

**Chia Hsin Cement Corporation and  
Subsidiaries**

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

## **DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES**

The companies that are required to be included in the consolidated financial statements of affiliates of Chia Hsin Cement Corporation as of and for the year ended December 31, 2019, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements of parent and subsidiary companies prepared in conformity with International Financial Reporting Standard 10, "Consolidated Financial Statements." In addition, relevant information required to be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, Chia Hsin Cement Corporation and subsidiaries have not prepared a separate set of consolidated financial statements of affiliated enterprises.

Very truly yours,

CHIA HSIN CEMENT CORPORATION

By

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JASON K. L. CHANG  
Chairman

March 30, 2020

### INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders  
Chia Hsin Cement Corporation

#### Opinion

We have audited the accompanying consolidated financial statements of Chia Hsin Cement Corporation and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

#### Basis for Opinion

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

#### Key Audit Matters

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

Key audit matters for the Group's consolidated financial statements for the year ended December 31, 2019 are stated as follows:

#### Sales of Cement to the Main Clients

The operating revenue of the Group mainly comes from the sale of cement. For the year ended December 31, 2019, the sales of cement accounted for 55% of the total consolidated operating revenue, which is equivalent to \$1,027,929 thousand. Due to the concentration of sales to target clients in the Group's cement business, and due to the longer credit period or longer turnover days of those clients, and in view of the materiality of the transactions, we have considered the transactions with such clients as key audit matters.

For the relevant explanation of accounting policies and notes to the financial statements, please refer to Notes 4 and 27.

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

1. We understood the key operating controls over the sales of cement and tested the effectiveness of the key operating controls over the sales transactions; we designed the audit procedures responsive to the risks identified.
2. We selected samples from the "List of Sales Order from Main Clients" and inspected the supporting documents of the samples, such as "Registration Card for Sale of Cement" and "Bill of Lading", and verified the existence of the sales.
3. We analyzed the changes in the revenue, gross margin rate, turnover rate of accounts receivable and credit condition from prior year to the current year.
4. We verified the occurrence of the sales by obtaining confirmation letters from the main clients; we performed alternative audit procedures for unreplied letters.

#### **Other Matter**

We have also audited the parent company only financial statements of Chia Hsin Cement Corporation as of and for the years ended December 31, 2019 and 2018 on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including the audit committee, are responsible for overseeing the Group's consolidated financial reporting process.

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

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the audit. We remain solely responsible for our audit opinion.

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

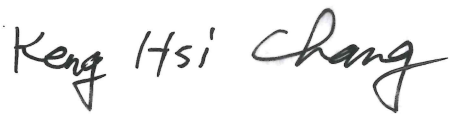
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

The engagement partners on the audit resulting in this independent auditors' report are Cheng Chuan Yu and Keng Hsi Chang.



Deloitte & Touche  
Taipei, Taiwan  
Republic of China



March 30, 2020

#### Notice to Readers

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

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

# CHIA HSIN CEMENT CORPORATION AND SUBSIDIARIES

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

ASSETS	2019		2018	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 2,066,897	6	\$ 1,969,663	6
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	1,619,603	4	1,860,278	6
Financial assets at fair value through other comprehensive income - current (Notes 4 and 8)	2,631,817	7	2,057,216	6
Notes receivable (Notes 4, 5, 9 and 27)	165,280	1	195,059	1
Trade receivables (Notes 4, 5, 9 and 27)	61,142	-	104,646	-
Trade receivables from related parties (Notes 4, 5, 27 and 37)	2,680	-	5,843	-
Finance lease receivables (Notes 3, 4 and 11)	2,504	-	-	-
Other receivables (Notes 4 and 10)	403,004	1	32,391	-
Other receivables from related parties (Notes 4 and 37)	125,707	-	159,621	-
Current tax assets (Notes 4 and 29)	775	-	5,427	-
Inventories (Notes 4 and 12)	44,910	-	694,144	2
Prepayments (Note 21)	72,733	-	170,064	1
Disposal groups held for sale (Notes 4, 13 and 37)	42,537	-	483,105	2
Other financial assets - current (Notes 4 and 14)	3,418,015	9	3,413,408	11
Refundable deposits - current (Note 4)	-	-	49	-
Total current assets	<u>10,657,604</u>	<u>28</u>	<u>11,150,914</u>	<u>35</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4, 8 and 38)	10,548,178	27	8,700,592	27
Investments accounted for using the equity method (Notes 4 and 16)	2,649,668	7	866,466	3
Property, plant and equipment (Notes 4, 17 and 38)	6,535,574	17	3,467,524	11
Right-of-use assets (Notes 3, 4 and 18)	1,840,905	5	-	-
Investment properties (Notes 4, 19 and 38)	6,230,263	16	7,559,949	24
Intangible assets (Notes 4 and 20)	5,518	-	-	-
Deferred tax assets (Notes 4 and 29)	160,635	-	129,228	-
Refundable deposits (Note 4)	30,195	-	63,472	-
Finance lease receivables - non-current (Notes 3, 4 and 11)	9,496	-	-	-
Other financial assets - non-current (Notes 4, 14 and 38)	23,588	-	21,353	-
Prepayment - non-current (Note 21)	-	-	14,809	-
Other non-current assets (Note 21)	<u>29,010</u>	<u>-</u>	<u>11,322</u>	<u>-</u>
Total non-current assets	<u>28,063,030</u>	<u>72</u>	<u>20,834,715</u>	<u>65</u>
TOTAL	<u>\$ 38,720,634</u>	<u>100</u>	<u>\$ 31,985,629</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 22 and 38)	\$ 800,600	2	\$ 821,280	3
Short-term bills payable (Note 22)	269,758	1	304,835	1
Contract liabilities - current (Notes 4 and 27)	9,479	-	7,191	-
Notes payable (Note 23)	2,906	-	2,151	-
Trade payables (Note 23)	110,538	1	110,582	-
Trade payables to related parties (Note 37)	83,580	-	89,849	-
Other payables (Note 24)	830,712	2	591,866	2
Current tax liabilities (Notes 4 and 29)	53,677	-	57,942	-
Liabilities directly associated with disposal group held for sale (Note 13)	380,771	1	653,859	2
Lease liabilities - current (Notes 3, 4 and 18)	107,050	-	-	-
Advance receipts (Note 24)	41,359	-	2,859	-
Current portion of long-term borrowings (Notes 22 and 38)	983,678	3	519,000	2
Guarantee deposits - current (Note 37)	25,202	-	32,736	-
Other current liabilities (Note 24)	<u>1,150</u>	<u>-</u>	<u>1,246</u>	<u>-</u>
Total current liabilities	<u>3,700,460</u>	<u>10</u>	<u>3,195,396</u>	<u>10</u>
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 22 and 38)	7,553,594	20	6,090,037	19
Deferred tax liabilities (Notes 4 and 29)	1,511,484	4	1,404,167	4
Lease liabilities - non-current (Notes 3, 4 and 18)	1,737,410	4	-	-
Deferred revenue - non-current (Notes 24 and 31)	441,549	1	198,512	1
Net defined benefit liabilities - non-current (Notes 4 and 25)	3,208	-	12,620	-
Guarantee deposits - non-current (Note 37)	<u>96,704</u>	<u>-</u>	<u>165,078</u>	<u>1</u>
Total non-current liabilities	<u>11,343,949</u>	<u>29</u>	<u>7,870,414</u>	<u>25</u>
Total liabilities	<u>15,044,409</u>	<u>39</u>	<u>11,065,810</u>	<u>35</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 26)				
Share capital				
Ordinary shares	<u>7,747,805</u>	<u>20</u>	<u>7,747,805</u>	<u>24</u>
Capital surplus	<u>847,377</u>	<u>2</u>	<u>703,931</u>	<u>2</u>
Retained earnings				
Legal reserve	2,143,611	6	2,073,636	7
Special reserve	2,346,051	6	2,346,051	7
Unappropriated earnings	<u>6,171,113</u>	<u>16</u>	<u>5,252,354</u>	<u>16</u>
Total retained earnings	<u>10,660,775</u>	<u>28</u>	<u>9,672,041</u>	<u>30</u>
Other equity	<u>4,654,268</u>	<u>12</u>	<u>2,082,579</u>	<u>7</u>
Treasury shares	<u>(1,096,783)</u>	<u>(3)</u>	<u>(1,186,544)</u>	<u>(4)</u>
Total equity attributable to owners of the Company	22,813,442	59	19,019,812	59
NON-CONTROLLING INTERESTS (Note 26)	<u>862,783</u>	<u>2</u>	<u>1,900,007</u>	<u>6</u>
Total equity	<u>23,676,225</u>	<u>61</u>	<u>20,919,819</u>	<u>65</u>
TOTAL	<u>\$ 38,720,634</u>	<u>100</u>	<u>\$ 31,985,629</u>	<u>100</u>

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

# CHIA HSIN CEMENT CORPORATION AND SUBSIDIARIES

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

	2019		2018	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 27 and 37)				
Sales	\$ 1,039,437	55	\$ 996,482	48
Rental revenue	283,563	15	462,437	22
Service revenue	<u>561,002</u>	<u>30</u>	<u>633,487</u>	<u>30</u>
Total operating revenue	<u>1,884,002</u>	<u>100</u>	<u>2,092,406</u>	<u>100</u>
OPERATING COSTS (Notes 12, 28 and 37)				
Cost of goods sold	(1,034,849)	(55)	(1,002,898)	(48)
Rental costs	(102,972)	(5)	(218,332)	(10)
Service costs	<u>(547,584)</u>	<u>(29)</u>	<u>(582,688)</u>	<u>(28)</u>
Total operating costs	<u>(1,685,405)</u>	<u>(89)</u>	<u>(1,803,918)</u>	<u>(86)</u>
GROSS PROFIT	<u>198,597</u>	<u>11</u>	<u>288,488</u>	<u>14</u>
OPERATING EXPENSES (Notes 9, 10, 13, 28 and 37)				
Selling and marketing expenses	(13,233)	(1)	(12,649)	(1)
General and administrative expenses	(620,874)	(33)	(378,530)	(18)
Expected credit loss reversal/(accrual)	<u>724</u>	<u>-</u>	<u>(910)</u>	<u>-</u>
Total operating expenses	<u>(633,383)</u>	<u>(34)</u>	<u>(392,089)</u>	<u>(19)</u>
LOSS FROM OPERATIONS	<u>(434,786)</u>	<u>(23)</u>	<u>(103,601)</u>	<u>(5)</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 4, 28 and 37)	1,204,029	64	607,299	29
Other gains and losses (Notes 4, 28 and 37)	294,329	16	50,798	2
Finance costs (Notes 4 and 28)	(125,646)	(7)	(86,716)	(4)
Share of profit or loss of subsidiary, associates and joint ventures	<u>47,845</u>	<u>3</u>	<u>(39,900)</u>	<u>(2)</u>
Total non-operating income and expenses	<u>1,420,557</u>	<u>76</u>	<u>531,481</u>	<u>25</u>

(Continued)



# CHIA HSIN CEMENT CORPORATION AND SUBSIDIARIES

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

	2019		2018	
	Amount	%	Amount	%
PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS	\$ 985,771	53	\$ 427,880	20
INCOME TAX EXPENSE (Notes 4 and 29)	<u>(167,261)</u>	<u>(9)</u>	<u>(173,283)</u>	<u>(8)</u>
NET PROFIT FROM CONTINUING OPERATIONS	818,510	44	254,597	12
NET PROFIT FROM DISCONTINUED OPERATIONS (Notes 12, 13 and 17)	<u>590,161</u>	<u>31</u>	<u>514,526</u>	<u>25</u>
NET PROFIT FOR THE YEAR	<u>1,408,671</u>	<u>75</u>	<u>769,123</u>	<u>37</u>
OTHER COMPREHENSIVE INCOME (Notes 4, 25, 26 and 29)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	1,783	-	436	-
Unrealized gain on investments in equity instruments at fair value through other comprehensive income	3,107,358	165	695,821	33
Share of the other comprehensive income of associates and joint ventures accounted for using the equity method	158,594	9	2,335	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	<u>(356)</u>	<u>-</u>	<u>5,968</u>	<u>1</u>
	<u>3,267,379</u>	<u>174</u>	<u>704,560</u>	<u>34</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	(169,212)	(9)	4,599	-
Income tax relating to items that may be reclassified subsequently to profit or loss	<u>42,974</u>	<u>2</u>	<u>2,191</u>	<u>-</u>
	<u>(126,238)</u>	<u>(7)</u>	<u>6,790</u>	<u>-</u>
Other comprehensive income for the year, net of income tax	<u>3,141,141</u>	<u>167</u>	<u>711,350</u>	<u>34</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 4,549,812</u>	<u>242</u>	<u>\$ 1,480,473</u>	<u>71</u>

(Continued)

# CHIA HSIN CEMENT CORPORATION AND SUBSIDIARIES

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

	2019		2018	
	Amount	%	Amount	%
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	\$ 1,297,473	69	\$ 699,755	34
Non-controlling interests	<u>111,198</u>	<u>6</u>	<u>69,368</u>	<u>3</u>
	<u>\$ 1,408,671</u>	<u>75</u>	<u>\$ 769,123</u>	<u>37</u>
TOTAL COMPREHENSIVE INCOME				
ATTRIBUTABLE TO:				
Owners of the Company	4,326,485	230	1,384,470	66
Non-controlling interests	<u>223,327</u>	<u>12</u>	<u>96,003</u>	<u>5</u>
	<u>\$ 4,549,812</u>	<u>242</u>	<u>\$ 1,480,473</u>	<u>71</u>
EARNINGS PER SHARE (Note 30)				
From continuing and discontinued operations				
Basic	<u>\$ 2.02</u>		<u>\$ 1.09</u>	
Diluted	<u>\$ 2.01</u>		<u>\$ 1.09</u>	
From continuing operations				
Basic	<u>\$ 1.10</u>		<u>\$ 0.29</u>	
Diluted	<u>\$ 1.09</u>		<u>\$ 0.29</u>	

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

(Concluded)

# CHIA HSIN CEMENT CORPORATION AND SUBSIDIARIES

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

	Other Equity										
	Share Capital	Capital Surplus	Retained Earnings			Exchange Differences on Translating Foreign Operations	Unrealized Gain on Financial Assets at Fair Value Through Other Comprehensive Income	Treasury Shares	Total	Non-controlling Interests	Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings						
BALANCE, JANUARY 1, 2018	\$ 7,747,805	\$ 642,168	\$ 1,984,116	\$ 2,451,573	\$ 4,922,194	\$ (233,797)	\$ 1,633,454	\$ (1,149,426)	\$ 17,998,087	\$ 1,810,706	\$ 19,808,793
Appropriation of 2017 earnings (Note 26)											
Legal reserve	-	-	89,520	-	(89,520)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(387,390)	-	-	-	(387,390)	-	(387,390)
Special reserve under Rule No. 1010012865 issued by the FSC	-	-	-	(105,522)	105,522	-	-	-	-	-	-
Net profit for the year ended December 31, 2018	-	-	-	-	699,755	-	-	-	699,755	69,368	769,123
Other comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	1,793	6,962	675,960	-	684,715	26,635	711,350
Changes in capital surplus due to cash dividends of the Company paid to subsidiary (Note 26)	-	59,787	-	-	-	-	-	-	59,787	-	59,787
Disposal of investment in equity shares of subsidiaries (Notes 26 and 33)	-	538	-	-	-	-	-	-	538	793	1,331
Decrease in non-controlling interests (Note 26)	-	-	-	-	-	-	-	-	-	(7,529)	(7,529)
Buy-back of ordinary shares (Note 26)	-	-	-	-	-	-	-	(37,118)	(37,118)	-	(37,118)
Unclaimed dividends extinguished by prescription (Note 26)	<u>-</u>	<u>1,438</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,438</u>	<u>34</u>	<u>1,472</u>
BALANCE, DECEMBER 31, 2018	7,747,805	703,931	2,073,636	2,346,051	5,252,354	(226,835)	2,309,414	(1,186,544)	19,019,812	1,900,007	20,919,819
Effect of retrospective application and retrospective restatement (Note 3)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,949</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,949</u>	<u>-</u>	<u>2,949</u>
BALANCE, JANUARY 1, 2019, AS RESTATED	7,747,805	703,931	2,073,636	2,346,051	5,255,303	(226,835)	2,309,414	(1,186,544)	19,022,761	1,900,007	20,922,768
Appropriation of 2018 earnings (Note 26)											
Legal reserve	-	-	69,975	-	(69,975)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(771,781)	-	-	-	(771,781)	-	(771,781)
Net profit for the year ended December 31, 2019	-	-	-	-	1,297,473	-	-	-	1,297,473	111,198	1,408,671
Other comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	3,002	(119,006)	3,145,016	-	3,029,012	112,129	3,141,141
Changes in capital surplus due to cash dividends of the Company paid to subsidiary (Note 26)	-	111,041	-	-	-	-	-	-	111,041	-	111,041
Changes in percentage of ownership interests in subsidiaries (Notes 26 and 32)	-	24,925	-	-	121,046	2,770	(121,046)	93,716	121,411	(1,187,795)	(1,066,384)
Disposal of investments in equity instruments designated as at fair value through other comprehensive income of associates (Note 26)	-	-	-	-	48,301	-	(48,301)	-	-	-	-
Decrease in non-controlling interests (Note 26)	-	-	-	-	-	-	-	-	-	(75,574)	(75,574)
Disposal of investments in equity instruments designated as at fair value through other comprehensive income of the Company (Note 26)	-	-	-	-	287,744	-	(287,744)	-	-	2,630	2,630
Buy-back of ordinary shares (Note 26)	-	-	-	-	-	-	-	(3,955)	(3,955)	-	(3,955)
Unclaimed dividends extinguished by prescription (Note 26)	<u>-</u>	<u>7,480</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,480</u>	<u>188</u>	<u>7,668</u>
BALANCE, DECEMBER 31, 2019	<u>\$ 7,747,805</u>	<u>\$ 847,377</u>	<u>\$ 2,143,611</u>	<u>\$ 2,346,051</u>	<u>\$ 6,171,113</u>	<u>\$ (343,071)</u>	<u>\$ 4,997,339</u>	<u>\$ (1,096,783)</u>	<u>\$ 22,813,442</u>	<u>\$ 862,783</u>	<u>\$ 23,676,225</u>

