

Lucky Cement Corporation

Parent Company Only Financial Statements for the Years Ended December 31, 2018 and 2017 and Independent Auditors' Report

Notice to readers

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

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Independent Auditors' Report

The Board of Directors and 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

C o d e	Assets	December 31, 2018		December 31, 2017	
		Amount	%	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				
	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

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

C o d e		2018		2017	
		Amount	%	Amount	%
	Operating Revenue (Note 4 & 23)				
4110	Sales revenue	\$ 2,811,247	100	\$ 2,960,174	100
4190	Less : Sales discounts and allowances	(<u>750</u>)	<u>-</u>	(<u>2,804</u>)	<u>-</u>
4100	Net sales revenue	2,810,497	100	2,957,370	100
5000	Operating costs (Note 11, 24 & 31)	<u>2,660,209</u>	<u>95</u>	<u>2,712,477</u>	<u>92</u>
5900	Gross Profit from operations	<u>150,288</u>	<u>5</u>	<u>244,893</u>	<u>8</u>
	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	(<u>30</u>)	<u>-</u>	<u>-</u>	<u>-</u>
6000	Total Operating Expenses	<u>177,024</u>	<u>6</u>	<u>174,729</u>	<u>6</u>
6500	Net other income(expenses) (Note 24)	<u>4,717</u>	<u>-</u>	<u>262</u>	<u>-</u>
6900	Net operating income (loss)	(<u>22,019</u>)	(<u>1</u>)	<u>70,426</u>	<u>2</u>
	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)

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C o d e		2018		2017	
		Amount	%	Amount	%
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)

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C o d e		2018		2017	
		Amount	%	Amount	%
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	(<u>749</u>)	-	(<u>31,653</u>)	(<u>1</u>)
8300	Other comprehensive income or loss, net	<u>4,967</u>	-	(<u>25,622</u>)	(<u>1</u>)
8500	Total comprehensive income	(<u>\$ 172,004</u>)	(<u>6</u>)	(<u>\$ 126,733</u>)	(<u>4</u>)
	Earnings (loss) per share (Note 26)				
9750	Basic	(<u>\$ 0.44</u>)		(<u>\$ 0.25</u>)	

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

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 (l o s s e s) 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

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

C o d e		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)

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C o d e		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	<u>1,072</u>	<u>2,082</u>
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	(<u>18,124</u>)	(<u>19,855</u>)
AAAA	Net cash flows from operating activities	<u>378,881</u>	<u>306,153</u>
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)

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<u>C o d e</u>		<u>2018</u>	<u>2017</u>
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	(<u>839,419</u>)	<u>178,367</u>
	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	-	(<u>242,843</u>)
CCCC	Net cash flows from (used in) financing activities	<u>432,813</u>	(<u>467,827</u>)
EEEE	Net increase (decrease) in cash	(27,725)	16,693
E00100	Cash at beginning of period	<u>170,262</u>	<u>153,569</u>
E00200	Cash at end of period	<u>\$ 142,537</u>	<u>\$ 170,262</u>

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

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:

Financial Assets	Measurement Categories		Carrying Amount		Note
	IAS 39	IFRS 9	IAS 39	IFRS 9	
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 FVOCI, 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	<u>236,692</u>	(<u>236,692</u>)	<u>-</u>
Impact of liabilities	<u>\$ 236,692</u>	<u>\$ -</u>	<u>\$ 236,692</u>

	December 31, 2018
Increase in contract liabilities	\$ 199,333
Decrease in advance receipts	(<u>199,333</u>)
	<u>\$ -</u>

- (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 occurs 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. 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:

- 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 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:

- I. Liabilities held primarily for the purpose of trading;

- II. 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
- III. 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.

2017

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 income 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 income 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

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

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

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Cash in banks	0.05%-0.48%	0.05%-0.20%

7. Financial Instrument Measured at FVPL—2018

	<u>December 31, 2018</u>
<u>Current</u>	
Mandatorily measured at FVPL	
— Mutual funds	<u>\$ 856</u>

8. Financial Assets Measured at FVOCI—2018

	<u>December 31, 2018</u>
<u>Current</u>	
Equity instrument investments measured at FVOCI	<u>\$ 105,718</u>
<u>Non-Current</u>	
Equity instrument investments measured at FVOCI	<u>\$ 18,702</u>

(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
	<u>\$ 105,718</u>

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
	<u>\$ 18,702</u>

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

	<u>December 31, 2017</u>
<u>Current</u>	
Listed and OTC stocks	\$ 33,944
Domestic mutual funds	<u>991</u>
	<u>\$ 34,935</u>

10. Notes Receivable and Accounts Receivable

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

(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.

