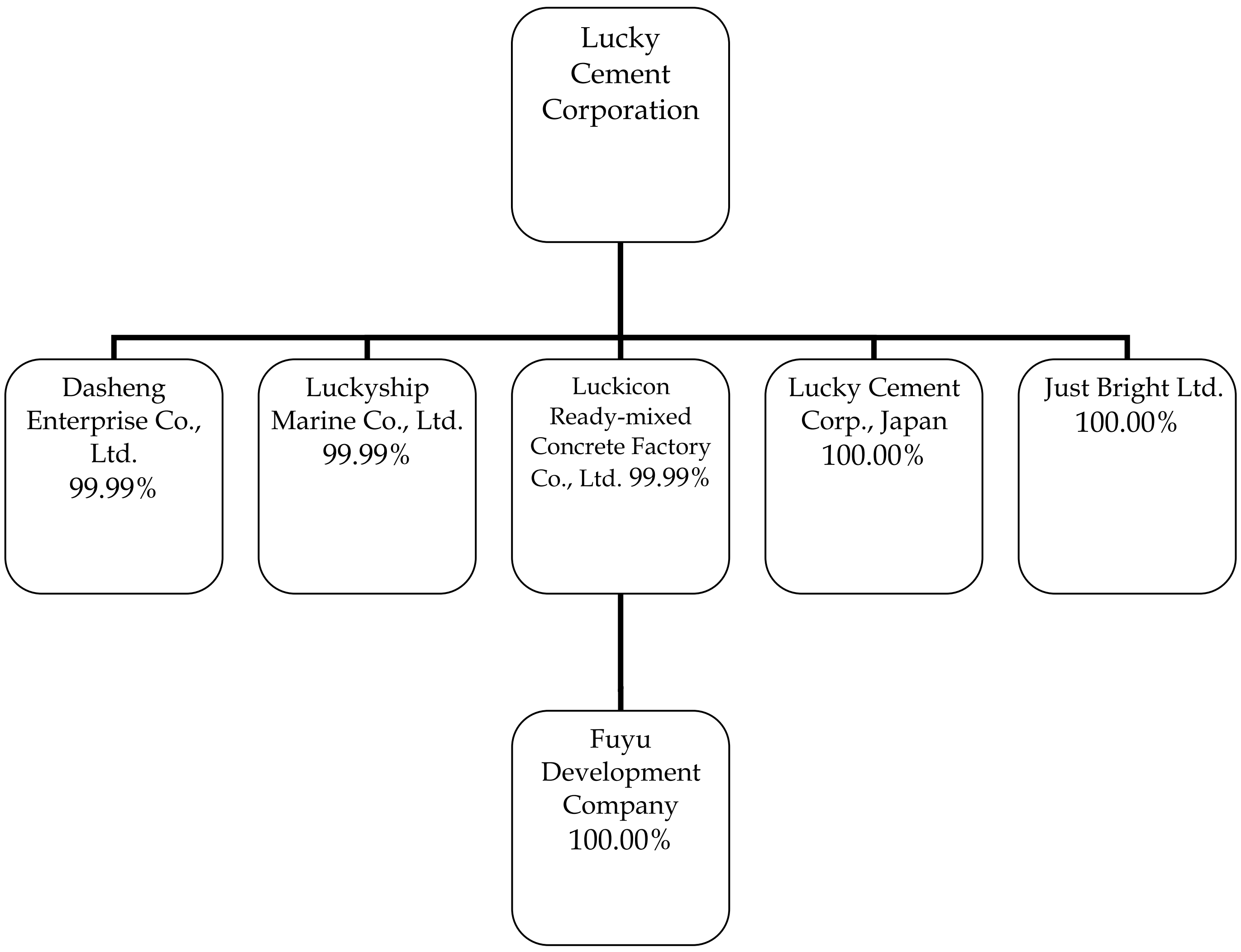
For the purposes of handling any Significant emergent event and reducing any potential damages, the Company establishes "Emergency Reporting System Measures", a guideline of reporting process and on-site contingency treatment for each unit and staffs of the Company.

7.7 Other Important Matters：None

VIII Special Disclosure

8.1 Summary of Affiliated Companies

1. Organization



2. Subsidiaries' information

Comapany Name	Date of establishment	Address	Paid in capital	Main business items
Dasheng Enterprise Co., Ltd.	December, 1969	14F, 237 Songjiang Rd., Zhongshan Dist., Taipei City	NT$1,573,000,000	Construction Business
Luckyship Marine Co., Ltd.	July, 1993	13F, 237 Songjiang Rd., Zhongshan Dist., Taipei City	NT$85,000,000	Shipping Agent and Transportation
Luckicon Ready-mixed Concrete Factory Co., Ltd	May, 1993	191 Meishi Rd., Sec. 1, Yangmei Dist., Taoyuan City	NT$220,000,000	Ready-mixed Concrete Manufacturing & Trades
Lucky Cement Corp., Japan	June, 1987	Aichi, Japan hekinan Yu Jin-Pu-cho 12 gu	￥10,000,000	Cement Trading
Just Bright Ltd.	December, 2000	Tropic Isle Building,Po Box438,RoadTwon,Tortola, British Virgin Islands	US$50,000	Investment Business
Fuyu Development Company	November, 2007	13F, 237 Songjiang Rd., Zhongshan Dist., Taipei City	NT$10,000,000	Mine Gravel