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

# CHIA HSIN CEMENT CORPORATION AND SUBSIDIARIES

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

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax from continuing operations	\$ 985,771	\$ 427,880
Income before income tax from discontinued operations	<u>590,161</u>	<u>514,526</u>
Income before income tax	<u>1,575,932</u>	<u>942,406</u>
Adjustments for:		
Depreciation expense	319,043	248,820
Amortization expenses	320	-
Expected credit loss recognized (reversed) on trade receivables	(724)	1,003
Net gain on fair value changes of financial assets at fair value through profit or loss	(333,681)	(66,846)
Finance costs	125,646	89,599
Interest income	(118,357)	(90,014)
Dividend income	(1,022,944)	(455,528)
Share of profit of associates and joint ventures	(47,845)	39,900
(Gain) loss on disposal of property, plant and equipment	(78)	20,961
Loss on disposal of investment properties	6,547	65,044
Gain on lease modification	(39)	-
(Gain) loss on disposal of assets held for sale	(597,422)	10,428
Gain on disposal of investments	(11,227)	-
Impairment loss recognized (reversed) on non-financial assets	514	(374,160)
Net loss (gain) on foreign currency exchange	47,928	(44,770)
Amortization of prepayments for lease	-	5,140
Changes in operating assets and liabilities:		
Financial assets mandatorily measured at fair value through profit or loss	280,814	(689,813)
Notes receivable	29,996	(47,943)
Trade receivables	43,867	(50,696)
Trade receivables from related parties	3,163	(1,111)
Other receivables	(339,122)	5,092
Inventories	(28,844)	19,322
Prepayments	90,259	(107,026)
Contract liabilities	2,299	(2,473)
Notes payable	755	(632)
Trade payables	(44)	(33,873)
Trade payables to related parties	(6,269)	58,924
Other payables	12,606	19,875
Advanced receipts	39,683	-
Other current liabilities	(126)	600
Net defined benefit liability	<u>(923)</u>	<u>(6,797)</u>
Cash generated from (used in) operations	71,727	(444,568)
Interest paid	(182,198)	(113,628)
Income tax paid	<u>(51,049)</u>	<u>(77,805)</u>
Net cash used in operating activities	<u>(161,520)</u>	<u>(636,001)</u>

(Continued)

# CHIA HSIN CEMENT CORPORATION AND SUBSIDIARIES

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

	2019	2018
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of financial assets at fair value through other comprehensive income	\$ -	\$ (35,502)
Proceeds from sale of financial assets at fair value through other comprehensive income	319,414	-
Cash returns from capital reduction of investments in financial assets at fair value through other comprehensive income	4,220	667
Net cash outflow on disposal of subsidiaries	(89,443)	-
Cash returns from capital reduction of investments in associates	-	15,780
Proceeds from disposal of disposal groups held for sale	767,792	810,283
Payments for property, plant and equipment	(3,047,200)	(595,563)
Proceeds from disposal of property, plant and equipment	178	14,934
Increase in refundable deposits paid	(1,653)	(14,422)
Increase in other receivables	-	(382)
Decrease (increase) in other receivables from related parties	27,310	(63)
Payments for intangible assets	(5,992)	-
Payments for investment properties	(42,792)	(47,110)
(Payments for) proceeds from disposal of investment properties	(11,430)	1,783
Decrease in finance lease receivables	18,084	-
Increase in other financial assets	(88,429)	(375,715)
(Increase) decrease in other non-current assets	(996)	2,655
Increase in prepayments for equipment	(19,135)	(1,315)
Interest received	122,064	107,164
Other dividends received	1,054,403	460,271
Deferred revenue	251,429	129,588
Net cash (used in) generated from investing activities	(742,176)	473,053
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of short-term borrowings	(18,260)	(209,642)
(Repayment) proceeds of short-term bills payable	(35,000)	194,953
Proceeds from long-term loans	1,990,197	655,526
(Refunds) proceeds of guarantee deposits received	(2,308)	28,508
Repayment of the principal portion of lease liabilities	(129,415)	-
Dividend paid to owners of the Company	(660,740)	(327,603)
Payments for buy-back of ordinary shares	(3,955)	(37,118)
Partial disposal of interests in subsidiaries without loss of control	-	1,331
Dividends paid to non-controlling interests	(75,576)	(38,424)
Capital injection from non-controlling interests	-	30,895
Net cash generated from financing activities	1,064,943	298,426
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES</b>	(64,013)	30,996

(Continued)

# CHIA HSIN CEMENT CORPORATION AND SUBSIDIARIES

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

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	2019	2018
NET INCREASE IN CASH AND CASH EQUIVALENTS	\$ 97,234	\$ 166,474
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>1,969,663</u>	<u>1,803,189</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 2,066,897</u>	<u>\$ 1,969,663</u>

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

(Concluded)

# CHIA HSIN CEMENT CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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### 1. GENERAL INFORMATION

- a. Chia Hsin Cement Corporation (the “Company”) was incorporated in the Republic of China (the “ROC”) with capital of \$24,000 thousand in December 1954. Over the years, the Company has increased its capital through capital contributions in cash, undistributed earnings, and asset revaluation increments. As of December 31, 2019, the Company has authorized common stock amount of \$15,000,000 thousand and outstanding common stock amount of \$7,747,805 thousand. The Company’s business activities include cement manufacturing; wholesale of building materials; retail sale of building materials; non-metallic mining; mixed-concrete products manufacturing; international trade; construction and development of residences and buildings; lease, construction and development of industrial factory buildings; real estate commerce; real estate rental and leasing; reconstruction within the renewal area and warehousing and storage.
- b. On December 30, 2016, the Company’s subsidiary, Jiangsu Union Cement Co., Ltd., went into liquidation under the resolution of the subsidiary’s board of directors. Several disposal agreements have been reached and the subsidiary has been reclassified to the group of items ready for disposal, and presented on the consolidated financial statements as “discontinued operation”.

The Company’s shares have been listed on the Taiwan Stock Exchange (TSE) since November 1969.

The consolidated financial statements are presented in the Company’s functional currency, New Taiwan dollars.

### 2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on March 25, 2020.

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

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

Except for the following, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the accounting policies of the Company and its subsidiaries (collectively referred to as the “Group”):

- IFRS 16 “Leases”

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

### Definition of a lease

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

### The Group as lessee

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

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

Lease liabilities were recognized on January 1, 2019 for leases previously classified as operating leases under IAS 17. Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. All right-of-use assets are measured at an amount equal to the lease liabilities, with previously recognized prepayment or rentals payable retrospectively adjusted (except those applied by practical expedient (2) in below). The Group applies IAS 36 to all right-of-use assets.

The Group also applies the following practical expedients:

- 1) The Group applies a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.
- 2) The Group adjusted the right-of-use assets on January 1, 2019 by the amount of any provisions for onerous leases recognized on December 31, 2018, instead of assessing the impairment under IAS 36.
- 3) The Group accounts for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.
- 4) The Group excluded initial direct costs from the measurement of right-of-use assets on January 1, 2019.
- 5) The Group uses hindsight, such as in determining lease terms, to measure lease liabilities.



The lessee's weighted average incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 was 2.08%. The difference between the (i) lease liabilities recognized and (ii) operating lease commitments disclosed under IAS 17 on December 31, 2018 is explained as follows:

The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018	\$ 2,611,989
Less: Recognition exemption for short-term leases	<u>(8,197)</u>
Undiscounted amount on January 1, 2019	<u>\$ 2,603,792</u>
Discounted amount using the incremental borrowing rate on January 1, 2019	<u>\$ 2,205,237</u>
Lease liabilities recognized on January 1, 2019	<u><u>\$ 2,205,237</u></u>

#### The Group as lessor

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

The Group subleased its leasehold building to a third party. Such sublease was previously classified as an operating lease under IAS 17. The Group classified the sublease as a finance lease on the basis of the remaining contractual terms and conditions of the head lease and sublease on January 1, 2019, and the Group accounts for the sublease as a new finance lease entered into at that date.

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

	<b>As Originally Stated on January 1, 2019</b>	<b>Adjustments Arising from Initial Application</b>	<b>Restated on January 1, 2019</b>
Finance lease receivables - current	\$ -	\$ 96,977	\$ 96,977
Finance lease receivables - non-current	-	206,266	206,266
Prepayments for leases - current	578	(578)	-
Prepayments for leases - non-current	14,809	(14,809)	-
Right-of-use assets	<u>-</u>	<u>1,920,330</u>	<u>1,920,330</u>
Total effect on assets	<u>\$ 15,387</u>	<u>\$ 2,208,186</u>	<u>\$ 2,223,573</u>
Lease liabilities - current	\$ -	\$ 192,480	\$ 192,480
Lease liabilities - non-current	<u>-</u>	<u>2,012,757</u>	<u>2,012,757</u>
Total effect on liabilities	<u>\$ -</u>	<u>\$ 2,205,237</u>	<u>\$ 2,205,237</u>
Retained earnings	<u>\$ -</u>	<u>\$ 2,949</u>	<u>\$ 2,949</u>
Total effect on equity	<u>\$ -</u>	<u>\$ 2,949</u>	<u>\$ 2,949</u>

If the transactions of the Group as a lessor were accounted for under IAS 17 in the current year, the following adjustments would be made to reflect the line items and balances under IAS 17:

Impact on assets, liabilities and equity for the current year

	<b>For the Year Ended December 31, 2019</b>
Decrease in finance lease receivables - current	\$ 2,504
Decrease in finance lease receivables - non-current	<u>9,496</u>
Decrease in assets	<u>\$ 12,000</u>
Decrease in lease liabilities - current	\$ 2,099
Decrease in lease liabilities - non-current	<u>7,347</u>
Decrease in liabilities	<u>\$ 9,446</u>
Decrease in retained earnings	<u>\$ 2,554</u>
Decrease in equity	<u>\$ 2,554</u>

Impact on total comprehensive income for the current year

	<b>For the Year Ended December 31, 2019</b>
Increase in operating revenue	\$ 2,742
Increase in operating expenses	(2,286)
Decrease in other gains and losses	<u>(61)</u>
Increase in net profit for the year	<u>\$ 395</u>
Increase in net profit attributable to: Owners of the Group	<u>\$ 395</u>

Impact on cash flows for current year

	<b>For the Year Ended December 31, 2019</b>
Net increase in cash inflow from operating activities	\$ 690
Net decrease in cash inflow from investing activities	(2,742)
Net decrease in cash outflow from financing activities	<u>2,052</u>
Net increase in cash and cash equivalents	<u>\$ -</u>

- b. The IFRSs endorsed by the Financial Supervisory Commission (FSC) for application starting from 2020

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

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

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

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

Amendments to IAS 1 and IAS 8 “Definition of material”

The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRSs. The concept of “obscuring” material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from “could influence” to “could reasonably be expected to influence”.

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

- c. The New IFRSs issued by IASB but not yet endorsed and issued into effect by the FSC

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

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

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

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

##### a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

##### b. Basis of preparation

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

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

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

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

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period; and
- 3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

The Group is engaged in the construction business, which has an operating cycle of over 1 year. The normal operating cycle applies when considering the classification of the Group's construction-related assets and liabilities.

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e., its subsidiaries, including structured entities).

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective dates of acquisitions up to the effective dates of disposals, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and any investment retained in the former subsidiary at its fair value at the date when control is lost and (ii) the assets (including any goodwill) and liabilities and any non-controlling interests of the former subsidiary at their carrying amounts at the date when control is lost. The Group accounts for all amounts recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required had the Group directly disposed of the related assets or liabilities.

The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the cost on initial recognition of an investment in an associate.

See Note 15, Table 9 and Table 11 for detailed information on subsidiaries (including percentages of ownership and main businesses).

e. Foreign currencies

In preparing the financial statements of the each individual entities, transactions in currencies other than the entity's functional currency (i.e. 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.

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

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

For the purpose of presenting consolidated financial statements, the functional currencies of the Group's foreign operations (including subsidiaries, associates and joint ventures in other countries that use currencies which are different from the currency of the Group) are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income (attributed to the owners of the Company and non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Company's entire interest in a foreign operation, or a disposal involving the loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences is not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

f. Inventories

Inventories consist of raw materials, supplies, finished goods, construction in progress, land and buildings held for sale and land for construction

Cement inventories are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at the weighted-average cost on the balance sheet date.

Costs of building constructions are recorded separately for each construction project. Payments made for land prior to the acquisition of land use rights are recognized as "prepayment for land purchase"; as "land for construction" after the acquisition of the land use rights; as "construction in progress" when the construction on the land started; and as "land and building held for sale" upon the completion of construction. Prepayments collected from preselling of land and building are recognized as "advance receipt".

Land and buildings held for sale are recorded at the acquisition or construction cost and at the lower of cost or net realizable value at the end of the accounting period. The Group compares the lower of cost or net realizable value by item (or group of similar items). When the net realizable value is lower than the cost, the cost is written down to the net realizable value. When subsequently the net realizable value returns to the level of the cost, or when there is an evidence of increase in net realizable value due to economic change, the amount of the net realizable value is increased to the extent of the previous amount written-off; the increase is recognized as deduction of cost of sales.

g. Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence and which is neither a subsidiary nor an interest in a joint venture. A joint operation is a joint arrangement whereby the Group and other parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement.

The Group uses the equity method to account for its investments in associates and joint ventures.

Under the equity method, investments in an associate and a joint venture are initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate and joint venture. The Group also recognizes the changes in the Group's share of the equity of associates and joint ventures.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of an associate and a joint venture at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When the Group subscribes for additional new shares of an associate and a joint venture at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the associate and the joint venture. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in capital surplus from investments in associates and joint ventures accounted for using the equity method. If the Group's ownership interest is reduced due to its additional subscription of the new shares of the associate and joint venture, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate and joint venture is reclassified to profit or loss on the same basis as would be required had the investee directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for using the equity method is insufficient, the shortage is debited to retained earnings.

When the Group's share of losses of an associate equals or exceeds its interest in that associate and joint venture (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further loss, if any. Additional losses and liabilities are recognized only to the extent that the Group has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate and joint venture.

The entire carrying amount of an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date on which its investment ceases to be an associate and a joint venture. Any retained investment is measured at fair value at that date, and the fair value is regarded as the investment's fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate and joint venture attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate and the joint venture. The Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate and joint venture on the same basis as would be required had that associate directly disposed of the related assets or liabilities.

When the Group transacts with its associate and joint venture, profits and losses resulting from the transactions with the associate and joint venture are recognized in the Group's consolidated financial statements only to the extent of interests in the associate and joint venture of parties that are not related to the Group.

h. Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently are measured at cost less accumulated depreciation and accumulated impairment loss.

Property, plant and equipment in the course of construction are measured at cost less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use.

Except for freehold land which is not depreciated, depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. If the lease term of an item of property, plant and equipment is shorter than its useful life, such asset is depreciated over its lease term. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

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

i. Investment properties

Investment properties are properties held to earn rentals or for capital appreciation. Investment properties also include land held for a currently undetermined future use.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss. Depreciation is recognized using the straight-line method.

Investment properties under construction are measured at cost less accumulated impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Depreciation of these assets commences when the assets are ready for their intended use.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.

j. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

2) Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.



k. Impairment of tangible and intangible assets

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

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

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount (after deducting amortization and depreciation) that would have been determined had no impairment loss been recognized on the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

l. Disposal groups held for sale

Disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the disposal group is available for immediate sale in its present condition. To meet the criteria for the sale being highly probable, the appropriate level of management must be committed to the sale, and the sale should be expected to qualify for recognition as a completed sale within 1 year from the date of classification.

Disposal groups classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Recognition of depreciation of those assets would cease.

m. Financial instruments

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

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

1) Financial assets

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

a) Measurement categories

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

i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such a financial asset is mandatorily classified or designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI.

Financial assets at FVTPL are subsequently measured at fair value, and remeasurement gains or losses (excluding dividends and interest) on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 36.

ii. Financial assets at amortized cost

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

- i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, notes receivable at amortized cost, trade receivables, trade receivables from related parties, other receivables (less tax refund receivables), other receivables from related parties, other financial assets - current and refundable deposits, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

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

- i) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and
- ii) Financial assets that are not credit-impaired on purchase or origination but have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

iii. Investments in equity instruments at FVTOCI

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

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

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

b) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables), other receivables and finance lease receivables.

The Group always recognizes lifetime expected credit losses (ECLs) for trade receivables and finance lease receivables. For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

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

For internal credit risk management purposes, the Group determined the following situations as indicators that a financial asset may be in default (without taking into account any collateral held by the Group):

- i. Internal or external information show that the debtor is unlikely to pay its creditors.
- ii. When a financial asset is more than 365 days past due unless the Group has reasonable and corroborative information to support a more lagged default criterion.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and the carrying amounts of such financial assets are not reduced.

c) Derecognition of financial assets

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

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

## 2) Financial liabilities

### a) Subsequent measurement

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

### b) Derecognition of financial liabilities

The difference between the carrying amount of a financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

## n. Revenue recognition

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

### 1) Revenue from the sale of goods

Revenue from the sale of goods comes from sales of cement; sales of cement are recognized as revenue when the goods are delivered to the customer's specific location because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Trade receivables are recognized concurrently. The advance receipts before the delivery of goods are recognized as contract liabilities and reclassified to revenue after the goods are transferred to customers.

### 2) Revenue from the rendering of services

The revenue from rendering of services is recognized over time with reference to the progress of the fulfillment of contracts or recognized on the date the service is provided.

## o. Leases

### 2019

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

### 1) The Group as lessor

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

When the Group subleases a right-of-use asset, the sublease is classified by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. However, if the head lease is a short-term lease that the Group, as a lessee, has accounted for applying recognition exemption, the sublease is classified as an operating lease.

Under finance leases, the lease payments comprise fixed payments. The net investment in a lease is measured at (a) the present value of the sum of the lease payments receivable by a lessor and any unguaranteed residual value accrued to the lessor plus (b) initial direct costs and is presented as a finance lease receivable. Finance lease income is allocated to the relevant accounting periods so as to reflect a constant, periodic rate of return on the Group's net investment outstanding in respect of leases.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

Variable lease payments that do not depend on an index or a rate are recognized as income in the periods in which they are incurred.

When a lease includes both land and building elements, the Group assesses the classification of each element separately as a finance or an operating lease based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the lessee. The lease payments are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of a contract. If the allocation of the lease payments can be made reliably, each element is accounted for separately in accordance with its lease classification. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease unless it is clear that both elements are operating leases; in which case, the entire lease is classified as an operating lease.

## 2) The Group as lessee

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

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets

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

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, variable lease payments which depend on an index or a rate. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

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

## 2018

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

### 1) The Group as lessor

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

### 2) The Group as lessee

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

### p. Borrowing costs

Borrowing costs directly attributable to an acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than those stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

### q. Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they are received.

The benefit of a government loan received at a below-market rate of interest is treated as a government grant measured as the difference between the proceeds received and the fair value of the loan based on prevailing market interest rates.

### r. Employee benefits

#### 1) Short-term employee benefits

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

#### 2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under 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. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

#### s. Taxation

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

##### 1) Current tax

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

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

##### 2) Deferred tax

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

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

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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 and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred taxes for the year

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

4) The linked-tax system

The Company files joint income tax returns for the Company and Chia Hsin Property Management & Development Corporation. The differences between the tax expense and deferred tax liabilities and assets of the Company as a separate entity and of the Company and its qualified subsidiaries as a joint entity are adjusted on the Company; the related amounts are recognized as current tax assets or current tax liabilities.