2017

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

2018

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 Company 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					Customers with financial difficulty	Total
	Not past due	Past due within 30 days	Past due 31 ~ 60 days	Past due 61 ~ 180 days	Past due over 181 days		
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	<u>\$ 87,740</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 87,740</u>

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	<u>414</u>
Balance at January 1, 2018 (IFRS 9)	513
Less : Reversal of impairment loss in 2018	(<u>30</u>)
Balance at December 31, 2018	<u>\$ 483</u>

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	<u>269</u>
Total	<u>\$ 99,006</u>

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:

	<u>December 31, 2017</u>
Above 151 days	<u>\$ 269</u>

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	<u>-</u>	<u>99</u>	<u>99</u>
Balance on December 31, 2017	<u>\$ -</u>	<u>\$ 99</u>	<u>\$ 99</u>

11. Inventories

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

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

12. Prepayments

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

13. Other Financial Assets

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Restricted assets	<u>\$105,231</u>	<u>\$130,347</u>

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 :

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
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

	<u>December 31, 2017</u>
Domestic unlisted (OTC) ordinary shares	<u>\$ 20,077</u>

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

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
<u>Investment in subsidiaries</u>		
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)
	<u>2,703,503</u>	<u>2,475,086</u>
Add: recognized other non-current liabilities form credit balance of long-term investment	-	33,288
	<u>\$ 2,703,503</u>	<u>\$ 2,508,374</u>

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:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
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

	L a n d	B u i l d i n g	Machinery and equipment	E l e c t r i c a l e q u i p m e n t	Transportation e q u i p m e n t	Other equipment	Total
<u>Cost</u>							
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	<u>\$ 698,918</u>	<u>\$ 2,101,667</u>	<u>\$ 6,039,270</u>	<u>\$ 1,193,958</u>	<u>\$ 794,250</u>	<u>\$ 483,327</u>	<u>\$11,311,390</u>
<u>Accumulated depreciation and impairment</u>							
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	<u>\$ -</u>	<u>\$ 1,695,133</u>	<u>\$ 5,743,227</u>	<u>\$ 1,162,322</u>	<u>\$ 680,648</u>	<u>\$ 472,352</u>	<u>\$ 9,753,682</u>
Balance on December 31, 2017, net	<u>\$ 698,918</u>	<u>\$ 406,534</u>	<u>\$ 296,043</u>	<u>\$ 31,636</u>	<u>\$ 113,602</u>	<u>\$ 10,975</u>	<u>\$ 1,557,708</u>

(To be continued)

(Continued)

	L a n d	B u i l d i n g	Machinery and equipment	E l e c t r i c a l e q u i p m e n t	Transportation e q u i p m e n t	Other equipment	Total
<u>Cost</u>							
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	<u>\$ 1,058,345</u>	<u>\$ 2,188,452</u>	<u>\$ 6,044,503</u>	<u>\$ 1,196,322</u>	<u>\$ 701,240</u>	<u>\$ 485,832</u>	<u>\$11,674,694</u>
<u>Accumulated depreciation and impairment</u>							
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	<u>\$ -</u>	<u>\$ 1,755,143</u>	<u>\$ 5,852,736</u>	<u>\$ 1,170,392</u>	<u>\$ 629,277</u>	<u>\$ 480,383</u>	<u>\$ 9,887,931</u>
Balance on December 31, 2018, net	<u>\$ 1,058,345</u>	<u>\$ 433,309</u>	<u>\$ 191,767</u>	<u>\$ 25,930</u>	<u>\$ 71,963</u>	<u>\$ 5,449</u>	<u>\$ 1,786,763</u>

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

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

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:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
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

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

The interest rate of the bank loan is as follows :

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
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

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

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

December 31, 2018

<u>Guarantee / acceptance institution</u>	<u>Par Value</u>	<u>Discount Amounts</u>	<u>Carrying Amounts</u>	<u>Rate range</u>
<u>Commercial paper payable</u>				
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%
	<u>\$ 160,000</u>	<u>\$ 88</u>	<u>\$ 159,912</u>	

December 31, 2017

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

(3) Long-term borrowings

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

	<u>Details</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
<u>Secured borrowings</u>			
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 maturity date. It has been repaid earlier in April of 2018.	-	100,000
<u>Unsecured borrowings</u>			
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 maturity 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 maturity date.	<u>80,000</u>	-
subtotal		660,000	280,000
Less: Long-term borrowings have maturities of 1 year or less		-	(100,000)
Long-term borrowings		<u>\$ 660,000</u>	<u>\$ 180,000</u>

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

19. Notes and Accounts Payable

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

20. Other Payables

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
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	<u>16,998</u>	<u>12,726</u>
	<u>\$ 90,530</u>	<u>\$ 90,553</u>

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:

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

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	<u>\$ 302,905</u>	<u>(\$ 250,794)</u>	<u>\$ 52,111</u>
Service cost			
Current service cost	3,550	-	3,550
Interest expense (income)	<u>3,407</u>	<u>(2,833)</u>	<u>574</u>
Recognize in profit or loss	<u>6,957</u>	<u>(2,833)</u>	<u>4,124</u>
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	<u>(7,271)</u>	<u>-</u>	<u>(7,271)</u>
Recognized in other comprehensive income	<u>(4,446)</u>	<u>590</u>	<u>(3,856)</u>
Contributions from the employer	-	(2,041)	(2,041)
Benefits paid	<u>(31,803)</u>	<u>31,803</u>	<u>-</u>
Balance on December 31, 2017	<u>\$ 273,613</u>	<u>(\$ 223,275)</u>	<u>\$ 50,338</u>
Balance on January 1, 2018	\$ 273,613	(\$ 223,275)	\$ 50,338
Service cost			
Current service cost	2,446	-	2,446
Interest expense (income)	<u>2,733</u>	<u>(2,240)</u>	<u>493</u>
Recognize in profit or loss	<u>5,179</u>	<u>(2,240)</u>	<u>2,939</u>
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	<u>2,464</u>	<u>-</u>	<u>2,464</u>
Recognized in other comprehensive income	<u>4,746</u>	<u>(7,210)</u>	<u>(2,464)</u>
Contributions from the employer	-	(1,867)	(1,867)
Benefits paid	<u>(35,884)</u>	<u>35,884</u>	<u>-</u>
Balance on December 31, 2018	<u>\$ 247,654</u>	<u>(\$ 198,708)</u>	<u>\$ 48,946</u>

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

	<u>2018</u>	<u>2017</u>
Operating costs	\$ 2,064	\$ 2,955
Selling expenses	360	492
Administrative expenses	<u>515</u>	<u>677</u>
	<u>\$ 2,939</u>	<u>\$ 4,124</u>

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:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
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:

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

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.