3. Presumed to have control and affiliation, their same shareholder information: None

4. Information of subsidiaries' directors and supervisors

December 31, 2018

Company Name	Title	Name or Representative	Holding Shares	
			Shares	Shareholding Ratio
Dasheng Enterprise Co., Ltd.	Chairman	Chen, Liang-Chuan (Lucky Cement Co.)	157,295,283	99.99%
	Director	Xiao, Jing-Qi (Lucky Cement Co.)	157,295,283	99.99%
	Director	Chen, Yun-Ju (Lucky Cement Co.)	157,295,283	99.99%
	Supervisor	Lin, Zheng-Liang	—	—
Luckyship Marine Co., Ltd.	Chairman	Chen, Liang-Chuan (Lucky Cement Co.) (Lucky Cement)	8,499,994	99.99%
	Director	Guo, Qing-Shui (Lucky Cement Co.)	8,499,994	99.99%
	Director	Chen, Yun-Ju (Lucky Cement Co.)	8,499,994	99.99%
	Supervisor	Weng, Xiu-Chu	—	—
Luckicon Ready-mixed Concrete Factory Co., Ltd	Chairman	Chen, Liang-Chuan (Lucky Cement Co.)	21,999,868	99.99%
	Director	Chen, Yun-Ju (Lucky Cement Co.)	21,999,868	99.99%
	Director	Weng Xiu-Chu (Lucky Cement Co.)	21,999,868	99.99%
	Supervisor	Lin, Zheng-Liang (Jinli Investment Co.)	22	0.01%
Lucky Cement Corp., Japan	Chairman	Chen, Liang-Chuan (Lucky Cement Co.)	200	100.00%
	Director	Chen, Yun-Ju (Lucky Cement Co.)	200	100.00%
	Director	Weng, Xiu-Chu (Lucky Cement Co.)	200	100.00%
	Supervisor	Lin, Jia-Hui (Lucky Cement Co.)	200	100.00%
Just Bright Ltd.	Director	Chen, Liang-Chuan (Lucky Cement Co.)	50,000	100.00%
Fuyu Development Company	Chairman	Chen, Qing-Hong (Luckicon Ready-mixed Concrete Co.)	1,000,000	100.00%
	Director	Chen, Jun-Ren (Luckicon Ready-mixed Concrete Co.)	1,000,000	100.00%
	Director	Lin, Jia-Hui (Luckicon Ready-mixed Concrete Co.)	1,000,000	100.00%
	Supervisor	Zhang, Long-Xiong (Luckicon Ready-mixed Concrete Co.)	1,000,000	100.00%

5. The industries covered by all subsidiaries' business operations

(1) Manufacturing, processing, sales and distribution of cement and cement products.
(2) Mining, manufacturing, processing, sales and distribution of raw materials for cement and raw materials for cement products and various ores.
(3) Construction business.
(4) Ship transportation.
(5) Ready-mixed concrete manufacturing and trades.
(6) Investment business.
(7) Shipping agent.
(8) Mine gravel.

6. Business overview of affiliated companies

Unit: In Thousands of New Taiwan Dollars, except Earnings (Loss) Per Share
December 31, 2018

Company Name	Paid-in Capital	Total Assets	Total Liabilities	Net Worth	Operating Revenue	Net Operating Income (Loss)	Profit/Loss (after Tax)	Earnings (Loss) Per Share (after Tax) (NTD)
Dasheng Enterprise Co., Ltd.	1,573,000	3,190,249	855,582	2,334,667	114	(103,575)	(109,345)	(0.70)
Luckyship Marine Co., Ltd.	85,000	74,290	21,499	52,791	55,086	(18,354)	(18,354)	(2.2)
Luckicon Ready-mixed Concrete Factory Co., Ltd	220,000	440,920	180,009	260,910	701,393	(21,723)	(21,227)	(0.96)
Lucky Cement Corp., Japan	32,714	29,687	5,628	24,059	59,570	412	(635)	—
Just Bright Ltd.	1,566	31,153	0	31,153	—	(62)	930	—
Fuyu Development Company	10,000	24,563	14,942	9,621	67,352	(13,670)	(10,665)	(10.67)

7. The Consolidated Financial Statements of affiliated enterprises

Declaration for the Consolidated Financial Statements of Affiliated Enterprises of the Company

March 22, 2019

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2018 are the same as the companies required to be included in the consolidated financial statements of the Company and subsidiaries as of and for the years ended December 31, 2018 and 2017, as provided in International Accounting Standard 10 “Consolidated and Separate Financial Statements.” Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of the Company and subsidiaries as of and for the years ended December 31, 2018 and 2017. Hence, we did not prepare a separate set of consolidated financial statements of affiliates for the year ended December 31, 2018.

Very truly yours,

Lucky Cement Corporation

By

Chen, Liang-Chuan

Responsible Person

8.2 The Situation of Private Equity Securities in Latest Years and End of Annual Publication Date: None

8.3 The Situation for the Acquisition or Disposal of the Shares of the Company in the Latest Years and End of Annual Publication Date: None

8.4 Other Necessary Supplementary Note: None

IX The Significant Impact on Shareholders' Equity or Securities Prices in 2018 and up to the Date of Publication of the Annual Report: None