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

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

### Key Sources of Estimation Uncertainty

#### Estimated impairment of financial assets

The provision for the impairment of trade receivables is based on assumptions about risk of default and expected loss rates. The Group uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Group's historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. For details of the key assumptions and inputs used, see Note 9 and Note 11. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

## 6. CASH AND CASH EQUIVALENTS

	December 31	
	2019	2018
Cash on hand	\$ 3,437	\$ 2,976
Checking accounts and demand deposits	1,308,034	1,512,071
Cash equivalents		
Commercial paper	118,923	164,920
Bank deposits (with original maturities of less than 3 months)	509,583	289,696
Repurchase agreements collateralized by bonds	<u>126,920</u>	<u>-</u>
	<u>\$ 2,066,897</u>	<u>\$ 1,969,663</u>



The market rate intervals of commercial paper, cash in the bank and repurchase agreements collateralized by bonds at the end of the reporting period were as follows:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Commercial paper	0.50%-0.51%	0.40%-0.53%
Demand deposits and time deposits	0.001%-2.76%	0.001%-2.58%
Repurchase agreements collateralized by bonds	2.25%-2.40%	-

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

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
<u>Financial assets mandatorily measured at fair value through profit or loss (FVTPL) - current</u>		
Non-derivative financial assets		
Domestic listed shares	\$ 1,169,272	\$ 1,029,276
Overseas listed shares	101,423	358,208
Overseas mutual funds - beneficiary certificates	<u>348,908</u>	<u>472,794</u>
	<u>\$ 1,619,603</u>	<u>\$ 1,860,278</u>

The Group has investments in shares of Taiwan Cement Corporation. As of December 31, 2019, the Group held 22,585,899 shares (book value \$987,004 thousand) accounted for as financial assets at fair value through profit or loss and 288,394,342 shares (book value \$12,602,833 thousand) accounted for as financial assets at fair value through other comprehensive income. Other information for price risks and sensitivity analysis are provided in Note 36.

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

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
<u>Investments in equity instruments at FVTOCI - current</u>		
Domestic investments		
Listed shares and emerging market shares	<u>\$ 2,631,817</u>	<u>\$ 2,057,216</u>
<u>Investments in equity instruments at FVTOCI - non-current</u>		
Domestic investments		
Listed shares and emerging market shares	\$ 10,194,877	\$ 7,761,088
Unlisted shares	353,301	900,020
Oversea investments		
Unlisted shares	<u>-</u>	<u>39,484</u>
	<u>\$ 10,548,178</u>	<u>\$ 8,700,592</u>

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

Details for the financial assets at FVTOCI pledged for collateral or for security, please refer to Note 38.

In June and July 2019, the Group sold its ordinary shares in Breeze Development Co., Ltd., Taiwan Stock Exchange Corporation and CTSI Logistics (Taiwan) Inc. in order to manage credit concentration risk. The shares sold had a fair value of \$1,050 thousand, \$315,116 thousand and \$3,248 thousand, respectively, and the related unrealized valuation gain or loss of \$50 thousand, \$296,169 and \$(2,055) thousand was transferred from other equity to retained earnings.

Dividends revenue of \$963,578 thousand and \$402,068 thousand were recognized in 2019 and 2018, respectively. All of the dividends are related to financial assets at FVTOCI held at the end of the accounting periods.

## 9. NOTES RECEIVABLE, TRADE RECEIVABLES

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
<u>Notes receivable</u>		
Gross carrying amount at amortized cost	\$ 166,923	\$ 197,029
Less: allowance for impairment loss	<u>(1,643)</u>	<u>(1,970)</u>
	<u>\$ 165,280</u>	<u>\$ 195,059</u>
<u>Trade receivables</u>		
Gross carrying amount at amortized cost	\$ 61,462	\$ 105,362
Less: allowance for impairment loss	<u>(320)</u>	<u>(716)</u>
	<u>\$ 61,142</u>	<u>\$ 104,646</u>
<u>Overdue receivables (Note)</u>		
Gross carrying amount at amortized cost	\$ 12,821	\$ 13,352
Less: allowance for impairment loss	<u>(12,821)</u>	<u>(13,352)</u>
	<u>\$ -</u>	<u>\$ -</u>

Note: The overdue receivables are classified to other assets. Please refer to Note 21.

### Notes Receivable

The average number of days of cashing the notes is 30 to 90 days. In order to mitigate credit risk, the management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debt. In addition, the Group reviews the recoverable amount of each individual trade receivables at the end of the year to ensure that adequate allowance is provided for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime expected credit losses. The expected credit losses on trade receivables are estimated by reference to the past default experience of the debtor, an analysis of the debtor's current financial position, and economic conditions.

### Trade Receivables

The average credit period of the sales of goods was 60 to 180 days, and no interest was charged on overdue trade receivables. In determining the recoverability of the trade receivables, the Group considered any change in the credit quality of the trade receivables since the date credit was initially granted to the end of the reporting period. From historical experience, most of the receivables were recovered.

Before accepting new customers, the Group assesses that the credit quality of the potential customer complied with the administration regulations of customer credit, and set up the credits limit for each customer. The credit rating of customers would then be assessed by the supervisors and given an ultimate credit limit.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated using a provision matrix and by reference to the past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecasted direction of economic conditions at the reporting date. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

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

The following table details the loss allowance of trade receivables (including trade receivables from related parties) based on the Group's provision matrix:

#### December 31, 2019

	<b>Not Overdue</b>	<b>Overdue Less than 90 Days</b>	<b>Overdue 90-360 Days</b>	<b>Overdue 1 Year or More</b>	<b>Total</b>
Expected credit loss rate	0%-1%	0%-1%	0%-1%	100%	
Gross carrying amount	\$ 229,607	\$ 1,166	\$ 292	\$ 12,821	\$ 243,886
Allowance for impairment loss (Lifetime ECLs)	<u>(1,955)</u>	<u>(6)</u>	<u>(2)</u>	<u>(12,821)</u>	<u>(14,784)</u>
Amortized cost	<u>\$ 227,652</u>	<u>\$ 1,160</u>	<u>\$ 290</u>	<u>\$ -</u>	<u>\$ 229,102</u>

December 31, 2018

	<b>Not Overdue</b>	<b>Overdue Less than 90 Days</b>	<b>Overdue 90-360 Days</b>	<b>Overdue 1 Year or More</b>	<b>Total</b>
Expected credit loss rate	0.68%-1%	0.68%-1%	0%	100%	
Gross carrying amount	\$ 307,433	\$ 801	\$ -	\$ 13,352	\$ 321,586
Allowance for impairment loss (Lifetime ECLs)	<u>(2,679)</u>	<u>(7)</u>	<u>-</u>	<u>(13,352)</u>	<u>(16,038)</u>
Amortized cost	<u>\$ 304,754</u>	<u>\$ 794</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 305,548</u>

The movements of the loss allowance of trade receivable and trade receivables from related parties were as follows:

	<b><u>For the Year Ended December 31</u></b>	
	<b>2019</b>	<b>2018</b>
Balance at January 1	\$ 16,038	\$ 15,366
Add: Net remeasurement of loss allowance	-	1,364
Less: Net impairment losses reversed	(724)	(454)
Foreign exchange gains and losses	<u>(530)</u>	<u>(238)</u>
Balance at December 31	<u>\$ 14,784</u>	<u>\$ 16,038</u>

# **10 OTHER RECEIVABLES**

	<b><u>December 31</u></b>	
	<b>2019</b>	<b>2018</b>
Interest receivables	\$ 18,197	\$ 20,845
Other receivables from the disposal of shares	43,713	-
Income tax refund receivables	330,403	-
Others	12,553	13,485
Less: allowance of impairment loss	<u>(1,862)</u>	<u>(1,939)</u>
	<u>\$ 403,004</u>	<u>\$ 32,391</u>
	<b><u>For the Year Ended December 31</u></b>	
	<b>2019</b>	<b>2018</b>
Balance at January 1	\$ 1,939	\$ 21,513
Add: Net remeasurement of loss allowance	-	93
Less: Amount written-off	-	(18,934)
Foreign exchange gains and losses	<u>(77)</u>	<u>(733)</u>
Balance at December 31	<u>\$ 1,862</u>	<u>\$ 1,939</u>

The following table details the loss allowance of others receivables based on the Group's provision matrix:

December 31, 2019

	<b>Not Overdue</b>	<b>Overdue Less than 90 Days</b>	<b>Overdue 90-360 Days</b>	<b>Overdue 1 Year or More</b>	<b>Total</b>
Expected credit loss rate	0%	0%	0%	100%	
Gross carrying amount	\$ 403,004	\$ -	\$ -	\$ 1,862	\$ 404,866
Allowance of impairment loss (Lifetime ECLs)	-	-	-	(1,862)	(1,862)
Amortized cost	<u>\$ 403,004</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 403,004</u>

December 31, 2018

	<b>Not Overdue</b>	<b>Overdue Less than 90 Days</b>	<b>Overdue 90-360 Days</b>	<b>Overdue 1 Year or More</b>	<b>Total</b>
Expected credit loss rate	0%	0%	0%	100%	
Gross carrying amount	\$ 32,391	\$ -	\$ -	\$ 1,939	\$ 34,330
Allowance of impairment loss (Lifetime ECLs)	-	-	-	(1,939)	(1,939)
Amortized cost	<u>\$ 32,391</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,391</u>

Other receivables were mainly interest and proceeds of marketable securities disposed. The Group only transacts with counterparts who have good credit ratings. The Group continues to monitor the conditions of the receivables and refers to the past default experience of the debtor and the analysis of the debtor's current financial position in determining whether the credit risk of the other receivables increased significantly since the initial recognition as well as in measuring the expected credit losses.

## 11. FINANCE LEASE RECEIVABLES

2019

	<b>December 31, 2019</b>
<u>Undiscounted lease payments</u>	
Year 1	\$ 2,743
Year 2	2,800
Year 3	2,971
Year 4	2,971
Year 5	1,115
Year 6 onwards	-
	<u>12,600</u>
Less: Unearned finance income	<u>(600)</u>
Finance lease payments receivable	<u>12,000</u>
Net investment in leases presented as finance lease receivables	<u>\$ 12,000</u>

(Continued)

**December 31,  
2019**

Lease payments receivable

Not later than 1 year	\$ 2,504
Later than 1 year and not later than 5 years	<u>9,496</u>
	<u>\$ 12,000</u> (Concluded)

The Group has been subleasing its building to Gping Wellness Co. Ltd. since August 2015. As the Group subleases the retail stores for all the remaining lease term of the main lease to the sublessee, the sublease contract is classified as a finance lease. The sublease was previously classified as operating lease under IAS 17. Refer to Note 3 for the details.

The interest rates inherent in the leases are fixed at the contract dates for the entire term of the lease. The interest rate inherent in the finance leases is approximately 2.25% per annum as of December 31, 2019.

To reduce the residual asset risk related to the leased building at the end of the relevant lease, the lease contract includes general risk management strategy of the Group.

The Group measures the loss allowance for finance lease receivables at an amount equal to lifetime ECLs. As of December 31, 2019, no finance lease receivable was past due. The Group has not recognized a loss allowance for finance lease receivables after taking into consideration the historical default experience and the future prospects of the industries in which the lessee operates, together with the value of collateral held over these finance lease receivables.

## 12. INVENTORIES

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Finished goods	\$ 40,180	\$ 11,620
Raw materials	192	116
Supplies	<u>1,372</u>	<u>1,776</u>
	<u>41,744</u>	<u>13,512</u>
Construction in progress	-	619,060
Lands and buildings held for sale	-	58,406
Land held for construction	<u>3,166</u>	<u>3,166</u>
	<u>3,166</u>	<u>680,632</u>
	<u>\$ 44,910</u>	<u>\$ 694,144</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2019 and 2018 was \$1,034,849 thousand and \$1,002,898 thousand, respectively.

The loss from the write-downs of inventory in the year ended December 31, 2019 was \$514 thousand. The gain from the write-downs recovered for the year ended December 31, 2018 was \$149 thousand.

The cost of goods sold for the year ended December 31, 2018 included reversals of inventory write-downs of \$34,985 thousand. The reversals of previous write-downs were due to a boost in net present value caused by the selling contracts signed by the Group, which assured the sale of the inventories within a year. The inventories held for sale were reclassified to disposal groups held for sale and disposed of in August 2018. The gain of \$1,552 thousand from the disposal was recognized in other income from discontinued operation.

### 13. DISPOSAL GROUPS HELD FOR SALE

#### a. Discontinued operations

On December 30, 2016, the board of directors of the Company resolved to liquidate Jiangsu Union Cement Co., Ltd. (hereafter referred to as the “Union Cement,”) and to cease the production of cement clinker. In May 2018, Union Cement entered into contract with Zhenjiang City Construction Industry Group Company Limited, Jurong Taiwan Cement Co., Ltd., and Jiangsu Jinbiaoying Construction Co., Ltd to dispose of its land use rights, buildings, inventory, and equipment. The transactions for disposal of inventory and equipment were completed in August 2018. The cancellation of the registration of remaining land use rights and buildings in Zhenjiang Bureau of Land and Resources was completed on July 5, 2018, and the demolition and transfer of the assets were completed in June 2019.

The above transactions met the criteria of IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations.” Therefore, assets disposed of were classified as a disposal group held for sale. The disposal group was presented as a discontinued operation since it met the definition of discontinued operations.

The profit or loss of the discontinued operations was as follow:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Profit or loss for the year	<u>\$ 590,161</u>	<u>\$ 140,515</u>
Reversals of impairment losses on changes in fair value less costs to sell (Note 12 and 17)	-	374,011
Income tax expense	<u>-</u>	<u>-</u>
	<u>\$ 590,161</u>	<u>\$ 514,526</u>

The details of profit (loss) from discontinued operations and the related cash flow information were as follows:

	<b>2019</b>	<b>2018</b>
Operating revenue	\$ -	\$ 36,537
Operating costs	<u>-</u>	<u>-</u>
Gross profit	-	36,537
Selling and marketing expenses	-	-
General and administrative expenses	(10,398)	(95,354)
Allowance for credit loss	<u>-</u>	<u>(93)</u>
Loss from operations	(10,398)	(58,910)
Other income	14,522	254,841

(Continued)

	<b>2019</b>	<b>2018</b>
Other profit or loss	\$ 586,037	\$ 321,478
Finance costs	<u>-</u>	<u>(2,883)</u>
Profit before tax	590,161	514,526
Income tax expense	<u>-</u>	<u>-</u>
Net profit for the year	<u>\$ 590,161</u>	<u>\$ 514,526</u>
Profit from discontinued operations attributable to:		
Owners of the Company	\$ 590,161	\$ 514,526
Non-controlling interests	<u>-</u>	<u>-</u>
	<u>\$ 590,161</u>	<u>\$ 514,526</u>
Cash flows		
Operating activities	\$ 86,918	\$ 178,794
Investing activities	789,579	403,137
Financing activities	<u>(134,708)</u>	<u>(102,855)</u>
Net cash inflows	<u>\$ 741,789</u>	<u>\$ 479,076</u>
		(Concluded)

b. Disposal groups held for sale

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Total amount of disposal group held for sale	<u>\$ 42,537</u>	<u>\$ 483,105</u>
Liabilities directly associated with disposal groups classified as held for sale	<u>\$ 380,771</u>	<u>\$ 653,859</u>
<u>December 31, 2019</u>		
		<b>Shanghai Jia Huan</b>
Property, plant and equipment - machinery		\$ 11,499
Investment property - building		14,844
Right-of-use asset		<u>16,194</u>
Total amount of disposal group held for sale		<u>\$ 42,537</u>
Advance receipt		<u>\$ 380,771</u>
Liabilities directly associated with disposal groups classified as held for sale		<u>\$ 380,771</u>



December 31, 2018

	<b>Union Cement</b>	<b>Shanghai Jia Huan</b>	<b>Total</b>
Property, plant and equipment - leasehold improvement	\$ 328,319	\$ -	\$ 328,319
Property, plant and equipment - machinery	-	11,975	11,975
Investment property - building	-	15,459	15,459
Lease prepayment	<u>110,489</u>	<u>16,863</u>	<u>127,352</u>
Total amount of disposal group held for sale	<u>\$ 438,808</u>	<u>\$ 44,297</u>	<u>\$ 483,105</u>
Guarantee deposit	\$ 22,377	\$ -	\$ 22,377
Advance receipt	<u>223,765</u>	<u>407,717</u>	<u>631,482</u>
Liabilities directly associated with disposal groups classified as held for sale	<u>\$ 246,142</u>	<u>\$ 407,717</u>	<u>\$ 653,859</u>

- a. The operation of Union Cement was categorized as “cement” for segment presentation purposes, and was reclassified as a disposal group held for sale and presented separately in the balance sheet. The disposal transactions, demolition and transfer of the aforementioned assets in the disposal group classified as held for sale were completed on June 15, 2019.

As of December 31, 2018, the Group had received advance partial payment of \$223,765 thousand for the disposal. The advance receipt was presented as liability directly associated with disposal groups classified as held for sale.

The sales proceeds were expected to exceed the carrying amount of the related net assets and, accordingly, no impairment losses were recognized on the classification of these operations as held for sale.

- b. On June 26, 2018, the board of directors of the Company resolved to authorize the subsidiary, Shanghai Jia Huan Concrete Co., Ltd., (hereafter referred to as “Shanghai Jia Huan”), to act in accordance with the land reserve plan for environmental improvement by Shanghai city, and to dispose of its plants located in the waterfront area of Xuhui District and the related land use rights. On July 12, 2018, the board of directors of Shanghai Jia Huan resolved to enter into a compensation contract with Shanghai Xuhui District Land Reserve Center and Shanghai Xuhui Waterfront Development, Construction, and Investment Co., Ltd. The compensation contract was signed in August 2018, and the transfer of assets is still in process. The related assets were reclassified as a disposal group held for sale and presented separately in the balance sheet.

As of December 31, 2019 and 2018, Shanghai Jia Huan had received advance partial consideration of \$380,771 thousand and \$407,717 thousand for the disposal. The advance received was presented as liability directly associated with disposal groups classified as held for sale.

The sales proceeds were expected to exceed the carrying amount of the related net assets and, accordingly, no impairment losses were recognized on the classification of these operations as held for sale.

## 14. OTHER FINANCIAL ASSETS

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
<u>Current</u>		
Principle protected investments	\$ 1,174,370	\$ 980,540
Bank deposits (original maturities of more than 3 months)	<u>2,243,645</u>	<u>2,432,868</u>
	<u>\$ 3,418,015</u>	<u>\$ 3,413,408</u>
<u>Non-current</u>		
Restricted deposits	<u>\$ 23,588</u>	<u>\$ 21,353</u>

Note: Early redemption is inapplicable to the investment product.

- a. The Group has tasked its credit management committee to develop a credit risk grading framework to determine whether the credit risk of the other financial assets increases significantly since the last period to the reporting date as well as to measure the expected credit losses. The credit rating information may be obtained from independent rating agencies where available and, if not available, the credit management committee uses other publicly available financial information to rate the debtors. In the consideration of an analysis of the debtor's current financial position and the forecasted direction of economic conditions in the industry, the Group forecasts both 12-month expected credit losses and lifetime expected credit losses of other financial assets. As of December 31, 2019 and 2018, the Group assessed the expected credit loss as 0%.
- b. Refer to Note 38 for the carrying amounts of financial assets pledged by the Group to secure obligations.