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

22. Equity

(1) Share capital

Common Stock

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

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

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
<u>Only to make up for losses</u>		
From share of changes in equities of subsidiaries	\$ <u>8</u>	\$ <u>8</u>

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 appropriation & allocation ratio of the preceding surplus and stock to cash ratio shall be paid in cash dividend or stock dividend subject to real profit and situation of fund in the current year, with consideration of fund for investment and diluted level of surplus per share in the Meeting of Board of Directors. However, the allocated stock dividend shall be limited to 20% of the issued stock; in case that the aggregated equity deduction or equity deduction that is insufficient to account as surplus w/tax in the current year, it shall account equivalent amount of special surplus reserve from the aggregated surplus yet be allocated in the previous year and deduct it prior to the appropriation and allocation earlier. Thereafter,

whenever equity deduction is turned, the turned amount shall be allocated as surplus. The allocation of related surplus shall be passed and acknowledged in the General Meeting of Shareholders held in the next year and shall be accounted in the current year.

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

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

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

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Special reserve	<u>\$ 17,376</u>	<u>\$ 14,135</u>

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

	<u>2018</u>	<u>2017</u>
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	(<u>2</u>)	(<u>2</u>)
Balance at the end of the year	<u>\$ 7,660</u>	<u>(\$ 8,187)</u>

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	<u>\$ 4,946</u>
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)	<u>\$ -</u>

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	<u>5,716</u>
Balance on January 1, 2018 (IFRS 9)	<u>5,716</u>
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	<u>(2,792)</u>
Balance on January 1, 2018 (IAS 39)	<u>(\$ 10,781)</u>

23. Revenue

(1) Segmentation of customer contract revenue

	2018
Cement	\$ 1,893,491
Stone	491,371
Cement products	89,910
Others	<u>335,725</u>
	<u>\$ 2,810,497</u>

(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
Accounts receivable — Related parties (Note 10)	<u>36,969</u>
Receivables	<u>\$ 416,112</u>

	<u>December 31, 2018</u>
Contract liability	
Sales revenue of goods	<u>\$ 199,333</u>

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:

	<u>2018</u>
Contract liability from the beginning of the year	
Sales of goods	<u>\$ 236,692</u>

(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 :

	<u>December 31, 2018</u>
Sales of goods	
Fulfill in 2019	<u>\$ 199,333</u>

24. Profit (loss)

(1) Net other income (expense)

	<u>2018</u>	<u>2017</u>
Gains on disposals of property, plant and equipment	<u>\$ 4,717</u>	<u>\$ 262</u>

(2) Other income

	<u>2018</u>	<u>2017</u>
Revenue from dividends	\$ 1,545	\$ 1,219
Others	<u>6,978</u>	<u>10,665</u>
	<u>\$ 8,523</u>	<u>\$ 11,884</u>

(3) Other expenses

	<u>2018</u>	<u>2017</u>
Depreciation of leased assets	\$ 6,915	\$ 8,004
Others	<u>7,003</u>	<u>923</u>
	<u>\$ 13,918</u>	<u>\$ 8,927</u>

(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	<u>6,915</u>	<u>8,004</u>
	<u>\$227,259</u>	<u>\$255,783</u>
Amortization summary by functions		
Operating costs	\$ 7,845	\$ 6,932
Operating expenses	<u>3,661</u>	<u>2,488</u>
	<u>\$ 11,506</u>	<u>\$ 9,420</u>
Depletion summary by functions		
Operating costs	<u>\$ 2</u>	<u>\$ -</u>

(5) Employee benefits

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

(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	<u>1,545</u>	<u>1,715</u>
	1,545	34,567
Deferred income tax		
Created in current period	31,746	(49,503)
Effect of tax rate changes	(<u>16,500</u>)	<u>-</u>
Income tax expenses(income) of recognized in profit or loss	<u>\$ 16,791</u>	(<u>\$ 14,936</u>)

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

	2018	2017
Loss before tax	(<u>\$160,180</u>)	(<u>\$116,047</u>)
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	(<u>16,500</u>)	<u>-</u>
Income tax expense (income) recognized in profit or loss	<u>\$ 16,791</u>	(<u>\$ 14,936</u>)

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

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

(3) Deferred tax assets and liabilities

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

2018

	<u>Balance at the beginning of the year</u>	<u>Recognized in profit or loss</u>	<u>Balance at the end of the year</u>
<u>Deferred tax assets</u>			
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)
	<u>\$ 135,267</u>	<u>(\$ 23,126)</u>	<u>\$ 112,141</u>
<u>Deferred tax liabilities</u>			
Temporary differences			
Accelerated depreciation of Fixed assets	\$ 41,766	(\$ 7,919)	\$ 33,847
Unrealized foreign exchange gains	5	39	44
	<u>\$ 41,771</u>	<u>(\$ 7,880)</u>	<u>\$ 33,891</u>