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
<u>Interest rate range</u>		
Principle protected investments	3.05%-3.50%	3.15%-4.00%
Bank deposits (original maturities of more than 3 months)	0.11%-2.70%	0.63%-3.12%
Restricted deposits	0.12%-1.065%	0.12%-1.065%

## 15. SUBSIDIARIES

- a. Subsidiaries included in the consolidated financial statements

Investor	Investee	Nature of Activities	Proportion of Ownership (%)		Remark
			December 31		
			2019	2018	
Chia Hsin Cement Corporation	Chia Hsin Construction & Development Corp.	Office buildings construction and lease and sale of public housings	(Note 6)	49.87	
	Tong Yang Chia Hsin International Corporation	General international trade (all business items that are not prohibited or restricted by law, except those that are subject to special approval)	87.18	87.18	

(Continued)

Investor	Investee	Nature of Activities	Proportion of Ownership (%)		Remark
			December 31		
			2019	2018	
YJ International Corporation	Chia Hsin Property Management & Development	Wholesale and retail business of machinery; residence, factory buildings and office buildings leasing and selling; PPE leasing and selling	100.00	100.00	
	Chia Pei International Corporation	Mining; wholesale of building materials; nonmetallic mining; retail sale of building materials; international trade; rental and leasing business; retail sale of other machinery and equipment	100.00	100.00	
	Chia Hsin Pacific Limited BlueSky. Co. Ltd.	Holding company	74.16	74.16	Exchange rate risk
		International trade; real estate trading; real estate leasing	100.00	100.00	
	YJ International Corporation (Note 1)	Real estate rental and leasing; real estate management; realtor agent	100.00	100.00	
	Jaho Life Plus+ Management Corp., Ltd. (Note 2)	Management consulting service	100.00	100.00	
	CHC Ryukyu Development GK (Notes 3 and 4)	Real estate rental and leasing; management consulting service	100.00	100.00	Exchange rate risk
	CHC Ryukyu COLLECTIVE KK (Notes 4 and 5)	Hotel management	100.00	-	Exchange rate risk
	Tong Yang Chia Hsin International Corporation	Tong Yang Chia Hsin Marine Corp.	Shipping service	100.00	100.00
Tong Yang Chia Hsin Marine Corp.	Chia Hsin Pacific Limited	Holding company	24.18	24.18	Exchange rate risk
	Jiangsu Jiaguo Construction Material Storage Co., Ltd.	Engaging in overland delivery of ordinary goods and the processing, manufacturing and selling of cement and other construction material	100.00	100.00	Exchange rate risk and political risk arising from Cross-Strait relations
Jiangsu Jiaguo Construction Material Storage Co., Ltd.	Jiangsu Jiaxin Property Limited Company	Developing and selling real estate and providing property management service	100.00	100.00	Exchange rate risk and political risk arising from Cross-Strait relations
Chia Hsin Property Management & Development	Chia Sheng Construction Corp.	Wholesale and retail business of machinery; residence, factory buildings and office buildings leasing and selling; PPE leasing and selling	100.00	100.00	Exchange rate risk and political risk arising from Cross-Strait relations
Chia Hsin Pacific Limited Effervesce Investment Pte. Ltd.	Effervesce Investment Pte. Ltd.	Investment and holding company	100.00	100.00	Exchange rate risk
	Chia Hsin Business Consulting (Shanghai) Co., Ltd.	Consulting for developing information system for business and finance purpose.	100.00	100.00	Exchange rate risk and political risk arising from Cross-Strait relations
	Shanghai Chia Hsin Ganghui Co., Ltd.	Warehousing and packing bulk cement and formulating and delivering high-strength cement.	100.00	100.00	Exchange rate risk and political risk arising from Cross-Strait relations
	Shanghai Jia Huan Concrete Co., Ltd.	Processing, manufacturing and selling of cement, concrete and other related products.	68.00	68.00	Exchange rate risk and political risk arising from Cross-Strait relations
(Continued)					

(Continued)

Investor	Investee	Nature of Activities	Proportion of Ownership (%)		Remark
			December 31		
			2019	2018	
Chia Hsin Pacific Limited	Yonica Pte Ltd	Investment and holding company	100.00	100.00	Exchange rate risk
Yonica Pte Ltd	Jiangsu Union Cement Co., Ltd. (Note 7)	Processing, manufacturing and selling of cement.	100.00	100.00	Exchange rate risk and political risk arising from Cross-Strait relations
Chia Hsin Pacific Limited	Sparksview Pte. Ltd.	Investment and holding company	100.00	100.00	Exchange rate risk
Sparksview Pte. Ltd.	Shanghai Jia Huan Concrete Co., Ltd.	Processing, manufacturing and selling of cement, concrete and other related products.	32.00	32.00	Exchange rate risk and political risk arising from Cross-Strait relations
Chia Hsin Business Consulting (Shanghai) Co., Ltd.	Shanghai Chia Peng Healthcare Management Consulting Co., Ltd. (Note 8)	Consulting for management of healthcare and hotel business.	70.00	70.00	Exchange rate risk and political risk arising from Cross-Strait relations
Shanghai Chia Peng Healthcare Management Consulting Co., Ltd.	Jiapeng Maternal and Child Care (Yangzhou) Co., Ltd. (Note 9)	Providing healthcare service to mothers in pregnancy, parturition and postpartum period.	100.00	-	Exchange rate risk and political risk arising from Cross-Strait relations
(Concluded)					

Note 1: On March 16, 2018, March 18, 2019 and November 20, 2019, the Group increased its investments by \$420,000 thousand, \$680,000 thousand and \$700,000 thousand, respectively.

Note 2: On January 11, 2018, the Group increased its investment for the amount of \$200,000 thousand.

Note 3: On March 26, 2018 and March 18, 2019, YJ International Corporation increased its investment in CHC Ryukyu Development GK for the amount of JPY1,500,010 thousand and JPY2,400,000 thousand, respectively.

Note 4: On July 1, 2019, CHC Ryukyu Development GK underwent a spin-off and established a new company, CHC Ryukyu COLLECTIVE KK, with the share capital, JPY4,570,425, transferred to CHC Ryukyu COLLECTIVE KK.

Note 5: On November 27, 2019, YJ International Corporation increased its investment in CHC Ryukyu COLLECTIVE KK for the amount of JPY2,450,000 thousand.

Note 6: On February 20, 2019, the Company's board of directors (BOD) passed a resolution for the Company to entered into a sale agreement and the Company sold 4,300 thousand shares of Chia Hsin Construction & Development Corp. to strategic investors. Thereafter, the ratio of the Company's shareholding decreased from 49.87% to 43.87%. Considering the united agreement made among the other shareholders of Chia Hsin Construction & Development Corp., the Company lost the control over Chia Hsin Construction & Development Corp. and reclassified the investment to investment in associates. For more details about the disposal of subsidiary, please refer to Note 32.

Note 7: On December 30, 2016, the company went into liquidation under the resolution of the board of directors.

Note 8: On September 21, 2018, the BOD of Chia Hsin Business Consulting (Shanghai) Co., Ltd. resolved to sell 30% of its capital shares to non-related party, Suzhou Chung Hwa Chemical & Pharmaceutical Industrial Co., Ltd., with the consideration of \$1,331 thousand. The shareholding after the sale decreased from 100% to 70%.

Note 9: On January 7, 2019, Shanghai Chia Peng Healthcare Management Consulting Co., Ltd. injected RMB10,000 thousand to establish Jiapeng Maternal and Child Care (Yangzhou) Co., Ltd., which is thereafter included into the consolidated financial report.

Any transaction, account balance, revenue and expense between the consolidated entities is eliminated and not shown on the consolidated financial statements.

b. Details of subsidiaries that have material non-controlling interests

	<b>Proportion of Ownership and Voting Rights Held by Non-Controlling Interests</b>	
	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Chia Hsin Construction & Development Corp. (Note)	-	50.13%
Tong Yang Chia Hsin International Corporation	12.82%	2.41%

Note: In February 2019, the Group disposed of part of the shares and lost control over Chia Hsin Construction & Development Corp. The company no longer is a subsidiary of the Group. Nonetheless, the Group still has significant influence over Chia Hsin Construction & Development Corp. For detail information of associates that have material interests, please refer to Note 16.

Refer to Note 43, Table 9 “Information on Investees” for the nature of activities, principal places of business and countries of incorporation of the subsidiaries and associates.

<b>Name of Subsidiary</b>	<b>Profit (Loss) Allocated to Non-controlling Interests</b>		<b>Accumulated Non-controlling Interests</b>	
	<b>For the Year Ended</b>		<b>December 31</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Chia Hsin Construction & Development Corp.	\$ -	\$ 53,777	\$ -	\$ 1,801,487
Tong Yang Chia Hsin International Corporation	<u>94,926</u>	<u>11,639</u>	<u>945,777</u>	<u>152,070</u>
	<u>\$ 94,926</u>	<u>\$ 65,416</u>	<u>\$ 945,777</u>	<u>\$ 1,953,557</u>

Summarized financial information in respect of each of the Group’s subsidiaries that has material non-controlling interests is set out below. The summarized financial information below represents amounts before intragroup eliminations.

Chia Hsin Construction & Development Corp.

	<b>December 31, 2018</b>
Current assets	\$ 1,305,449
Non-current assets	2,434,768
Current liabilities	(67,906)
Non-current liabilities	<u>(81,462)</u>
Equity	<u>\$ 3,590,849</u>
Equity attributable to:	
Owners of the Group	\$ 1,789,362
Non-controlling interests of Chia Hsin Construction & Development Corp.	<u>1,801,487</u>
Carrying amount	<u>\$ 3,590,849</u>
	<b>For the Year Ended December 31, 2018</b>
Operating revenue	<u>\$ 204,206</u>
Net profit for the year	\$ 107,305
Other comprehensive income	<u>52,109</u>
Total comprehensive income for the year	<u>\$ 159,414</u>
Profit attributable to:	
Owners of Group	\$ 53,528
Non-controlling interests of Chia Hsin Construction & Development Corp.	<u>53,777</u>
	<u>\$ 107,305</u>
Total comprehensive income attributable to:	
Owners of Group	\$ 79,513
Non-controlling interests of Chia Hsin Construction & Development Corp.	<u>79,901</u>
	<u>\$ 159,414</u>
Net cash outflow from:	
Operating activities	(194,513)
Investing activities	(3,637)
Financing activities	<u>(36,568)</u>
Net cash outflow	<u>\$ (234,718)</u>
Dividends paid to non-controlling interests of:	
Chia Hsin Construction & Development Corp.	<u>\$ 34,873</u>

Tong Yang Chia Hsin International Corporation

	<b>December 31, 2019</b>
Current assets	\$ 2,499,479
Non-current assets	5,178,332
Current liabilities	(81,737)
Non-current liabilities	<u>(217,117)</u>
Equity	<u>\$ 7,378,957</u>
Equity attributable to:	
Owners of the Group	\$ 6,433,180
Non-controlling interests of Tong Yang Chia Hsin International Corporation	<u>945,777</u>
Carrying amount	<u>\$ 7,378,957</u>
	<b>For the Year Ended December 31, 2019</b>
Operating revenue	<u>\$ 100,454</u>
Net profit for the year	740,450
Other comprehensive income	<u>2,010,911</u>
Total comprehensive income for the year	<u>\$ 2,751,361</u>
Profit attributable to:	
Owners of Group	\$ 645,524
Non-controlling interests of Tong Yang Chia Hsin International Corporation	<u>94,926</u>
	<u>\$ 740,450</u>
Total comprehensive income attributable to:	
Owners of Group	\$ 2,398,636
Non-controlling interests of Tong Yang Chia Hsin International Corporation	<u>352,725</u>
	<u>\$ 2,751,361</u>
Net cash inflow from:	
Operating activities	206,664
Investing activities	565,809
Financing activities	<u>(731,099)</u>
Net cash inflow	<u>\$ 41,374</u>

## 16. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Investments in associates	\$ 2,485,374	\$ 696,844
Investments in joint ventures	<u>164,294</u>	<u>169,622</u>
	<u>\$ 2,649,668</u>	<u>\$ 866,466</u>

### a. Investments in associates

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Material associates		
LDC ROME HOTELS S.R.L.	\$ 390,640	\$ 423,215
Chia Hsin Construction & Development Corp.	1,783,114	-
Associates that are not individually material	<u>311,620</u>	<u>273,629</u>
	<u>\$ 2,485,374</u>	<u>\$ 696,844</u>

### 1) Material associates

	<b>Proportion of Ownership and Voting Rights</b>	
	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
LDC ROME HOTELS S.R.L.	40.00%	40.00%
Chia Hsin Construction & Development Corp.	43.87%	-

Refer to Note 43, Table 9 “Information on Investees” for the nature of activities, principal places of business and countries of incorporation of the associates.

The Group use equity method to evaluate the associates mentioned above.

The financial information below was made according to the associates’ IFRS financial report and was adjusted by using equity method.

### LDC ROME HOTELS S.R.L.

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Current assets	\$ 254,372	\$ 709,288
Non-current assets	2,135,465	1,923,998
Current liabilities	(556,693)	(505,167)
Non-current liabilities	<u>(856,545)</u>	<u>(1,070,080)</u>
Equity	<u>\$ 976,599</u>	<u>\$ 1,058,039</u>
Proportion of the Group’s ownership	40.00%	40.00%
Equity attributable to the Group	<u>\$ 390,640</u>	<u>\$ 423,215</u>
Carrying amount	<u>\$ 390,640</u>	<u>\$ 423,215</u>



	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Operating revenue	<u>\$ 632,359</u>	<u>\$ 621,933</u>
Net loss for the year	(34,051)	(42,445)
Other comprehensive income (loss)	<u>-</u>	<u>-</u>
Total comprehensive income (loss) for the year	<u>\$ (34,051)</u>	<u>\$ (42,445)</u>

Chia Hsin Construction & Development Corp.

	<b>December 31, 2019</b>
Current assets	\$ 1,718,219
Non-current assets	2,634,877
Current liabilities	(146,471)
Non-current liabilities	<u>(171,433)</u>
Equity	<u>\$ 4,035,192</u>
Proportion of the Group's ownership	43.87%
Equity attributable to the Group	\$ 1,770,239
Premium representing the difference between fair value and book value of remaining equity investments	<u>12,875</u>
Carrying amount	<u>\$ 1,783,114</u>

	<b>For the Year Ended December 31, 2019</b>
Operating revenue	<u>\$ 102,934</u>
Net profit for the year	155,267
Other comprehensive income (loss)	<u>313,656</u>
Total comprehensive income (loss) for the year	<u>\$ 468,923</u>

In February 2019, the Group disposed of part of the shares and consequently lost control over Chia Hsin Construction & Development Corp. Nonetheless, the Group still has significant influence over Chia Hsin Construction & Development Corp., and classified the remaining investment as investment in associate accounted for by using equity method.

2) Aggregate information of associates that are not individually material

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
The Group's share of:		
Profit/(loss) from continuing operations	\$ 6,274	\$ (26,837)
Other comprehensive income (loss)	<u>(33,244)</u>	<u>2,335</u>
Total comprehensive income (loss) for the year	<u>\$ (26,970)</u>	<u>\$ (24,502)</u>

b. Investments in joint ventures

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Joint ventures that are not individually material		
Jiangsu Union Mining Industry Ltd. (Note)	<u>\$ 164,294</u>	<u>\$ 169,622</u>

Note: On January 17, 2019, the board of directors resolved to liquidate the company.

Refer to Note 43, Table 11 "Information of Investment in Mainland China" for the nature of activities, principal places of business and countries of incorporation of joint ventures.

## 17. PROPERTY, PLANT AND EQUIPMENT

	<b>December 31, 2019</b>
Assets used by the Group	\$ 6,435,394
Assets leased under operating leases	<u>100,180</u>
	<u>\$ 6,535,574</u>

a. Assets used by the Group - 2019

	<b>Land</b>	<b>Building</b>	<b>Machinery and Equipment</b>	<b>Transportation Equipment</b>	<b>Leasehold Improvement</b>	<b>Other Equipment</b>	<b>Property under Construction</b>	<b>Total</b>
<b>Cost</b>								
Balance at January 1, 2019	\$ 1,047,829	\$ 59	\$ 967,576	\$ 40,762	\$ 2,839,608	\$ 181,478	\$ 1,284,561	\$ 6,361,873
Additions	14,185	1,860,392	204,140	1,751	9,094	464,011	815,427	3,369,000
Disposals	-	-	(111,273)	(12,777)	-	(43)	(138,638)	(262,731)
Reclassified from property under construction	-	1,891,273	-	-	238	-	(1,891,511)	-
Reclassified from prepayments	-	-	2,448	-	-	-	-	2,448
Transferred due to loss of control	-	-	-	(11,780)	(1,157)	(2,335)	-	(15,272)
Transferred to assets leased under operating leases	-	-	(239,154)	-	(131,734)	(2,863)	-	(373,751)
Effect of foreign currency exchange differences	<u>(8,592)</u>	<u>(101,832)</u>	<u>(2,701)</u>	<u>(224)</u>	<u>656</u>	<u>(11,441)</u>	<u>21,641</u>	<u>(102,493)</u>
Balance at December 31, 2019	<u>\$ 1,053,422</u>	<u>\$ 3,649,892</u>	<u>\$ 821,036</u>	<u>\$ 17,732</u>	<u>\$ 2,716,705</u>	<u>\$ 628,807</u>	<u>\$ 91,480</u>	<u>\$ 8,979,074</u>
<b>Revaluation</b>								
Balance at January 1, 2019	\$ -	\$ -	\$ 22,562	\$ 487	\$ -	\$ 357	\$ -	\$ 23,406
Disposals	-	-	(6,756)	(487)	-	-	-	(7,243)
Effect of foreign currency exchange differences	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance at December 31, 2019	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,806</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 357</u>	<u>\$ -</u>	<u>\$ 16,163</u>

(Continued)

	Land	Building	Machinery and Equipment	Transportation Equipment	Leasehold Improvement	Other Equipment	Property under Construction	Total
<u>Accumulated depreciation</u>								
Balance at January 1, 2019	\$ -	\$ 59	\$ 862,615	\$ 28,611	\$ 1,531,306	\$ 147,911	\$ -	\$ 2,570,502
Depreciation expenses	-	12,286	26,135	2,077	124,937	15,107	-	180,542
Disposals	-	-	(118,029)	(13,188)	-	(21)	-	(131,238)
Transferred due to loss of control	-	-	-	(5,465)	(1,037)	(1,974)	-	(8,476)
Transferred to assets leased under operating leases	-	-	(213,324)	-	(46,119)	(2,467)	-	(261,910)
Effect of foreign currency exchange differences	-	(170)	2,438	(117)	263	(449)	-	1,965
Balance at December 31, 2019	<u>\$ -</u>	<u>\$ 12,175</u>	<u>\$ 559,835</u>	<u>\$ 11,918</u>	<u>\$ 1,609,350</u>	<u>\$ 158,107</u>	<u>\$ -</u>	<u>\$ 2,351,385</u>
<u>Accumulated Impairment</u>								
Balance at January 1, 2019	\$ -	\$ -	\$ 56,216	\$ -	\$ 152,610	\$ -	\$ 138,427	\$ 347,253
Disposals	-	-	-	-	-	-	(138,638)	(138,638)
Effect of foreign currency exchange differences	-	-	(368)	-	-	-	211	(157)
Balance at December 31, 2019	<u>-</u>	<u>-</u>	<u>55,848</u>	<u>-</u>	<u>152,610</u>	<u>-</u>	<u>-</u>	<u>208,458</u>
Carrying amounts at January 1, 2019	<u>\$ 1,047,829</u>	<u>\$ -</u>	<u>\$ 71,307</u>	<u>\$ 12,638</u>	<u>\$ 1,155,692</u>	<u>\$ 33,924</u>	<u>\$ 1,146,134</u>	<u>\$ 3,467,524</u>
Carrying amounts at December 31, 2019	<u>\$ 1,053,422</u>	<u>\$ 3,637,717</u>	<u>\$ 221,159</u>	<u>\$ 5,814</u>	<u>\$ 954,745</u>	<u>\$ 471,057</u>	<u>\$ 91,480</u>	<u>\$ 6,435,394</u>

(Concluded)

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

Buildings	
Office building	20-55 years
Storage and plant	20 years
Others	20 years
Machinery and equipment	2-20 years
Transportation equipment	2-10 years
Leasehold improvement	
Office building	10-40 years
Storage and plant	7-40 years
Others	3-24 years
Other equipment	3-16 years

b. Assets leased under operating leases - 2019

	Machinery and Equipment	Leasehold Improvement	Other Equipment	Total
<u>Cost</u>				
Balance at January 1, 2019	\$ -	\$ -	\$ -	\$ -
Additions	-	-	66	66
Disposals	-	-	(20)	(20)
From assets used by the Group	239,154	131,734	2,863	373,751
Effect of foreign currency exchange difference	(14,291)	(5,181)	(173)	(19,645)
Balance at December 31, 2019	<u>\$ 224,863</u>	<u>\$ 126,553</u>	<u>\$ 2,736</u>	<u>\$ 354,152</u>

(Continued)

	<b>Machinery and Equipment</b>	<b>Leasehold Improvement</b>	<b>Other Equipment</b>	<b>Total</b>
Accumulated depreciation and impairment				
Balance at January 1, 2019	\$ -	\$ -	\$ -	\$ -
From assets used by the Group	213,324	46,119	2,467	261,910
Disposals	-	-	(18)	(18)
Depreciation expense	1,302	6,020	55	7,377
Effect of foreign currency exchange difference	<u>(12,801)</u>	<u>(2,347)</u>	<u>(149)</u>	<u>(15,297)</u>
Balance at December 31, 2019	<u>\$ 201,825</u>	<u>\$ 49,792</u>	<u>\$ 2,355</u>	<u>\$ 253,972</u>
Carrying amount at January 1, 2019	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Carrying amount at December 31, 2019	<u>\$ 23,038</u>	<u>\$ 76,761</u>	<u>\$ 381</u>	<u>\$ 100,180</u>
				(Concluded)

Operating leases relate to lease of machinery and equipment and leasehold improvement in the Port of Longwu, Shanghai, with lease term from 2019 to 2023. The operating lease contracts contain market review clauses in the event that the lessees exercise their options to extend. The lessees do not have bargain purchase options to acquire the assets at the expiry of the lease periods.

In addition to the fixed lease payments, the lease contracts also indicate that lease payments should be adjusted every year on the basis of the change in the annual average price of cement.

Operating lease relates to lease of leasehold improvement located on Zhongshan N. Road, Taipei, Taiwan with the lease term of 1 year. The lessee does not have bargain purchase options to acquire the asset at the expiry of the lease period.

The maturity analysis of lease payments receivable under operating lease payments was as follows:

	<b>December 31, 2019</b>
Year 1	\$ 29,402
Year 2	30,254
Year 3	30,342
Year 4	30,426
Year 5	<u>-</u>
	<u>\$ 120,424</u>

To reduce the residual asset risk related to leasehold improvements at the end of the relevant lease, the lease contract includes general risk management strategy.

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

Machinery and equipment	11-15 years
Leasehold improvement	
Office building	10-40 years
Storage and plant	40 years
Others	40 years
Other equipment	5 years

c. 2018

	Land	Building	Machinery and Equipment	Transportation Equipment	Leasehold Improvement	Other Equipment	Property under Construction	Total
<u>Cost</u>								
Balance at January 1, 2018	\$ 996,029	\$ 441	\$ 2,650,348	\$ 79,877	\$ 3,669,590	\$ 243,916	\$ 315,608	\$ 7,955,809
Reclassification (Note 19)	(424)	(382)	-	-	(67,146)	-	-	(67,952)
Balance at January 1, 2018 (after reclassification)	995,605	59	2,650,348	79,877	3,602,444	243,916	315,608	7,887,857
Additions	-	-	1,815	4,762	9,628	23,493	944,674	984,372
Disposals	-	-	(12,851)	(43,857)	-	(15,354)	-	(72,062)
Reclassified as held for sale (Note 13)	-	-	(1,697,239)	-	(785,183)	(71,666)	-	(2,554,088)
Effect of foreign currency exchange differences	52,224	-	25,503	(20)	12,719	1,089	24,279	115,794
Balance at December 31, 2018	<u>\$ 1,047,829</u>	<u>\$ 59</u>	<u>\$ 967,576</u>	<u>\$ 40,762</u>	<u>\$ 2,839,608</u>	<u>\$ 181,478</u>	<u>\$ 1,284,561</u>	<u>\$ 6,361,873</u>
<u>Revaluation</u>								
Balance at January 1, 2018	\$ -	\$ -	\$ 22,562	\$ 487	\$ -	\$ 357	\$ -	\$ 23,406
Effect of foreign currency exchange differences	-	-	-	-	-	-	-	-
Balance at December 31, 2018	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,562</u>	<u>\$ 487</u>	<u>\$ -</u>	<u>\$ 357</u>	<u>\$ -</u>	<u>\$ 23,406</u>
<u>Accumulated depreciation</u>								
Balance at January 1, 2018	\$ -	\$ 166	\$ 1,913,706	\$ 42,473	\$ 1,821,466	\$ 192,627	\$ -	\$ 3,970,438
Reclassification (Note 19)	-	(166)	-	-	(23,988)	-	-	(24,154)
Balance at January 1, 2018 (after reclassification)	-	-	1,913,706	42,473	1,797,478	192,627	-	3,946,284
Depreciation expenses	-	-	46,976	4,029	171,347	7,051	-	229,403
Disposals	-	-	(4,300)	(17,900)	-	(13,967)	-	(36,167)
Reclassified as held for sale (Note 13)	-	-	(1,109,240)	-	(444,865)	(38,317)	-	(1,592,422)
Effect of foreign currency exchange differences	-	59	15,473	9	7,346	517	-	23,404
Balance at December 31, 2018	<u>\$ -</u>	<u>\$ 59</u>	<u>\$ 862,615</u>	<u>\$ 28,611</u>	<u>\$ 1,531,306</u>	<u>\$ 147,911</u>	<u>\$ -</u>	<u>\$ 2,570,502</u>
<u>Accumulated Impairment</u>								
Balance at January 1, 2018	\$ -	\$ -	\$ 557,834	\$ -	\$ 430,016	\$ 27,708	\$ 140,889	\$ 1,156,447
Reclassification (Note 19)	-	-	-	-	(12,299)	-	-	(12,299)
Balance at January 1, 2018 (after reclassification)	-	-	557,834	-	417,717	27,708	140,889	1,144,148
Disposals	-	-	-	-	-	-	-	-
Impairment losses reversed (Note 28)	-	-	(73,487)	-	(265,539)	-	-	(339,026)
Reclassified as held for sale (Note 13)	-	-	(435,938)	-	-	(28,219)	-	(464,157)
Effect of foreign currency exchange differences	-	-	7,807	-	432	511	(2,462)	6,288
Balance at December 31, 2018	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 56,216</u>	<u>\$ -</u>	<u>\$ 152,610</u>	<u>\$ -</u>	<u>\$ 138,427</u>	<u>\$ 347,253</u>
Carrying amounts at January 1, 2018	<u>\$ 996,029</u>	<u>\$ 275</u>	<u>\$ 201,370</u>	<u>\$ 37,891</u>	<u>\$ 1,418,108</u>	<u>\$ 23,938</u>	<u>\$ 174,719</u>	<u>\$ 2,852,330</u>
Carrying amounts at December 31, 2018	<u>\$ 1,047,829</u>	<u>\$ -</u>	<u>\$ 71,307</u>	<u>\$ 12,638</u>	<u>\$ 1,155,692</u>	<u>\$ 33,924</u>	<u>\$ 1,146,134</u>	<u>\$ 3,467,524</u>

Operating leases relate to lease of machinery and equipment and leasehold improvements in the Port of Longwu, Shanghai, with lease term from 2014 to 2018. The operating lease contracts contain market review clauses in the event that the lessees exercise their options to extend. The lessees do not have bargain purchase options to acquire the assets at the expiry of the lease periods.

As of December 31, 2018, the future minimum lease payments of non-cancellable operating leases are as follows:

	<b>December 31, 2018</b>
Not later than 1 year	\$ 27,487
Later than 1 year and not later than 5 years	-
Later than 5 years	<u>-</u>
	<u>\$ 27,487</u>

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

Building	
Office Building	20-55 years
Storage and Plant	20 years
Others	20 years
Machinery and Equipment	2-20 years
Transportation equipment	2-10 years
Leasehold Improvement	
Office Building	10-40 years
Storage and Plant	7-40 years
Others	3-24 years
Other Equipment	3-20 years

Union Cement entered into equipment disposal contracts with Jiangsu Jinbiaoying Construction Co., Ltd. and Jurong Taiwan Cement Co., Ltd. in May 2018. The Group carried out a review of the recoverable amount of the related equipment and determined that the recoverable amount of \$139,673 thousand exceeded the carrying amount. The review led to the reversal of impairment loss of \$73,487 thousand. The Group determined the recoverable amount of the relevant assets on the basis of their fair values less costs of disposal. The fair values used in determining the recoverable amounts were categorized as Level 3 measurements and were measured using fair market value method. The key assumptions included quotations of similar equipment in the market and the useful life and residual value of the equipment. The aforementioned transactions were completed in August 2018, resulting in a loss of \$11,980 thousand, which was recognized in other gains and losses from discontinued operations.

Union Cement entered into a compensation contract with Zhenjiang City Construction Industry Group Company Limited for the transfer of land use rights and buildings in May 2018. The Group carried out a review of the recoverable amount of the related assets and determined that the recoverable amount of \$1,023,951 thousand exceeded the carrying amount. The review led to the reversal of impairment loss of \$265,539 thousand. The Group determined the recoverable amount of the relevant assets on the basis of the valuation report by experts. The fair values used in determining the recoverable amounts were categorized as Level 3 fair value measurements and were measured using cost method. The measurement process included considering the replacement cost for leasehold improvement and the residual value-price ratio, useful life, and residual value of the equipment.

The aforementioned assets included in the disposal contract met the criteria of disposal groups held for sale, and were therefore measured at the lower of book value or fair value less costs of disposal, and reclassified as a disposal group held for sale. Refer to Note 13 for details.

- d. Property, plant and equipment pledged as collateral for bank borrowings is set out in Note 38.

## 18. LEASE ARRANGEMENTS

### a. Right-of-use assets - 2019

	<b>December 31, 2019</b>
<u>Carrying amounts</u>	
Land (land use rights included)	\$ 628,064
Land improvement	821,439
Building	388,072
Machinery and equipment	208
Transportation equipment	<u>3,122</u>
	<u>\$ 1,840,905</u>
	<b>For the Year Ended December 31, 2019</b>
Additions to right-of-use asset	<u>\$ 50,253</u>
Depreciation charge for right-of-use asset	
Land use right	\$ 27,121
Land improvement	34,738
Building	57,644
Machinery and equipment	115
Transportation equipment	<u>908</u>
	<u>\$ 120,526</u>

### b. Lease liabilities - 2019

	<b>December 31, 2019</b>
<u>Carrying amounts</u>	
Current	<u>\$ 107,050</u>
Non-current	<u>\$ 1,737,410</u>

Range of discount rate for lease liabilities was as follows:

	<b>December 31, 2019</b>
Land use right	1.38%-5.46%
Land improvement	1.38%-1.58%
Building	1.38%-4.99%
Machinery and equipment	5.20%
Transportation equipment	2.00%-6.12%

c. Material leasing activities and terms as lessee

1) Warehousing and storage service at the wharves

In order to operate in cargo loading, unloading, storage and transit business, the Group entered into two lease contracts in December 2009 and December 2014, respectively, for the leasing of the first bulk and general cargo center in Port of Taipei (hereafter referred to as “Port of Taipei”) from Port of Keelung Taiwan International Ports Corporation Ltd., and leasing the wharf and equipment attached in the Port of Taichung from Port of Taichung Taiwan International Ports Corporation Ltd. (hereafter referred to as “Port of Taichung”). The lease term for Port of Taipei lasts for 35 years and 5 months that commenced on December 10, 2009; the lease term for Port of Taichung lasts from December 1, 2014 to December 31, 2024. The rentals for lands in Port of Taipei are calculated on the basis of the regional average rent and the annual rental ratio of the market price of each square meter announced by the government. The leases are adjusted in line with the regional rent and ratio of the market price announced publicly. The rentals for buildings are adjusted in accordance with annual “Construction Cost Index” published by the Directorate General of Budget, Accounting and Statistics (DGBAS), the Executive Yuan of the ROC.

The rentals for the land in Port of Taichung are calculated based on land value of the area and the annual rate of rent approved by the government, and will adapt to any adjustments made by the government. The rent for the equipment of Port of Taichung is adjusted yearly based on the Annual Wholesale Price Indices of Taiwan, and the percentage of changes is limited to 2 percent.

According to the abovementioned contracts, the Group is prohibited from subleasing or transferring all or any portion of the underlying assets without the lessors’ consent. At the end of the contract terms, the Group has the right to apply for extension, and a new contract can be signed at both parties’ consent.

Joint Operating Agreement

In order to operate a bulk cement business in China, the Group entered into a joint operating agreement with Shanghai Longwu Harbor Company (hereafter referred to as “Longwu Harbor”). According to the agreement, Longwu Harbor should lease the land use right of its pier to the Group. The lease term lasts for 40 years, commencing on the date the joint venture company, established by the two parties, obtains its business license. Beginning on the sixth year of the lease term, the rent should be adjusted annually based on the increasing rate of the average annual cement price listed on the Shanghai Construction Engineering Cost Information System. When the cement price decreased, no rental adjustment should be made. At the end of the contract term, the contract can be extended and registered with relevant government agencies according to the agreement between both parties.

2) Healthcare business

In order to develop its healthcare business, the Group entered into leasing contracts for buildings for operation purposes in both Taiwan and China. The lease terms range from 10 to 15 years. At the end of the lease term, the Group has the right to apply for extension and enjoys bargain renewal options. However, the Group has no bargain purchase options and is prohibited from subleasing or transferring all or any portion of the underlying assets without the lessors’ consent.



d. Other lease information

Lease arrangements under operating leases for the leasing out of property, plant and equipment and investment properties are set out in Notes 17 and 19 respectively. Lease arrangements for the leasing out of assets under finance leases are set out in Note 11.

2019

**For the Year  
Ended  
December 31,  
2019**

Expenses relating to short-term leases	<u>\$ 6,245</u>
Expenses relating to low-value asset leases	<u>\$ 319</u>
Total cash outflow for leases	<u>\$ (173,773)</u>

The Group as lessee is leasing certain office equipment, transportation equipment and buildings which qualify as short-term and low-value asset leases. The Group has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

2018

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

	<b>December 31, 2018</b>
Not later than 1 year	\$ 233,163
Later than 1 year and not later than 5 years	721,097
Later than 5 years	<u>1,657,729</u>
	<u>\$ 2,611,989</u>

**19. INVESTMENT PROPERTIES**

<u>Cost</u>	<b>Land</b>	<b>Building</b>	<b>Investment Property under Construction</b>	<b>Total</b>
Balance at January 1, 2018	\$ 3,202,122	\$ 828,745	\$ 68,939	\$ 4,099,806
Reclassification	<u>424</u>	<u>67,528</u>	<u>-</u>	<u>67,952</u>
Balance at January 1, 2018 (after reclassification)	3,202,546	896,273	68,939	4,167,758
Additions	-	2,359	52,158	54,517
Disposals	-	(25,332)	(63,305)	(88,637)
Reclassified as held for sale (Note 13)	-	(35,224)	-	(35,224)
Effect of foreign currency exchange difference	<u>20,817</u>	<u>(1,300)</u>	<u>933</u>	<u>20,450</u>
Balance at December 31, 2018	<u>\$ 3,223,363</u>	<u>\$ 836,776</u>	<u>\$ 58,725</u>	<u>\$ 4,118,864</u>

(Continued)

	<b>Land</b>	<b>Building</b>	<b>Investment Property under Construction</b>	<b>Total</b>
<u>Revaluation</u>				
Balance at January 1, 2018	\$ 3,855,337	\$ 170,328	\$ -	\$ 4,025,665
Disposals	(691)	(6,059)	-	(6,750)
Effect of foreign currency exchange difference	-	-	-	-
Balance at December 31, 2018	<u>\$ 3,854,646</u>	<u>\$ 164,269</u>	<u>\$ -</u>	<u>\$ 4,018,915</u>
<u>Accumulated depreciation</u>				
Balance at January 1, 2018	\$ -	539,927	-	539,927
Reclassification	-	24,154	-	24,154
Balance at January 1, 2018 (after reclassification)	-	564,081	-	564,081
Depreciation expenses	-	19,417	-	19,417
Disposals	-	(28,560)	-	(28,560)
Reclassified as held for sale (Note 13)	-	(19,200)	-	(19,200)
Effect of foreign currency exchange difference	-	(357)	-	(357)
Balance at December 31, 2018	<u>\$ -</u>	<u>\$ 535,381</u>	<u>\$ -</u>	<u>\$ 535,381</u>
<u>Accumulated impairment</u>				
Balance at January 1, 2018	\$ -	\$ 30,505	\$ -	\$ 30,505
Reclassification	-	12,299	-	12,299
Balance at January 1, 2018 (after reclassification)	-	42,804	-	42,804
Effect of foreign currency exchange difference	-	(355)	-	(355)
Balance at December 31, 2018	<u>\$ -</u>	<u>\$ 42,449</u>	<u>\$ -</u>	<u>\$ 42,449</u>
Carrying amounts at January 1, 2018	<u>\$ 7,057,459</u>	<u>\$ 428,641</u>	<u>\$ 68,939</u>	<u>\$ 7,555,039</u>
Carrying amounts at December 31, 2018	<u>\$ 7,078,009</u>	<u>\$ 423,215</u>	<u>\$ 58,725</u>	<u>\$ 7,559,949</u>

(Continued)

	<b>Land</b>	<b>Building</b>	<b>Investment Property under Construction</b>	<b>Total</b>
<u>Cost</u>				
Balance at January 1, 2019	\$ 3,223,363	\$ 836,776	\$ 58,725	\$ 4,118,864
Additions	-	-	46,488	46,488
Disposals	-	(43,326)	(9,775)	(53,101)
Transferred due to loss of control	(1,050,119)	(454,308)	-	(1,504,427)
Effect of foreign currency exchange difference	<u>(3,271)</u>	<u>(2,592)</u>	<u>(1,636)</u>	<u>(7,499)</u>
Balance at December 31, 2019	<u>\$ 2,169,973</u>	<u>\$ 336,550</u>	<u>\$ 93,802</u>	<u>\$ 2,600,325</u>
<u>Revaluation</u>				
Balance at January 1, 2019	\$ 3,854,646	\$ 164,269	\$ -	\$ 4,018,915
Disposals	-	(7,814)	-	(7,814)
Effect of foreign currency exchange difference	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance at December 31, 2019	<u>\$ 3,854,646</u>	<u>\$ 156,455</u>	<u>\$ -</u>	<u>\$ 4,011,101</u>
<u>Accumulated depreciation</u>				
Balance at January 1, 2019	\$ -	\$ 535,381	\$ -	\$ 535,381
Depreciation expenses	-	10,598	-	10,598
Disposals	-	(50,608)	-	(50,608)
Transferred due to loss of control	-	(124,664)	-	(124,664)
Effect of foreign currency exchange difference	<u>-</u>	<u>(1,014)</u>	<u>-</u>	<u>(1,014)</u>
Balance at December 31, 2019	<u>\$ -</u>	<u>\$ 369,693</u>	<u>\$ -</u>	<u>\$ 369,693</u>
<u>Accumulated impairment</u>				
Balance at January 1, 2019	\$ -	\$ 42,449	\$ -	\$ 42,449
Transferred due to loss of control	-	(30,505)	-	(30,505)
Effect of foreign currency exchange difference	<u>-</u>	<u>(474)</u>	<u>-</u>	<u>(474)</u>
Balance at December 31, 2019	<u>\$ -</u>	<u>\$ 11,470</u>	<u>\$ -</u>	<u>\$ 11,470</u>
Carrying amounts at January 1, 2019	<u>\$ 7,078,009</u>	<u>\$ 423,215</u>	<u>\$ 58,725</u>	<u>\$ 7,559,949</u>
Carrying amounts at December 31, 2019	<u>\$ 6,024,619</u>	<u>\$ 111,842</u>	<u>\$ 93,802</u>	<u>\$ 6,230,263</u>
				(Concluded)

The above items of investment properties are depreciated on a straight-line basis over their estimated useful lives as 5 to 60 years.