2017

	Balance at the beginning of the year	Recognized in profit or loss	Balance at the end of the year
<u>Deferred tax assets</u>			
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	<u>99</u>	<u>(99)</u>	<u>-</u>
	<u>\$ 103,597</u>	<u>\$ 31,670</u>	<u>\$ 135,267</u>
<u>Deferred tax liabilities</u>			
Temporary differences			
Accelerated depreciation of Fixed assets	\$ 59,604	(\$ 17,838)	\$ 41,766
Unrealized foreign exchange gains	<u>-</u>	<u>5</u>	<u>5</u>
	<u>\$ 59,604</u>	<u>(\$ 17,833)</u>	<u>\$ 41,771</u>

(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	(\$ <u>176,971</u>)	(\$ <u>101,111</u>)

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	<u>404,738</u>	<u>404,738</u>

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	<u>\$ 79,768</u>	<u>\$ 80,000</u>	<u>\$ 144</u>	<u>\$ 159,912</u>

2017

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

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	<u>\$ 44,781</u>	<u>\$ 30,831</u>
More than 1 year but not more than 5 years	<u>117,009</u>	<u>72,118</u>
	<u>\$161,790</u>	<u>\$102,949</u>

Recognized expense of Lease payment as below:

	2018	2017
Lease payment	<u>\$ 37,813</u>	<u>\$ 32,699</u>

(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	<u>5,138</u>	<u>10,558</u>
	<u>\$ 34,913</u>	<u>\$ 42,232</u>

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
<u>Financial assets measured at FVPL</u>				
Fund Benefit Certificate	\$ 856	\$ -	\$ -	\$ 856
<u>Financial assets measured at FVOCI</u>				
Equity 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
<u>Available-for-sale financial assets</u>				
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

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
<u>Financial assets</u>		
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	-
<u>Financial liabilities</u>		
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, notes 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, notes 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 measured 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.

Sensitivity Analysis

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:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
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 concentrated 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
<u>Non - derivative financial liabilities</u>						
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	-	-
		<u>\$ 289,071</u>	<u>\$ 280,131</u>	<u>\$ 1,030,368</u>	<u>\$ 482,874</u>	<u>\$ 197,892</u>

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
<u>Non - derivative financial liabilities</u>						
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	-	-
		<u>\$ 277,520</u>	<u>\$ 361,027</u>	<u>\$ 929,912</u>	<u>\$ 180,000</u>	<u>\$ 19,558</u>

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

R e l a t e d p a r t y	R e l a t i o n s
Subsidiaries	
Dasheng Enterprise	The Company's subsidiary
Luckicon Ready-mixed Co.	The Company's subsidiary
Luckyship Co.	The Company's subsidiary
Lucky Cement Japan	The Company's subsidiary
Fuyu Development Company	The Company's Sub-subsidiary
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
<u>Sales</u>		
Subsidiaries	\$347,320	\$223,843
Other related parties	813	-
	<u>\$348,133</u>	<u>\$223,843</u>
 <u>Purchase</u>		
Fuan Mining Co.	\$224,915	\$343,707
Subsidiaries	2,595	1,518
Other related parties	24,118	34,594
	<u>\$251,628</u>	<u>\$379,819</u>
 <u>Operating costs - transportation expenses</u>		
Other related parties	<u>\$ 12,323</u>	<u>\$ 15,613</u>
 <u>Operating expenses</u>		
Other related parties	<u>\$ 3,370</u>	<u>\$ 4,206</u>
 <u>Non-operating income</u>		
Fuyu Development Company	\$ 15,128	\$ 21,080
Subsidiaries	5,482	6,598
Other related parties	2,406	2,438
	<u>\$ 23,016</u>	<u>\$ 30,116</u>

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 :

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

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:

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

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:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Subsidiaries	<u>\$ 4,542</u>	<u>\$ 5,933</u>

- (6) Loans to related parties

<u>R e l a t i o n s h i p c a t e g o r y</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
<u>Other receivables—related parties</u>		
Dasheng Enterprise	\$ 67,097	\$226,869
Luckyship Co.	<u>3,005</u>	<u>30,048</u>
	<u>\$ 70,102</u>	<u>\$256,917</u>

<u>R e l a t i o n s h i p c a t e g o r y</u>	<u>2018</u>	<u>2017</u>
<u>Interest income</u>		
Subsidiaries	<u>\$ 3,621</u>	<u>\$ 4,737</u>

The Company provides loans to subsidiaries, the interest rate ranges are 1.8763%-1.95% and 1.885%-1.988% in 2018 and 2017.