On June 26, 2018, the BOD of the Company authorized Shanghai Jia Huan to enter into compensation contract with Shanghai Xuhui Waterfront Development, Construction, and Investment Co., Ltd. for the purchase of government-owned land use rights and buildings. The related investment properties were therefore measured at the lower of book value or fair value less costs of disposal, and reclassified as disposal group held for sale. Please refer to Note 13 for details.

The Group leased out freehold lands and buildings under operating lease, and, therefore, reclassified these assets from property, plant and equipment to investment property on January 1, 2018.

The investment properties are not evaluated by an independent valuer but valued by the Group's management using the valuation model that market participants would use in determining the fair value, and the fair value was measured using Level 3 inputs. The valuation was arrived at by reference to market evidence of transaction prices for similar properties and by discounted cash flow analysis. The significant unobservable inputs used include discount rates. The appraised fair value is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
The fair values of investment properties	\$ 14,677,094	\$ 15,157,521
Discount rate	5.13%	8.22%

All of the Group's investment properties are freehold properties. The investment properties pledged as collateral for bank borrowings are set out in Note 38.

## 20. OTHER INTANGIBLE ASSETS

	<b>Computer Software</b>
<u>Cost</u>	
Balance at January 1, 2019	\$ -
Additions	<u>5,829</u>
Balance at December 31, 2019	<u>\$ 5,829</u>
<u>Accumulated amortization</u>	
Balance at January 1, 2019	\$ -
Amortization expenses	320
Effect of foreign currency exchange difference	<u>(9)</u>
Balance at December 31, 2019	<u>\$ 311</u>
Carrying amounts at December 31, 2019	<u>\$ 5,518</u>

Other intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

Computer software	5 years
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**For the Year  
Ended  
December 31,  
2019**

An analysis of amortization by function  
General and administrative expenses

\$ 320

**21. OTHER ASSETS**

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
<u>Current</u>		
Prepayments		
Prepaid guarantee for freight	\$ 26,734	\$ 42,917
Overpaid sales tax	19,564	87,517
Lease prepayments (Note (1) and (2))	-	578
Office supplies	12,123	10,699
Prepayment for purchase	356	152
Prepaid rents	841	17,726
Others	<u>13,115</u>	<u>10,475</u>
	<u>\$ 72,733</u>	<u>\$ 170,064</u>
<u>Non-current</u>		
Prepayment - long-term		
Lease prepayments (Note (1) and (2))	<u>\$ -</u>	<u>\$ 14,809</u>
Other non-current assets		
Prepayments for equipment	\$ 23,862	\$ 6,645
Overdue receivables (Note 9)	-	-
Others	<u>5,148</u>	<u>4,677</u>
	<u>\$ 29,010</u>	<u>\$ 11,322</u>

Note 1: The lease prepayments are prepayments for land use rights in mainland China. The Group has obtained relevant certificates for the land use rights.

Note 2: In June 2018, the lease prepayments of the Group's subsidiaries, Jiangsu Union Cement Co., Ltd. and Shanghai Jia Huan Concrete Co., Ltd. were reclassified to non-current assets held for sale. For details, please refer to Note 13.

## 22. BORROWINGS

### a. Short-term borrowings

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Secured borrowings	\$ -	\$ 33,000
Unsecured borrowings	<u>800,600</u>	<u>788,280</u>
	<u>\$ 800,600</u>	<u>\$ 821,280</u>

1) The range of interest rates on bank loans was 0.87%-1.12% and 0.87%-1.07% per annum as of December 31, 2019 and 2018, respectively

2) Details of collaterals for the abovementioned borrowings, please refer to Note 38.

### b. Short-term bills payable

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Commercial paper	\$ 270,000	\$ 305,000
Less: Unamortized discounts on bills payable	<u>(242)</u>	<u>(165)</u>
	<u>\$ 269,758</u>	<u>\$ 304,835</u>

Outstanding short-term bills payable were as follows:

#### December 31, 2019

<b>Promissory Institution</b>	<b>Nominal Amount</b>	<b>Discount Amount</b>	<b>Carrying Amount</b>	<b>Interest Rate Range</b>	<b>Collateral</b>
<u>Commercial paper</u>					
International Bills	\$ 170,000	\$ (200)	\$ 169,800	1.04%	None
China Development Bills	<u>100,000</u>	<u>(42)</u>	<u>99,958</u>	1.04%	None
	<u>\$ 270,000</u>	<u>\$ (242)</u>	<u>\$ 269,758</u>		

#### December 31, 2018

<b>Promissory Institution</b>	<b>Nominal Amount</b>	<b>Discount Amount</b>	<b>Carrying Amount</b>	<b>Interest Rate</b>	<b>Collateral</b>
<u>Commercial paper</u>					
Ta Ching Bills	\$ 142,000	\$ (64)	\$ 141,936	1.04%	None
Mega Bills	100,000	(22)	99,978	1.02%	None
China Development	<u>63,000</u>	<u>(79)</u>	<u>62,921</u>	1.04%	None
	<u>\$ 305,000</u>	<u>\$ (165)</u>	<u>\$ 304,835</u>		

c. Long-term borrowings

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
<u>Secured borrowings</u>		
Bank loans (1)	\$ 5,608,656	\$ 5,537,168
Loans from governments (2)	2,359,416	916,229
<u>Unsecured borrowings</u>		
Bank loans (3)	569,200	155,640
Less: Current portions	<u>(983,678)</u>	<u>(519,000)</u>
Long-term borrowings	<u>\$ 7,553,594</u>	<u>\$ 6,090,037</u>

- 1) The Group signed medium-term secured loan contracts with First Bank, Cathay World Commercial Bank, Bank SinoPac, Chang Hwa Bank, China Trust Commercial Bank and Co-operative Treasury Commercial Bank, respectively. The bank loan is to be repaid at once or in instalment according to the agreement. The facility allows drawdown on a revolving basis. In the year ended December 31, 2019 and 2018, the Group has taken new bank loans in the amounts of \$1,745,000 thousand and \$1,305,000 thousand, with interest rates of 1.30%-1.49% and 1.30%-1.49%, respectively. The loan contracts will be due by December 28, 2024.
- 2) The Group entered into a secured government loan facility contract of JPY10,000,000 thousand with Okinawa Development Finance Corporation. The loan can be drawn in installments within the borrowing term, and is to be repaid in installments according to the repayment method in the contract. As of December 31, 2019 and 2018, the Group had drawn \$1,712,981 thousand and \$393,666 thousand, respectively (equal to JPY6,038,000 thousand and JPY1,442,000 thousand respectively). The annual interest rate is 0.05 percent. The maturity date of the loan is June 25, 2042.
- 3) The Group signed medium-term unsecured loan contracts with Bank SinoPac, Taishin Bank and China Trust Commercial Bank. The bank loan is to be repaid at once or in instalment according to the agreement. The facility allows drawdown on a revolving basis. In the year ended December 31, 2019 and 2018, the Group has taken new bank loans in the amounts of \$425,550 thousand and \$100,000 thousand, with interest rate of 1.27%-1.41% and 0.87%-1.07%, respectively. The loan contracts will be due by August 30, 2024.
- 4) For details of collaterals for the abovementioned borrowings, please refer to Note 38.

## 23. NOTES PAYABLE AND TRADE PAYABLES

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
<u>Notes payable</u>		
Operating	<u>\$ 2,906</u>	<u>\$ 2,151</u>
<u>Trade payables</u>		
Operating	<u>\$ 110,538</u>	<u>\$ 110,582</u>

The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

## 24. OTHER LIABILITIES

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
<u>Current</u>		
Other payables		
Payables for salaries and bonuses	\$ 114,359	\$ 90,967
Payables for machinery and equipment and construction in progress (Note 34)	644,297	392,185
Payables for VAT taxes	11,948	44,934
Payables for interests	2,089	1,905
Payables for dividends for non-controlling equity (Note 34)	-	2
Payables for building security	-	12,769
Payables for professional fees	9,789	7,964
Others	<u>48,230</u>	<u>41,140</u>
	<u>\$ 830,712</u>	<u>\$ 591,866</u>
Unearned receipts		
Advanced real estate receipts	27,399	-
Advanced rental receipts	13,960	-
Others	<u>-</u>	<u>2,859</u>
	<u>\$ 41,359</u>	<u>\$ 2,859</u>
Other liabilities		
Receipts under custody	<u>\$ 1,150</u>	<u>\$ 1,246</u>
<u>Non-current</u>		
Deferred revenue		
Government grants (Note 31)	<u>\$ 441,549</u>	<u>\$ 198,512</u>

## 25. RETIREMENT BENEFIT PLANS

### a. Defined contribution plan

The Company and the Group's subsidiaries in Taiwan adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Under the LPA, the Group makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

The employees of the Group's subsidiaries in mainland China are members of a state-managed retirement benefit plan operated by the government of the People's Republic of China, which is a defined contribution plan.

For the years ended on December 31, 2019 and 2018, the amounts included in the consolidated statements of comprehensive income in respect of the Group's defined contribution plan were \$8,803 thousand and \$9,143 thousand.



b. Defined benefit plan

The defined benefit plan adopted by the Group in accordance with the Labor Standards Law is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Group 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 Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Group has no right to influence the investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the Group's defined benefit plan are as follows:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Present value of defined benefit obligation	\$ (106,690)	\$ (133,458)
Fair value of plan assets	<u>103,482</u>	<u>120,838</u>
Deficit	<u>(3,208)</u>	<u>(12,620)</u>
Net defined benefit liabilities	<u>\$ (3,208)</u>	<u>\$ (12,620)</u>

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

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities (Assets)</b>
Balance at January 1, 2018	\$ 138,810	\$ (118,957)	\$ 19,853
Service cost			
Current service cost	1,993	-	1,993
Net interest expense (income)	<u>1,528</u>	<u>(1,350)</u>	<u>178</u>
Recognized in profit or loss	<u>3,521</u>	<u>(1,350)</u>	<u>2,171</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(3,323)	(3,323)
Actuarial loss - changes in financial assumptions	1,443	-	1,443
Actuarial loss - experience adjustments	<u>1,444</u>	<u>-</u>	<u>1,444</u>
Recognized in other comprehensive income	<u>2,887</u>	<u>(3,323)</u>	<u>(436)</u>
Benefits paid	(11,760)	11,760	-
Contributions from the employer	<u>-</u>	<u>(8,968)</u>	<u>(8,968)</u>
Balance at December 31, 2018	133,458	(120,838)	12,620

(Continued)

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities (Assets)</b>
Service cost			
Current service cost	\$ 1,810	\$ -	\$ 1,810
Net interest expense (income)	<u>1,054</u>	<u>(1,018)</u>	<u>36</u>
Recognized in profit or loss	<u>2,864</u>	<u>(1,018)</u>	<u>1,846</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(3,752)	(3,752)
Actuarial loss - changes in financial assumptions	2,587	-	2,587
Actuarial loss - experience adjustments	<u>(618)</u>	<u>-</u>	<u>(618)</u>
Recognized in other comprehensive income	<u>1,969</u>	<u>(3,752)</u>	<u>(1,783)</u>
Benefits paid	(3,522)	3,522	-
Contributions from the employer	-	(2,769)	(2,769)
Transfer on loss of control	<u>(28,079)</u>	<u>21,373</u>	<u>(6,706)</u>
Balance at December 31, 2019	<u>\$ 106,690</u>	<u>\$ (103,482)</u>	<u>\$ 3,208</u> (Concluded)

Through the defined benefit plan under the Labor Standards Law, the Group is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) 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 are as follows:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Discount rate	0.75%	0.875%-1.00%
Expected rate of salary increase	2.00%	2.00%

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

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Discount rate		
0.25% increase	\$ (2,587)	\$ (2,860)
0.25% decrease	\$ 2,680	\$ 3,161
Expected rate of salary increase		
0.25% increase	\$ 2,603	\$ 2,884
0.25% decrease	\$ (2,527)	\$ (2,802)

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

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Expected contributions to the plan for the next year	\$ 2,190	\$ 5,397
Average duration of the defined benefit obligation	8.8-10.7 years	6.5-10.1 years

## 26. EQUITY

### a. Share capital

#### Ordinary shares

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Number of authorized shares (in thousands)	1,500,000	1,500,000
Amount of authorized shares	\$ 15,000,000	\$ 15,000,000
Number of issued and fully paid shares (in thousands)	774,781	774,781
Amount of issued and fully paid shares	\$ 7,747,805	\$ 7,747,805

Fully paid ordinary shares, which have a par value of NT\$10, carry one vote per share and carry a right to dividends.

### b. Capital surplus

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
<u>May only be used to offset a deficit (Note 1)</u>		
Treasury share transaction	\$ 367,772	\$ 367,772
Unclaimed dividends extinguished by prescription	9,593	2,113

(Continued)

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (Note 2)		
Treasury share transaction		
Dividends paid to subsidiaries	\$ 444,542	\$ 333,501
Disposal of treasury shares	24,925	-
The difference between the consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal	<u>545</u>	<u>545</u>
	<u>\$ 847,377</u>	<u>\$ 703,931</u>
		(Concluded)

Note 1: Such capital surplus may only be used to offset a deficit

Note 2: Such capital surplus may be used to offset a deficit; in addition, when the Group has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Group's paid-in capital and once a year).

For 2019 and 2018, the Company distributed cash dividends to subsidiaries, with capital surplus - treasury shares adjusted by the amount of \$111,041 thousand and \$59,787 thousand, respectively.

c. Retained earnings and dividend policy

Under the dividend policy as set forth in the amended Articles of Incorporation of the Company, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonus to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors, refer to employee's compensation and remuneration of directors in Note 28(f).

In consideration of the future expansion of business, capital needs and the tax effects on the Company and its shareholders, the Company's dividend policy is mainly based on capital needs according to the future capital budget plan. Under the policy, the board of directors will prepare a proposed plan for distribution of unappropriated earnings and submit the plan in the shareholders' meeting for approval. Distribution of earnings can be made only after the approval by the shareholders. Nonetheless, cash dividends distributed shall not be less than 10% of total dividends distributed in the current year.

According to the Company Act No. 237, the Company shall recognize as legal reserve 10% of the remaining profit, until the accumulated legal reserve equals the total amount of paid-in capital. The legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

The Company is required to make appropriation to or reversal from the special reserve for the items referred to in Rule No. 1010012865 and Rule No. 1010047490 issued by the FSC and in the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs".

The appropriations of earnings for 2018 and 2017 approved in the shareholders' regular meetings on June 21, 2019 and June 21, 2018, respectively, were as follows:

	<b>Appropriation of Earnings</b>		<b>Dividends Per Share (NT\$)</b>	
	<b>For the Year Ended</b>		<b>For the Year Ended</b>	
	<b>December 31</b>		<b>December 31</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Legal reserve	\$ 69,975	\$ 89,520	\$ -	\$ -
Special reserve	-	(105,522)	-	-
Cash dividends	771,781	387,390	1.0	0.5

In the appropriation of earnings for 2017, the Company reversed special reserve \$105,522 thousand, the amount reserved under Rule No. 1010047490 issued by the FSC. The rule requires the Company to appropriated a special reserve for the difference between the market price and carrying amount of the Company's shares held by subsidiaries proportional to its holding in those subsidiaries, when such market price is lower than the carrying amount. The special reserve appropriated may be reversed, proportionally to the Company's holding in the subsidiaries, to the extent that the market price reverses.

The appropriation of earnings for 2019 proposed by the Company's board of directors on March 25, 2020 were as follows:

	<b>Appropriation of Earnings</b>	<b>Dividends Per Share (NT\$)</b>
Legal reserve	\$ 176,052	\$ -
Cash dividends	771,781	1.0

The appropriation of earnings for 2019 is subject to the resolution of the shareholders in the shareholders' meeting to be held on June 22, 2020.

The earnings of the Company and the subsidiaries are appropriated under the Articles of each company and are not restricted by contract.

d. Special reserve

If a special reserve appropriated on the first-time adoption of IFRSs relates to investment properties other than land, the special reserve may be reversed continuously over the period of use or may be reversed upon the disposal or reclassification of the related assets. The special reserve related to land may be reversed on the disposal or reclassification of the land.

In addition to the special reserve that the Company can voluntarily appropriate according to the Articles, the Company may also appropriate special reserve for the following:

- 1) Special reserve appropriated or reversed under the Rule No. 1010012865 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs". If there is subsequent reversal of debits to other equity items, the Company may distribute the reversed debit amounts as dividends.
- 2) Special reserve appropriated under Rule No. 1010047490 issued by the FSC, i.e., the special reserve for the difference between the market price and carrying amount of the Company's shares held by subsidiaries proportional to its holding in those subsidiaries. The special reserve appropriated may be reversed to the extent that the market price increases.