- (7) Remunerations of key management personnel

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

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:

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

33. Significant Contingent Liabilities and Unrecognized Contractual Commitments

The Company and Dasheng Enterprise signed joint construction 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 construction base. The Company provided funds, technology, land re-division project, and license fees. After the completion of the joint construction 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 construction 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 construction 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 currency	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 currency	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	<u>30,000</u>	-	1.8763%	(2)	-	Operating Turnover	-	—	—	422,692	1,690,768
			Receivables of Affiliated Enterprise — Financing			<u>\$ 260,000</u>										
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)	Enforcem ent and guarantee belong to parent vs. subsidiar y company	Enforcem ent and guarantee belong to subsidiar y vs. parent company	Enforcem ent 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	<u>13,910</u>	4,451	-	0.33%	2,113,460	Y	—	—	
						<u>\$ 748,910</u>								

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.	<u>Fund Beneficiary Certificate</u>							
	O-Bank No.1 Real Estate Investment Trust	—	Current financial assets at FVPL	100,000	\$ 856	-	\$ 856	
	<u>Non-listed (OTC) Company Common Stock</u>							
	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	
	<u>Listed (OTC) Company Common Stock</u>							
	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.	<u>Non-listed (OTC) Company Common Stock</u>							
	Jonfeng Mining Co., Ltd.	—	Non-current financial assets at FVOCI	35,129	313	0.35	313	
	<u>Listed (OTC) Company Common Stock</u>							
Just Bright Ltd.	Medigen Biotechnology Corporation	—	Current financial assets at FVOCI	242	11	-	11	
	<u>Listed Company Common Stock</u>							
	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.,	<u>Fund Beneficiary Certificate</u>							
	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	
	<u>Marketable Security - Corporate Bond</u>							
	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	29.37	
Lucky Cement Corp.	Fuan Mining Co., Ltd.	Other related parties	Purchase	224,915	20.37	About 90 days	Agreed	Quite	Notes receivable 39,153	13.44	
									Accounts payable (21,195)	(20.23)	
									Notes payable (41,678)	(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 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
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	Investment (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	\$4,226,920×60%=\$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.

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Lucky Cement Corporation
Statement of Current Financial Assets at Fair Value through Profit
or Loss
December 31, 2018

STATEMENT 1

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

Name			Shares	Acquisition cost	Unit Price	Total
O-Bank	No.1	Real	100	<u>\$ 1,000</u>	8.56	<u>\$ 856</u>
Estate	Investment					
Trust						

Lucky Cement Corporation
Statement of Notes Receivable
December 31, 2018

STATEMENT 2

Unit: NT\$1,000

<u>Customer's Name</u>	<u>Amounts</u>
Lihtai Construction Enterprise Co., Ltd.	\$ 45,644
Goldsun Development & Construction Co., Ltd.	28,934
Xingwei Co., Ltd.	22,470
New San Yea Ready Mixed Concrete Co.,LTD	17,980
Others (Note)	<u>137,023</u>
	<u>\$252,051</u>

Note : The balance of each company's account has not exceeded 5% of the balance of this account of the Company.

Lucky Cement Corporation
Statement of Accounts Receivable
December 31, 2018

STATEMENT 3

Unit: NT\$1,000

<u>Customer's Name</u>	<u>Amounts</u>
Xingwei Co., Ltd.	\$ 22,470
Goldsun Building Materials Co., Ltd.	19,289
Dahan Concrete Co., Ltd.	6,773
Shangzhi Building Materials Co., Ltd.	5,595
Carry and Revitalize Undertaking Limited Company	4,976
Others (Note)	29,120
Less : Allowance for uncollectible accounts	(<u>483</u>)
	<u>\$ 87,740</u>

Note : The balance of each company's account has not exceeded 5% of the balance of this account of the Company.

Lucky Cement Corporation
Statement of Inventories
December 31, 2018

STATEMENT 4

Unit: NT\$1,000

ITEM	Amounts	
	Cost	Price (Note)
Finished goods		
Cement	\$106,482	\$107,079
Gravel	708	621
Furnace Powder	6,576	7,242
Quicklime	<u>2,979</u>	<u>3,024</u>
	<u>116,745</u>	<u>117,966</u>
Work in progress		
Raw mix	4,119	4,062
Clinker	<u>105,735</u>	<u>104,613</u>
	<u>109,854</u>	<u>108,675</u>
Raw materials		
Limestone	117,508	112,583
Coal	61,685	61,855
Sand and clay	28,334	31,833
Gypsum	2,043	2,056
Iron slag	328	328
Slag	<u>6,146</u>	<u>6,217</u>
	<u>216,044</u>	<u>214,872</u>
Repaired part and supplies	<u>32,668</u>	<u>32,668</u>
	475,311	<u>\$474,181</u>
Less : allowance for inventory valuation losses	(<u>9,344</u>)	
Total	<u>\$465,967</u>	

Note: 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.

Lucky Cement Corporation
Statement of Changes in Financial Assets at Fair Value through Other Comprehensive Income
For the Years Ended December 31, 2018