The special reserves recognized as of December 31, 2019 and 2018 were as follows:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Appropriation in respect of the Article of Incorporation of the Company	\$ 295,756	\$ 295,756
First application of Rule No. 1010012865 issued by the FSC		
Revaluation of investment properties	1,881,505	1,881,505
Exchange differences on translating the financial statements of foreign operations	<u>168,790</u>	<u>168,790</u>
Balance at December 31	<u>\$ 2,346,051</u>	<u>\$ 2,346,051</u>

e. Other equity items

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

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Balance at January 1	\$ (226,835)	\$ (233,797)
Effect of change in tax rate	-	2,349
Recognized for the year		
Exchange differences on translating the financial statements of foreign operations	(161,199)	5,277
Related income tax	<u>42,193</u>	<u>(664)</u>
Other comprehensive income recognized for the period	(119,006)	6,962
Reclassification adjustments		
Disposal of subsidiaries	<u>2,770</u>	<u>-</u>
Balance at December 31	<u>\$ (343,071)</u>	<u>\$ (226,835)</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Balance at January 1	\$ 2,309,414	\$ 1,633,454
Recognized for the year		
Unrealized gain/(loss) - financial instrument at FVTOCI	3,059,635	671,599
Related income tax	-	2,117
Share from associates accounted for using the equity method	<u>85,381</u>	<u>2,244</u>
Other comprehensive income recognized for the year	3,145,016	675,960
Reclassification adjustments		
Cumulative unrealized gain/(loss) of equity instruments transferred to retained earnings due to disposal	(287,744)	-
Cumulative unrealized gain/(loss) of equity instruments transferred to retained earnings due to disposal of interest in associates	(48,301)	-
Disposal of interest in subsidiaries	<u>(121,046)</u>	<u>-</u>
Balance at December 31	<u>\$ 4,997,339</u>	<u>\$ 2,309,414</u>

f. Non-controlling interests

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Balance at January 1	\$ 1,900,007	\$ 1,810,706
Share in profit for the year	111,198	69,368
Other comprehensive income/(loss) during the year		
Exchange differences on translating the financial statements of foreign entities	(8,013)	(678)
Related income tax	781	506
Unrealized gain/(loss) on financial assets at FVTOCI	47,723	24,222
Related income tax	-	2,128
Unrealized gain/(loss) on financial assets at FVTOCI held by associates accounted for using equity method	71,567	91
Cumulative gain/(loss) of equity instruments transferred to retained earnings due to disposal by associates accounted for using equity method	2,630	-
Remeasurement on defined benefit plans	89	71
Related income tax	(18)	295
Partial disposal of subsidiaries	-	793
Adjustments of capital surplus due to unclaimed dividends extinguished by prescription	188	34
Cash dividends	(75,574)	(38,424)
Cash capital increase in subsidiaries	-	30,895
Disposal of subsidiaries	<u>(1,187,795)</u>	<u>-</u>
Balance at December 31	<u>\$ 862,783</u>	<u>\$ 1,900,007</u>

g. Treasury shares

<b>Purpose of Buy-back</b>	<b>Shares Transferred to Employees (In Thousands of Shares)</b>	<b>Shares Held by Subsidiaries (In Thousands of Shares)</b>	<b>Total (In Thousands of Shares)</b>
Number of shares at January 1, 2018	-	131,226	131,226
Increase during the year	<u>2,714</u>	<u>-</u>	<u>2,714</u>
Number of shares at December 31, 2018	<u>2,714</u>	<u>131,226</u>	<u>133,940</u>
Number of shares at January 1, 2019	2,714	131,226	133,940
Increase during the year	286	-	286
Decrease during the year	<u>-</u>	<u>(3,855)</u>	<u>(3,855)</u>
Number of shares at December 31, 2019	<u>3,000</u>	<u>127,371</u>	<u>130,371</u>

In order to encourage the employees to achieve better work quality and improve the competitiveness of the company, the Company repurchases its own shares for the purpose of transferring them to its employees under the circumstances described in Article 28-2, paragraph 1, subparagraph 1 of the Securities and Exchange Act.

In the board of directors' meeting No. 417, the Company planned to repurchase and repurchased 3,000 thousand of its own shares from the centralized securities exchange market at the price from NT\$9 to NT\$18, with the maximum total amount of NT\$54,000 thousand.

The repurchase of shares mentioned above was conducted during the period from November 14, 2018 to January 11, 2019. In the fourth quarter of 2018 and in the first quarter of 2019, the Company repurchased 2,714 thousand and 286 thousand shares, equivalent to NT\$37,118 thousand and NT\$3,955 thousand, respectively. By January 11, 2019, the Company had already repurchased all the 3,000 thousand shares, with the total amount of NT\$41,073 thousand.

The Company lost control over its subsidiary - Chia Hsin Construction & Development Corp. due to the disposal of part of the shares of Chia Hsin Construction & Development Corp and the Company's shares held directly and indirectly by Chia Hsin Construction & Development Corp will no longer be regarded as treasury shares. The difference between the cost of the treasury shares on the day of acquisition and the amount of shareholders' equity on the day of loss of control of NT\$24,925 thousand was adjusted to treasury stock transaction - capital reserve.

Prior to the amendment of the Company Act at the end of 2001, subsidiaries purchased shares of the Company on the open market in line with government policy and in order to maintain the stability of the share price on the open market, and the relevant information on the holding of the Company's shares is as follows:

Name of Subsidiary	Number of Shares Held (In Thousands of Shares)	Carrying Amount	Market Price
<u>December 31, 2019</u>			
<u>By direct investment</u>			
Tong Yang Chia Hsin International Corporation	127,371	<u>\$ 1,055,710</u>	<u>\$ 2,481,776</u>
<u>December 31, 2018</u>			
<u>By direct investment</u>			
Chia Hsin Construction & Development Corp.	3,855	\$ 30,849	\$ 26,151
Tong Yang Chia Hsin International Corporation	127,371	<u>1,118,577</u>	<u>1,600,092</u>
		<u>\$ 1,149,426</u>	<u>\$ 1,626,243</u>

Under the Securities and Exchange Act, the Company shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as the rights to dividends and to vote. The subsidiaries holding treasury shares, however, are bestowed shareholders' rights, except the rights to participate in any share issuance for cash and to vote.



## 27. REVENUE

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Revenue from contracts with customers		
Revenue from the sale of goods	\$ 1,039,437	\$ 996,482
Rental service	283,563	462,437
Revenue from rendering services	<u>561,002</u>	<u>633,487</u>
	<u>\$ 1,884,002</u>	<u>\$ 2,092,406</u>

### a. Contract information

#### Revenue from the sale of goods

The main operating revenue of the Group is from the sales of cement. All goods are sold at their respective fixed price as agreed in the contracts.

#### Revenue from the rent

The rental income comes from the lease of property, plant and equipment. The Group recognizes the revenue according to the contract on accrual basis.

#### Revenue from rendering of services

The Group operates the cement silo and other storage and transport facilities in the wharves. The fee is calculated based on the actual number of goods delivered and the agreed price in the signed contracts.

### b. Contract balances

	<b>December 31, 2019</b>	<b>December 31, 2018</b>	<b>January 1, 2018</b>
Trade receivables and notes receivable (Note 9)	<u>\$ 226,422</u>	<u>\$ 299,705</u>	<u>\$ 202,006</u>
Trade receivables from related parties (Note 37)	<u>\$ 2,680</u>	<u>\$ 5,843</u>	<u>\$ 4,732</u>
Contract liabilities - current	<u>\$ 9,479</u>	<u>\$ 7,191</u>	<u>\$ 9,681</u>

Revenue recognized in the current reporting period that was included in the contract liability balance at the beginning of the period and from the performance obligations satisfied in the year ended December 31, 2019 and 2018 was \$7,191 thousand and \$9,681 thousand, respectively.

### c. Disaggregation of revenue

For information of disaggregation of revenue, please refer to Note 44.

## 28. NET PROFIT FROM CONTINUING OPERATIONS

Net profit from continuing operations was attributable to:

### a. Other income

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Rental income	\$ 29,047	\$ 22,263
Interest income	118,357	90,014
Dividends	1,022,944	455,528
Others	48,203	294,335
Less: Discontinued operations (Note 13)	<u>(14,522)</u>	<u>(254,841)</u>
	<u>\$ 1,204,029</u>	<u>\$ 607,299</u>

### b. Other gains and losses

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Gain/(loss) on disposal of property, plant and equipment	\$ 78	\$ (20,961)
Loss on disposal of investment properties	(6,547)	(65,044)
Gain/(loss) on disposal of non-current assets held for sale	597,422	(10,428)
Net foreign exchange (loss)/gain (g)	(43,513)	69,266
Gain on fair value change of financial assets at FVTPL	333,681	66,846
Gain on reversal of impairment of property, plant and equipment	-	339,026
Gain on disposal of part of the share in subsidiaries (Note 32)	11,227	-
Others	(11,982)	(6,429)
Less: Discontinued operations (Note 13)	<u>(586,037)</u>	<u>(321,478)</u>
	<u>\$ 294,329</u>	<u>\$ 50,798</u>

### c. Finance costs

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Interest on bank loans	\$ 87,852	\$ 89,599
Interest on lease liabilities	37,794	-
Less: Discontinued operations (Note 13)	<u>-</u>	<u>(2,883)</u>
	<u>\$ 125,646</u>	<u>\$ 86,716</u>

Information about capitalized interest is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Capitalized interest amount	\$ 55,090	\$ 19,426
Capitalization rate	0.05%-1.44%	0.05%-1.80%

d. Depreciation and amortization

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Property, plant and equipment	\$ 187,919	\$ 229,403
Investment properties	10,598	19,417
Right-of-use assets	120,526	-
Other intangible assets	320	-
Less: Discontinued operations	<u>-</u>	<u>(59,728)</u>
	<u>\$ 319,363</u>	<u>\$ 189,092</u>
 An analysis of depreciation by function		
Operating costs	\$ 248,928	\$ 180,600
Operating expenses	70,115	68,220
Less: Discontinued operations	<u>-</u>	<u>(59,728)</u>
	<u>\$ 319,043</u>	<u>\$ 189,092</u>
 An analysis of amortization by function		
Operating expenses	<u>\$ 320</u>	<u>\$ -</u>

e. Employee benefits expense

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Short-term benefits	\$ 309,735	\$ 268,727
Post-employment benefits (Note 25)		
Defined contribution plans	8,803	9,143
Defined benefit plans	1,846	2,171
Retirement pension for managers	10,621	-
Other employee benefits	15,676	20,577
Less: Discontinued operations	<u>(2,585)</u>	<u>(7,662)</u>
	<u>\$ 344,096</u>	<u>\$ 292,956</u>
 An analysis of employee benefits expense by function		
Operating costs	\$ 56,194	\$ 44,674
Operating expenses	290,487	255,944
Less: Discontinued operations	<u>(2,585)</u>	<u>(7,662)</u>
	<u>\$ 344,096</u>	<u>\$ 292,956</u>

f. Employees' compensation and remuneration of directors

According to the Company's Articles, the Company accrued employees' compensation and remuneration of directors at rates of no less than 0.01% and no higher than 3% of net profit before income tax, employees' compensation and remuneration of directors.

The employees' compensation and remuneration of directors and supervisors for the years ended December 31, 2019 and 2018, which were approved by the Company's board of directors on March 25, 2020 and March 27, 2019, respectively, are as follows:

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Employees' compensation	1.12%	1.23%
Remuneration of directors	0.30%	1.23%

	<b>For the Year Ended December 31</b>			
	<b>2019</b>		<b>2018</b>	
	<b>Cash</b>	<b>Shares</b>	<b>Cash</b>	<b>Shares</b>
Employees' compensation	\$ 15,625	\$ -	\$ 9,750	\$ -
Remuneration of directors	4,261	-	9,750	-

If there is a change in the amounts after the annual financial statements were authorized for issue, the differences are recognized as a change in the accounting estimate and recorded in the following year.

There is no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the financial statements for the years ended December 31, 2018 and 2017.

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

g. Gains and losses on foreign currency exchange

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Foreign exchange gains	\$ 83,009	\$ 161,864
Foreign exchange losses	<u>(126,522)</u>	<u>(92,598)</u>
Net foreign exchange (losses)/gains	<u>\$ (43,513)</u>	<u>\$ 69,266</u>

## 29. INCOME TAXES RELATING TO CONTINUING OPERATIONS

According to regulations stipulated by Ruling Letter No. 910458039 dated February 12, 2003, "Principles and regulations of profit-seeking businesses filing joint tax returns in accordance with Article 49 of the Financial Holding Company Law and Article 40 of Enterprise Merger Law", when a financial holding company holds more than 90% of the shares of a domestic subsidiary, the financial holding company and the subsidiary can file a joint tax return once the financial holding company has held more than 90% of the subsidiary for 12 months during a taxable year.

The Company filed the joint income tax returns of the Company and Chia Hsin Property Management & Development Corporation. The objective of the Company under the linked-tax system is to reduce the income tax liabilities of the companies by maximizing the benefits from the synergy of the Group and its subsidiaries.

a. Income tax recognized in profit or loss

Major components of income tax expense are as follows:

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Current tax		
In respect of the current year	\$ 46,845	\$ 19,015
Income tax on unappropriated earnings	14,643	65,181
Adjustments for prior years	<u>(7,567)</u>	<u>(5,379)</u>
	53,921	78,817
Deferred tax		
In respect of the current year	113,340	95,505
Adjustments to deferred tax attributable to changes in tax rates	<u>-</u>	<u>(1,039)</u>
Income tax expense recognized in profit or loss	<u>\$ 167,261</u>	<u>\$ 173,283</u>

A reconciliation of accounting profit and income tax expenses/average effective tax rate is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Profit before tax from continuing operations	<u>\$ 985,771</u>	<u>\$ 427,880</u>
Income tax expense calculated at the statutory rate	\$ 197,154	\$ 85,576
Nondeductible expenses in determining taxable income	7,044	7,420
Tax-exempt income	(234,296)	(123,478)
Difference payable of basic tax	713	1,221
Income tax on unappropriated earnings	14,643	65,181
Unrecognized loss carryforwards	32,703	3,975
Loss carryforwards utilized in the current year	(1,911)	(215)
Unrecognized deductible temporary differences	99,782	(85,784)
Effect of different tax rates of group entities operating in other jurisdictions	58,996	225,805
Adjustments for prior years' income tax	(7,567)	(5,379)
Effect of tax rate changes	<u>-</u>	<u>(1,039)</u>
Income tax expense recognized in profit or loss	<u>\$ 167,261</u>	<u>\$ 173,283</u>

The Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%, effective in 2018. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%. The income tax rate applicable to the Group entities in mainland China is 25%. Income tax for the Group entities in other jurisdictions is calculated at the rates applicable in those jurisdictions.

b. Income tax recognized in other comprehensive income

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
<u>Deferred tax</u>		
Effect of change in tax rate		
Remeasurement of defined benefit plans	\$ -	\$ 1,620
Translation of foreign operations	-	2,349
In respect of the current year		
Translation of foreign operations	42,974	(158)
Unrealized gain/(loss) on financial assets at FVTOCI	-	4,245
Remeasurement of defined benefit plans	<u>(356)</u>	<u>103</u>
Total income tax recognized in other comprehensive income	<u>\$ 42,618</u>	<u>\$ 8,159</u>

c. Current tax assets and liabilities

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
<u>Current tax assets</u>		
Tax refund receivable	<u>\$ 775</u>	<u>\$ 5,427</u>
<u>Current tax liabilities</u>		
Income tax payable	<u>\$ 53,677</u>	<u>\$ 57,942</u>

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2019

	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income</b>	<b>Loss Control over Subsidiaries</b>	<b>Closing Balance</b>
<u>Deferred tax assets</u>					
Temporary differences					
Impairment of inventory	\$ 1,722	\$ 103	\$ -	\$ -	\$ 1,825
Valuation of financial assets	170	(170)	-	-	-
Loss on investments accounted for using equity method	2,112	18	-	-	2,130
Expense capitalization	5	-	-	-	5
Unrealized gain or loss on foreign exchange	1,254	10,136	-	(158)	11,232
Financial assets at FVTPL	6,014	(6,014)	-	-	-
Financial assets at FVTOCI	4,245	-	-	(4,245)	-
Allowance for impairment loss	2,792	(1,766)	-	-	1,026
Exchange differences on translating the financial statements of foreign operations	36,851	-	39,241	(1,316)	74,776
Retirement benefit over statutory limit	57,382	(160)	-	-	57,222
Payables for annual leave	584	11	-	(88)	507
Defined benefit obligations	12,597	-	(218)	(1,323)	11,056
Right-of-use assets	-	117	-	-	117
Others	<u>3,500</u>	<u>(2,761)</u>	<u>-</u>	<u>-</u>	<u>739</u>
	<u>\$ 129,228</u>	<u>\$ (486)</u>	<u>\$ 39,023</u>	<u>\$ (7,130)</u>	<u>\$ 160,635</u>

(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Loss Control over Subsidiaries	Closing Balance
<u>Deferred tax liabilities</u>					
Temporary differences					
Gain on investments accounted for using equity method	\$ 174,528	\$ 119,901	\$ -	\$ -	\$ 294,429
Valuation of financial assets	-	3,377	-	-	3,377
Unrealized gain or loss on foreign exchange	11,959	(11,923)	-	(36)	-
Financial assets at FVTPL	-	1,514	-	(1,514)	-
Net deferred revenue or cost	94	(92)	-	-	2
Exchange differences on translating the financial statements of foreign operations	3,962	-	(3,733)	-	229
Provision for land value increment tax	1,209,785	-	-	-	1,209,785
Defined benefit obligations	3,784	86	138	(392)	3,616
Others	55	(9)	-	-	46
	<u>\$ 1,404,167</u>	<u>\$ 112,854</u>	<u>\$ (3,595)</u>	<u>\$ (1,942)</u>	<u>\$ 1,511,484</u>
					(Concluded)