STATEMENT 5

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

Investee	In the beginning of the year		Increase in this year		Decrease in this year		In the end of the year		Guarantee or pledge	Remarks
	Shares	Fair Value	Shares	A m o u n t s	Shares	A m o u n t s	Shares	Fair Value		
Current										
Domestic Listed (OTC) Company										
Common Stock										
Taiwan Cement Corp.	400,000	\$ 14,580	40,000	\$ 1,084	-	\$ -	440,000	\$ 15,664	None	Note 1
Asia Cement Corporation	500,000	14,100	200,000	11,019	200,000	8,144	500,000	16,975	None	Note 2
Winbond Electronics Corp.	130,181	3,053	-	-	-	1,289	130,181	1,764	None	Note 3
United Microelectronics Corporation	72,351	1,027	-	-	-	213	72,351	814	None	Note 3
Medigen Biotechnology Corporation	28,628	1,013	-	276	-	-	28,628	1,289	None	Note 1
China Development Financial	13,496	137	-	-	-	6	13,496	131	None	Note 3
First Financial Holding Co. Ltd.	875	17	8	1	-	-	883	18	None	Note 1
Capital Securities Corp.	818	10	-	-	-	2	818	8	None	Note 3
Hua Nan Financial Holdings Co., Ltd.	385	7	17	-	-	-	402	7	None	Note 1
Formosa Plastics Corporation	-	-	600,000	61,161	200,000	20,761	400,000	40,400	None	Note 4
Highwealth Construction	-	-	100,000	4,454	92,000	4,094	8,000	360	None	Note 5
Excelsior Medical Co., Ltd.	-	-	40,000	1,840	-	-	40,000	1,840	None	Note 7
Far Eastern New Century Corporation	-	-	800,000	25,372	-	3,052	800,000	22,320	None	Note 3
U-Ming Marine Transport Corporation	-	-	128,000	4,128	-	-	128,000	4,128	None	Note 8
Nishoku Technology Inc.	-	-	38,000	3,405	38,000	3,405	-	-	None	Note 6
Subtotal		<u>33,944</u>		<u>112,740</u>		<u>40,966</u>		<u>105,718</u>		
Non-Current										
Domestic Non-listed (OTC) Company										
Common Stock										
Jonfeng Mining Co., Ltd	1,071,428	11,528	-	-	-	1,992	1,071,428	9,536	None	Note 3
Global Securities Finance Corp.	700,837	5,375	-	-	-	792	700,837	4,583	None	Note 3
WK Technology Fund	1,445,000	4,926	-	2,547	289,000	2,890	1,156,000	4,583	None	Note 1 & 9
Cando Corporation	398,889	-	-	-	-	-	398,889	-	None	
Subtotal		<u>21,829</u>		<u>2,547</u>		<u>5,674</u>		<u>18,702</u>		
		<u>\$ 55,773</u>		<u>\$ 115,287</u>		<u>\$ 46,640</u>		<u>\$ 124,420</u>		

Note 1 : The increase is the unrealized valuation gains in the current year.

Note 2 : The increase includes unrealized valuation gains NT\$4,324,000 in the current year, the decrease in the current year is disposals of financial assets at fair value NT\$8,144,000 , the realized gains NT\$717,000 have been transferred to retained earnings in this year.

Note 3 : The decrease is unrealized valuation losses in current year.

Note 4 : The increase includes unrealized valuation gains NT\$770,000 in current year, the decrease in the current year is disposals of financial assets at fair value NT\$20,761,000, the realized gains NT\$1,189,000 have been transferred to retained earnings in this year.

Note 5 : The increase includes unrealized valuation gains NT\$171,000 in the current year, the decrease in the current year is disposals of financial assets at fair value NT4,094,000, the realized gains NT\$150,000 have been transferred to retained earnings in this year.

Note 6 : The increase includes unrealized valuation gains NT\$736,000 in the current year, the decrease in the current year is disposals of financial assets at fair value NT3,405,000, the realized gains NT\$736,000 have been transferred to retained earnings in this year.

Note 7 : The increase includes unrealized valuation gains NT\$15,000 in the current year.

Note 8 : The increase includes unrealized valuation gains NT\$68,000 in the current year.

Note 9 : The amount decrease in this year is the proceeds from capital reduction NT\$2,890,000 from the company.

Lucky Cement Corporation
Statement of Changes in Investments Accounted for Using Equity Method
For the Years Ended December 31, 2018

STATEMENT 6

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

	<u>In the beginning of the year</u>				<u>Increase</u>		<u>decrease</u>		Share of loss (profit) of associates accounted for using equity method	Exchange differences on translation	Unrealized gains (losses) on available-for- sale financial assets	Actuarial gains (losses) on defined benefit plans	<u>I n t h e e n d o f t h e y e a r</u>				
	<u>Shares</u>	<u>Amounts</u>	<u>Effect of retrospective application of IFRS 9</u>	<u>Adjusted balance at the begin of the period</u>	<u>Shares</u>	<u>Amounts</u>	<u>Shares (Note 7)</u>	<u>A m o u n t s</u>					<u>Shares</u>	<u>Share%</u>	<u>Amounts</u>	<u>Net equity</u>	<u>Remarks</u>
Dasheng Enterprise	158,294	\$2,153,823	\$ -	\$2,153,823	29,000	\$ 290,000	(29,999)	\$ -	(\$ 109,341)	\$ -	\$ -	\$ 110	157,295	99.99	\$2,334,592	\$2,334,592	Note 1 & 2
Luckicon Ready-mixed Co.,	22,000	286,302	(2,594)	283,708	-	-	-	(1,078)	(21,227)	-	(747)	251	22,000	99.99	260,907	26,908	Note 1 & 3
Just Bright Ltd.	50	44,786	-	44,786	-	-	-	(923)	931	-	(13,640)	-	50	100.00	31,154	31,154	Note 1 & 4
Luckyship Marine Co.	5,500	(5,851)	(861)	(6,712)	8,000	80,000	(5,000)	(1,900)	(18,534)	-	(63)	-	8,500	99.99	52,791	52,791	Note 1 & 5
Lucky Cement Corp., Japan	-	23,463	-	23,463	-	-	-	-	(636)	1,232	-	-	-	100.00	24,059	24,059	Note 1
Elumina Technology Inc.	9,338	(27,437)	-	(27,437)	550	5,505	(9,888)	-	7,317	14,615	-	-	-		-	-	Note 1 & 6
		2,475,086	(\$ 3,455)	2,471,631		\$ 375,505		(\$ 3,901)	(\$ 141,490)	\$ 15,847	(\$ 14,450)	\$ 361			\$2,703,503	\$2,469,504	
Add: recognized other liabilities form credit balance of long-term investment		33,288		34,149													
		\$2,508,374		\$2,505,780													

Note 1 : It has been calculated pursuant to the Accountant's audited financial statement.

Note 2 : The increased amount in this year is capital increased by cash of the investee.

Note 3 : The decreased amount in this year is the effect of changes in equity of the investee acquires its subsidiary.

Note 4 : The decreased amount in this year is cash dividends from the investee

Note 5 : The increased amount in this year is capital increased by cash of the investee; the decreased in this year is the unrealized losses of upstream have been realized this year.

Note 6 : The increased amount in this year is capital increased by cash of the investee; the decrease in the number of shares this year is the dissolution of the subsidiary.

Note 7 : The decrease in the number of shares this year is capital reduction to offset accumulated deficits of the investee.

Lucky Cement Corporation
Statement of Short-Term Borrowings

December 31, 2018

STATEMENT 7

Unit: NT\$1,000

<u>Type of borrowings and creditors</u>	<u>The Balance</u>	<u>Interest rate (%)</u>	<u>Loan period</u>	<u>Guarantee(Note)</u>
Secured borrowings				
Bank loan in New Taiwan Dollars				
Bank of Taiwan, Zhongshan Branch	\$ 70,000	1.45%	107.9.7~108.9.7	Lands and Buildings
Yuanta Bank, Guangfu Branch	80,000	1.45%	107.7.14~108.7.13	10% of Saving
DBS Taiwa, Nanjing East Branch	150,000	1.35%	106.8.5~108.6.15	10% of certificated deposits
Land Bank of Taiwan, Taipei Branch	50,000	1.40%	107.06.15~108.06.15	10% of Saving
Hua Nan Bank, Xinzhuang Branch	31,000	1.40%	107.11.12~108.11.12	10% of Saving
Hwatai Bank, Branch	100,000	1.30%	107.11.12~108.11.12	10% of Saving
Mega International Commercial Bank, Tianmu Branch	67,200	1.465%	107.5.1~108.4.30	100% of Discounting Notes Receivable with maturities within 120days
Taiwan Cooperative Bank, Ximen branch	<u>200,000</u>	1.55%	107.9.7~108.9.7	Lands and Buildings
Subtotal	<u>748,200</u>			
Unsecured borrowings				
Bank loan in New Taiwan Dollars				
Jihsun Bank, Xindian Branch	<u>100,000</u>	1.45%	107.1.11~108.1.11	None
Subtotal	<u>100,000</u>			
	<u>\$ 848,200</u>			

Note : Please see Note 32 for the details of pledged assets.

Lucky Cement Corporation

Statement of Notes Payable

December 31, 2018

STATEMENT 8

Unit: NT\$1,000

<u>Name</u>	<u>Amount</u>
Taiwan Cement Corp.	\$ 14,627
Asia Cement Corporation	10,448
Lihtai Industry Co., Ltd.	7,690
Renli Enterprise Co., Ltd.	6,010
Others (Note)	<u>59,473</u>
	<u>\$ 98,248</u>

Note : The balance of each company's account has not exceeded 5% of the balance of this account of the Company.

Lucky Cement Corporation
Statement of Accounts Payable
December 31, 2018

STATEMENT 9

Unit: NT\$1,000

Name	Amount
Asia Cement Corporation	\$ 10,448
Lihtai Industry Co., Ltd.	4,332
Tai & Chyun Associates Industries Inc.	3,906
Renli Enterprise Co., Ltd.	3,635
Kuan-Ho Refractories Industrial Corporation	3,413
Others (Note)	<u>55,355</u>
	<u>\$ 81,089</u>

Note : The balance of each company's account has not exceeded 5% of the balance of this account of the Company.

Lucky Cement Corporation
Statement of Contract Liabilities
December 31, 2018

STATEMENT 10

Unit: NT\$1,000

<u>Customer's Name</u>	<u>Amount</u>
New San Yea Ready Mixed Concrete Co., Ltd.	\$ 22,451
Xingwei Co., Ltd.	22,248
Goldsun Building Materials Co., Ltd.	11,374
Others (Note)	<u>143,260</u>
	<u>\$199,333</u>

Note : The balance of each company's account has not exceeded 5% of the balance of this account of the Company.

Lucky Cement Corporation
Statement of Long-Term Borrowings
December 31, 2018

STATEMENT 11

Unit: NT\$1,000

Borrowings Type	Lender	Repayment Term	Interest rate (%)	Balance on the end of the year			Guarantee (Note)
				Within one year	After one year	Total	
Secured borrowings	Taiwan Cooperative Bank Ximen Branch	The principle will be repaid NT\$40,000,000 per season(January, April, July and October), NT\$60,000,000 will be repaid once in maturity date, the interest pays monthly	1.91	\$ -	\$ 500,000	\$ 500,000	Land and Building
Unsecured borrowings	KGI Bank	The principle will be repaid NT\$80,000,000 once in maturity date which is 2 years after loan obtained. The maturity date is on March 9, 2020, the interest pays monthly	1.3894	-	80,000	80,000	None
	O-Bank	The principle will be repaid NT\$80,000,000 once in maturity date which is 2 years after loan obtained. The maturity date is on April 23, 2020, the interest pays monthly.	1.8939	-	80,000	80,000	None
				\$ -	\$ 660,000	\$ 660,000	

Note : Please see Note 32 for the details of pledged assets.

Lucky Cement Corporation
Statement of Operating Revenue
For the Years Ended December 31, 2018

STATEMENT 12

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

Item	Quantity (Ton)	Amount
Cement	871,864.03	\$ 1,893,491
Gravel	1,187,396.17	491,371
Furnace Powder	80,542.42	89,910
Other		<u>336,475</u>
Total Sales revenue		2,811,247
Less : Sales discounts and allowances		(<u>750</u>)
Net sales revenue		<u>\$ 2,810,497</u>

Lucky Cement Corporation

Statement of Operating Costs

For the Years Ended December 31, 2018

STATEMENT 13

Unit: NT\$1,000

ITEM	Amount
Raw materials in the beginning of the year	\$ 293,227
Material purchased in the year	699,372
Raw materials in the end of the year	(204,678)
Raw materials used	787,921
Direct labor	38,440
Production overheads	706,806
Production cost	1,533,167
Work in progress in the beginning of the year	141,315
Work in progress purchased	18,088
Work in progress in the end of the year	(112,815)
Cost of finished goods	1,579,755
Finished goods in the beginning of the year	137,440
Finished goods purchased	386,652
Finished goods in the end of the year	(115,806)
	1,988,041
Packaging cost	64,533
Commodity Tax	220,720
Cost of transportation	386,915
Cost of sales	<u>\$ 2,660,209</u>

Lucky Cement Corporation
Statement of Operating Expenses

For the Years Ended December 31, 2018

STATEMENT 14

Unit: NT\$1,000

	Selling expenses	Administrative expenses	Reversal of Expected credit impairment loss recognised in profit	T o t a l
Wages and salaries	\$ 23,351	\$ 42,203	\$ -	\$ 65,554
Rent expense	32,060	2,160	-	34,220
Depreciations	7,036	2,170	-	9,206
Entertainment expense	2,019	8,200	-	10,219
Repairs and maintenance expense	9,884	3,335	-	13,219
Utilities expense	6,862	1,116	-	7,978
Reversal of Expected credit impairment loss recognised in profit	-	-	(30)	(30)
Others (Note)	<u>12,866</u>	<u>23,792</u>	<u>-</u>	<u>36,658</u>
	<u>\$ 94,078</u>	<u>\$ 82,976</u>	<u>(\$ 30)</u>	<u>\$177,024</u>

Lucky Cement Corporation
Statement of Labor, Depreciation and Amortization by Function
For the Years Ended December 31, 2018 and 2017

STATEMENT 15

Unit: NT\$1,000

ITEM	2018				2017			
	Attributable to Operating costs	Attributable to operating expenses	Attributable to non-operating expenses	Total	Attributable to Operating costs	Attributable to operating expenses	Attributable to non-operating expenses	Total
Employee benefits expense								
Wages and salaries	\$ 152,075	\$ 61,234	\$ -	\$ 213,309	\$ 155,346	\$ 63,338	\$ -	\$ 218,684
Insurance expense of labor and health insurances	16,263	6,988	-	23,251	16,760	7,250	-	24,010
Pension expense	7,257	3,517	-	10,774	8,205	3,833	-	12,038
Remuneration for directors and supervisors	-	4,320	-	4,320	-	3,919	-	3,919
Other employee benefits expense	<u>12,125</u>	<u>3,574</u>	<u>-</u>	<u>15,699</u>	<u>12,136</u>	<u>3,739</u>	<u>-</u>	<u>15,875</u>
	<u>\$ 187,720</u>	<u>\$ 79,633</u>	<u>\$ -</u>	<u>\$ 267,353</u>	<u>\$ 192,447</u>	<u>\$ 82,079</u>	<u>\$ -</u>	<u>\$ 274,526</u>
Depreciation	<u>\$ 211,138</u>	<u>\$ 9,206</u>	<u>\$ 6,915</u>	<u>\$ 227,259</u>	<u>\$ 235,144</u>	<u>\$ 12,635</u>	<u>\$ 8,004</u>	<u>\$ 255,783</u>
Amortizations	<u>\$ 7,845</u>	<u>\$ 3,661</u>	<u>\$ -</u>	<u>\$ 11,506</u>	<u>\$ 6,932</u>	<u>\$ 2,488</u>	<u>\$ -</u>	<u>\$ 9,420</u>
Depletion	<u>\$ 2</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Note : The number of Company's employees was 429 and 443 respectively as of December 31, 2018 and 2017, there are 3 directors who have not served as employees, which was the same as the calculation basis of the employee benefit expenses.