For the year ended December 31, 2018

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Difference	Closing Balance
<u>Deferred tax assets</u>					
Temporary differences					
Impairment of inventory	\$ 1,489	\$ 233	\$ -	\$ -	\$ 1,722
Valuation of financial assets	3,524	(3,354)	-	-	170
Net gain on investments accounted for using equity method	160	1,952	-	-	2,112
Expense capitalization	9	(4)	-	-	5
Unrealized gain or loss on foreign exchange	17,233	(15,979)	-	-	1,254
Financial assets at FVTPL	60	5,954	-	-	6,014
Financial assets at FVTOCI	-	-	4,245	-	4,245
Net deferred revenue or cost	121	(121)	-	-	-
Allowance for impairment loss	3,922	(1,130)	-	-	2,792
Exchange differences on translating the financial statements of foreign operations	30,927	-	5,924	-	36,851
Retirement benefit over statutory limit	49,137	8,245	-	-	57,382
Payables for annual leave	529	55	-	-	584
Defined benefit obligations	10,327	-	2,270	-	12,597
Others	2,855	645	-	-	3,500
	<u>\$ 120,293</u>	<u>\$ (3,504)</u>	<u>\$ 12,439</u>	<u>\$ -</u>	<u>\$ 129,228</u>
					(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Difference	Closing Balance
<u>Deferred tax liabilities</u>					
Temporary differences					
Net gain on investments accounted for using equity method	\$ 91,103	\$ 83,425	\$ -	\$ -	\$ 174,528
Valuation of financial assets	4,420	(4,420)	-	-	-
Unrealized gain or loss on foreign exchange for financial assets	112	11,847	-	-	11,959
Net deferred revenue or cost	-	94	-	-	94
Exchange differences on translating the financial statements of foreign operations	229	-	3,733	-	3,962
Provision for land value increment tax	1,209,785	-	-	-	1,209,785
Defined benefit obligations	3,178	59	547	-	3,784
Others	98	(43)	-	-	55
	<u>\$ 1,308,925</u>	<u>\$ 90,962</u>	<u>\$ 4,280</u>	<u>\$ -</u>	<u>\$ 1,404,167</u>
					(Concluded)

- e. Deductible temporary differences and unused loss carryforwards for which no deferred tax assets have been recognized in the consolidated balance sheets

	<u>December 31</u>	
	2019	2018
Loss carryforwards		
Expiry in 2018	\$ -	\$ 129,216
Expiry in 2019	-	151,154
Expiry in 2020	407,682	424,553
Expiry in 2021	339,620	353,675
Expiry in 2022	228,497	241,611
Expiry in 2023	110,065	129,005
Expiry in 2024	38,559	3,348
Expiry in 2025	7,969	63,082
Expiry in 2026	39,452	39,636
Expiry in 2027	43,563	23,342
Expiry in 2028	263,149	24,241
Expiry in 2029	<u>113,017</u>	<u>-</u>
	<u>\$ 1,591,573</u>	<u>\$ 1,582,863</u>
Deductible temporary differences		
Loss on fair value change in financial assets at FVTOCI	\$ 132,217	\$ 185,546
Impairment loss on non-financial assets	56,717	56,795
Gain or loss on investments in subsidiaries and associates accounted for using equity method	956,042	393,843
Impairment loss on property, plant and equipment	-	152,101
Retirement benefit accrued over statutory limit	-	4,616
Credit loss allowance	7,965	142,797
Deferred income on sale of asset	-	321,406
Impairment loss on investment properties	-	30,505
Book-tax difference arising from amortized cost	565	14,959
Others	<u>192</u>	<u>192</u>
	<u>\$ 1,153,698</u>	<u>\$ 1,302,760</u>



f. Income tax assessments

- 1) The income tax returns of the Company, Chia Hsin Property Management & Development Corporation, Tong Yang Chia Hsin International Corporation and Chia Pei International Corporation through 2016 have been assessed by the tax authorities. The income tax returns of YJ International Corporation, Chia Sheng Construction Corp., BlueSky. Co., Ltd. and Jaho Life Plus+ Management Corp., Ltd. through 2017 have been assessed by the tax authorities. Except for the abovementioned issues, the Company and the abovementioned subsidiaries do not involve in material pending action in regard of taxation.
- 2) Other overseas group entities do not involve in any material pending action in regard of taxation.

### 30. EARNINGS PER SHARE

Unit: NT\$ Per Share

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Basic earnings per share		
From continuing operations	\$ 1.10	\$ 0.29
From discontinued operations	<u>0.92</u>	<u>0.80</u>
Total basic earnings per share	<u>\$ 2.02</u>	<u>\$ 1.09</u>
Diluted earnings per share		
From continuing operations	\$ 1.09	\$ 0.29
From discontinued operations	<u>0.92</u>	<u>0.80</u>
Total diluted earnings per share	<u>\$ 2.01</u>	<u>\$ 1.09</u>

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

#### Net Profit for the Year

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Profit for the year attributable to owners of the Company	\$ 1,297,473	\$ 699,755
Less: Profit for the year from discontinued operations used in the computation of basic earnings per share from discontinued operations	<u>(590,161)</u>	<u>(514,526)</u>
Earnings used in the computation of basic earnings per share from continuing operations	707,312	185,229
Effect of potentially dilutive ordinary shares		
Employees' compensation	<u>-</u>	<u>-</u>
Earnings used in the computation of diluted earnings per share from continuing operations	<u>\$ 707,312</u>	<u>\$ 185,229</u>

**Weighted Average Number of Ordinary Shares Outstanding (In Thousands of Shares)**

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Weighted average number of ordinary shares used in the computation of basic earnings per share	643,812	643,347
Effect of potentially dilutive ordinary shares:		
Employees' compensation	<u>854</u>	<u>917</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>644,666</u>	<u>644,264</u>

**31. GOVERNMENT GRANTS**

In order to finance the construction of Hotel COLLECTIVE in Okinawa, the Group applied for a loan from Okinawa Development Finance Corporation. The loan facility was JPY10,000,000 thousand. The term of the loan lasts for 25 years and is to be repaid semi-annually in 42 installments, with the first installment commencing in the fourth year after the first drawdown date. As of December 31, 2019, the Group had drawn JPY10,000,000 thousand in total. The fair value of the borrowing was JPY8,548,608 thousand when discounted at the market interest rate at the borrowing date. As of December 31, 2019 and 2018, the difference between the loan proceeds obtained and the fair value of the borrowings was JPY1,451,392 thousand and JPY713,562 thousand, respectively (equal to \$441,549 thousand and \$198,512 thousand when converted to NTD), representing the government grants of low-interest rate loan, and was recognized as deferred revenue. At the completion of the hotel construction, the deferred revenue will be reclassified to other revenues gradually along with the depreciation recognized.

**32. DISPOSAL OF SUBSIDIARY**

On February 23, 2019, the Group entered into a sale agreement to dispose of 6% of its shareholding in Chia Hsin Construction & Development Corp., a company in the business of office building construction and sale and lease of public housing. The disposal was completed on February 26, 2019, on which date the Group lost its control over the subsidiary, as the shareholding dropped from 49.87% to 43.87%.

a. Consideration received from disposal of subsidiary

	<b>Chia Hsin Construction &amp; Development Corp.</b>
Total consideration received	<u>\$ 222,929</u>

b. Analysis of assets and liabilities on the date control was lost

	<b>Chia Hsin Construction &amp; Development Corp.</b>
Current assets	
Cash and cash equivalents	\$ 312,372
Financial assets at fair value through profit or loss - current	249,829
Financial assets at fair value through other comprehensive income - current	53,594
Other receivables	25
Finance lease receivable - current	94,815
Inventories	677,467
Other current assets	537
Non-current assets	
Financial assets at fair value through other comprehensive income - non-current	350,522
Investments accounted for using equity method	745,004
Property, plant and equipment	6,796
Investment properties	1,364,448
Deferred tax assets	7,130
Finance lease receivable - non-current	178,344
Other non-current assets	39,036
Current liabilities	
Other payables	(24,848)
Current tax liabilities	(2,187)
Lease liabilities - current	(94,815)
Other current liabilities	(836)
Non-current liabilities	
Deferred tax liabilities	(1,942)
Lease liabilities - non-current	(178,344)
Other non-current liabilities	<u>(80,162)</u>
Net assets	<u>\$ 3,696,785</u>
Percentage of shareholding disposed of	<u>6%</u>
Net assets disposed of	<u>\$ 221,807</u>

c. Gain on disposals of part of the shares of the subsidiary

	<b>Chia Hsin Construction &amp; Development Corp.</b>
Consideration received	\$ 222,929
Net assets disposed of	(221,807)
The difference between the fair value and the book value of the retained holdings	12,875
Cumulative translation difference on the reclassification of controlling interest to profit or loss due to the loss of control over the subsidiary	<u>(2,770)</u>
Gain on disposal	<u>\$ 11,227</u>

- d. Net cash outflow on disposals of part of the shares of the subsidiary

**Chia Hsin  
Construction &  
Development  
Corp.**

Consideration received in cash and cash equivalents	\$ 222,929
Less: Cash and cash equivalent balances disposed of	<u>(312,372)</u>
	<u>\$ (89,443)</u>

### 33. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

On September 21, 2018, the Group disposed of 30% of its interest in Shanghai Chia Peng Healthcare Management Consulting Co., Ltd., reducing its continuing interest from 100% to 70%.

The above transactions were accounted for as equity transactions, since the Group did not cease to have control over these subsidiaries.

**Shanghai Chia  
Peng  
Healthcare  
Management  
Consulting Co.,  
Ltd.**

Cash consideration received	\$ 1,331
The proportionate share of the carrying amount of the net assets of the subsidiary transferred to non-controlling interests	<u>(793)</u>
Differences recognized from equity transactions	<u>\$ 538</u>
<u>Line items adjusted for equity transactions</u>	
Capital surplus - difference between consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal	<u>\$ 538</u>

### 34. CASH FLOW INFORMATION

- a. Non-cash transactions

For the years ended December 31, 2019 and 2018, the Group entered into the following non-cash investing and financing activities which were not reflected in the statements of cash flows:

- 1) As of December 31, 2019 and 2018, the payables for equipment - property, plant and equipment were \$644,297 thousand and \$390,842 thousand respectively; the payables for equipment - investment property were \$0 and \$1,343 thousand respectively.
- 2) As of December 31, 2019 and 2018, the cash dividends of non-controlling equity approved in the shareholders' meetings that were not yet distributed were \$0 and \$2 thousand respectively.

3) Proceeds from the disposal of financial assets at fair value through profit or loss amounting to \$43,713 thousand have not yet been received in cash at December 31, 2019.

b. Changes in liabilities arising from financing activities

For the year ended December 31, 2019

	Opening Balance	Cash Flows	Non-cash Changes				Others	Closing Balance
			New Leases	Amortization of Interest Expense	Disposal of Subsidiaries	Change in Exchange Rate		
Short-term borrowings	\$ 821,280	\$ (18,260)	\$ -	\$ -	\$ -	\$ (2,420)	\$ -	\$ 800,600
Short-term bills payable	304,835	(35,000)	-	(77)	-	-	-	269,758
Long-term borrowings	6,609,037	1,990,197	-	-	-	(61,962)	-	8,537,272
Guarantee deposits received	197,814	(2,308)	-	-	(73,455)	(145)	-	121,906
Lease liabilities (Note 3)	<u>2,205,237</u>	<u>(129,415)</u>	<u>50,253</u>	<u>37,794</u>	<u>(273,159)</u>	<u>(8,456)</u>	<u>(37,794)</u>	<u>1,844,460</u>
	<u>\$ 10,138,203</u>	<u>\$ 1,805,214</u>	<u>\$ 50,253</u>	<u>\$ 37,717</u>	<u>\$ (346,614)</u>	<u>\$ (72,983)</u>	<u>\$ (37,794)</u>	<u>\$ 11,573,996</u>

For the year ended December 31, 2018

	Opening Balance	Cash Flows	Non-cash Changes		Closing Balance
			Reclassified to Disposal Groups Held for Sale	Change in Exchange Rate	
Short-term borrowings	\$ 1,027,827	\$ (209,642)	\$ -	\$ 3,095	\$ 821,280
Short-term bills payable	109,882	194,953	-	-	304,835
Long-term borrowings	5,891,824	655,526	-	61,687	6,609,037
Guarantee deposits received	<u>191,999</u>	<u>28,508</u>	<u>(22,377)</u>	<u>(316)</u>	<u>197,814</u>
	<u>\$ 7,221,532</u>	<u>\$ 669,345</u>	<u>\$ (22,377)</u>	<u>\$ 64,466</u>	<u>\$ 7,932,966</u>

### 35. CAPITAL MANAGEMENT

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Group's overall strategy remained unchanged in both 2019 and 2018.

The capital structure of the Group consists of net debt (borrowings offset by cash and cash equivalents) and equity of the Group (comprising issued capital, reserves, retained earnings and other equity).

The management of the Group periodically reviews its capital structure. As part of the review, the management considers the cost of capital, financial ratios required by loans and related risks in determining the proper structure for its capital. At the management's suggestion, the Group balances its overall capital structure by obtaining financing facilities from financial institutions and adjusting the amount of dividends paid to the shareholders.

### 36. FINANCIAL INSTRUMENTS

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

The Group's management believes that the carrying amount of financial assets and financial liabilities recognized in the financial statements which are not measured at fair value approximates their fair value or that the carrying amount of such assets and liabilities cannot be reliably measured.

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

1) Fair value hierarchy

December 31, 2019

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at FVTPL				
Listed shares in domestic market	\$ 1,169,272	\$ -	\$ -	\$ 1,169,272
Listed shares in foreign market	101,423	-	-	101,423
Mutual funds	<u>-</u>	<u>348,908</u>	<u>-</u>	<u>348,908</u>
	<u>\$ 1,270,695</u>	<u>\$ 348,908</u>	<u>\$ -</u>	<u>\$ 1,619,603</u>
Financial assets at FVTOCI				
Listed shares in domestic market	\$ 12,826,694	\$ -	\$ -	\$ 12,826,694
Unlisted shares - ROC	-	-	353,301	353,301
Unlisted shares in foreign market	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 12,826,694</u>	<u>\$ -</u>	<u>\$ 353,301</u>	<u>\$ 13,179,995</u>

December 31, 2018

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at FVTPL				
Listed shares in domestic market	\$ 1,029,276	\$ -	\$ -	\$ 1,029,276
Listed shares in foreign market	358,208	-	-	358,208
Mutual funds	<u>-</u>	<u>472,794</u>	<u>-</u>	<u>472,794</u>
	<u>\$ 1,387,484</u>	<u>\$ 472,794</u>	<u>\$ -</u>	<u>\$ 1,860,278</u>
Financial assets at FVTOCI				
Listed shares in domestic market	\$ 9,818,304	\$ -	\$ -	\$ 9,818,304
Unlisted shares - ROC	-	-	900,020	900,020
Unlisted shares in foreign market	<u>-</u>	<u>-</u>	<u>39,484</u>	<u>39,484</u>
	<u>\$ 9,818,304</u>	<u>\$ -</u>	<u>\$ 939,504</u>	<u>\$ 10,757,808</u>

There were no transfers between Levels 1 and 2 in 2019 and 2018.

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

For the year ended December 31, 2019

<b>Financial Assets</b>	<b>Financial Assets at FVTOCI Equity Instruments</b>
Balance at January 1, 2019	\$ 939,504
Loss control over subsidiaries	(350,522)
Recognized in other comprehensive income	83,733
Disposal	<u>(319,414)</u>
Balance at December 31, 2019	<u>\$ 353,301</u>

For the year ended December 31, 2018

<b>Financial Assets</b>	<b>Financial Assets at FVTOCI Equity Instruments</b>
Balance at January 1, 2018	\$ 855,239
Purchase	35,502
Recognized in other comprehensive income	<u>48,763</u>
Balance at December 31, 2018	<u>\$ 939,504</u>

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

The Group holds unlisted shares. The significant unobservable input in the measurement of such investments is liquidity discount. The fair value of unlisted shares is determined using market approach where the fair value of the shares of similar or peer companies is used as reference. As of December 31, 2019 and 2018, the ranges of liquidity discount used were 11.83%-41.49% and 10.59%-36.46%, respectively

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

The fair value of mutual funds is determined using the method and hypothesis below:

The fair value is determined by the use of valuation techniques or the price quotations from various counterparties. The fair value measurement using valuation techniques uses as reference the published current fair value of instruments with similar terms and characteristics, or uses discounted cash flow method or other valuation methods, including the use of a valuation model using market information available at the balance sheet date.

c. Categories of financial instrument

	December 31	
	2019	2018
<u>Financial assets</u>		
Financial assets mandatorily measured at fair value through profit or loss	\$ 1,619,603	\$ 1,860,278
Financial assets measured at amortized cost (Note 1)	5,966,105	5,965,505
Financial assets at FVTOCI		
Investments accounted for using the equity method	13,179,995	10,757,808

Financial liabilities

Financial liabilities at amortized cost (Note 2)	10,630,965	8,591,511
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Note 1: The balances include financial assets measured at amortized cost, which comprise cash and cash equivalent, notes receivable and trade receivables (including related parties), other receivables (less tax refund receivables), other receivables from related parties, other financial assets - current and other non-current assets - refundable deposits.

Note 2: The balances include financial liabilities measured at amortized cost, which comprise short-term loans, short-term bills payable, notes payable, trade and other payables (including related parties and excluding payable for salaries and bonus, payable for pension costs, tax payable and dividends payable), current portion of long-term borrowings payable, long-term borrowings and guarantee deposits.

d. Financial risk management objectives and policies

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

The corporate treasury function reports regularly to the Group's management, which monitors risks and policies implemented to mitigate risk exposures.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below), interest rates (see (b) below) and other price (see (c) below).

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

a) Foreign currency risk

The Group has foreign currency transactions, which exposes the Group to foreign currency risk. Exchange rate exposures are managed by the delegated team, which regularly monitors and properly adjusts the assets and liabilities affected by the exchange rate to manage foreign currency risk.



Since the Group's net investments in foreign operations are strategic investments, the Group does not seek to hedge against the currency risk.

The carrying amounts of the Group's foreign-currency-denominated monetary assets and monetary liabilities (including those eliminated on consolidation) at the end of the reporting period are set out in Note 41.

#### Sensitivity analysis

The Group was mainly exposed to the HKD, EUR, USD and JPY.

The following table details the Group's sensitivity to a 5% increase and decrease in the New Taiwan dollar (i.e. the functional currency) against the relevant foreign currencies. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates is 5%. A positive number below indicates an increase in pre-tax profit and other equity associated with the New Taiwan dollar weakening 5% against the relevant currency. For a 5% strengthening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on pre-tax profit and other equity, and the balances below would be negative.

	<b>USD Impact</b>		<b>HKD Impact</b>	
	<b>For the Year Ended</b>		<b>For the Year Ended</b>	
	<b>December 31</b>		<b>December 31</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Profit or loss	\$ 62,870	\$ 57,679	\$ 1,300	\$ 6,048
	<b>EUR Impact</b>		<b>JPY Impact</b>	
	<b>For the Year Ended</b>		<b>For the Year Ended</b>	
	<b>December 31</b>		<b>December 31</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Profit or loss	\$ 10,995	\$ 11,434	\$ 131	\$ 28,896

The above results of the Group's tests of sensitivity to changes in foreign exchange rates during the current period were mainly due to the increase in financial assets in USD and the decrease in financial assets in HKD, EUR and JPY.

#### b) Interest rate risk

The Group is exposed to interest rate risk because entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix of fixed and floating rate borrowings.

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

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Fair value interest rate risk		
Financial assets	\$ 4,285,715	\$ 3,744,368
Financial liabilities	5,191,433	1,682,345
Cash flow interest rate risk		
Financial assets	1,246,774	1,734,391
Financial liabilities	6,260,657	6,052,807

#### Sensitivity analysis

The sensitivity analysis below is based on the Group's exposure to interest rates of derivative and non-derivative instruments at the end of the year. For floating rate liabilities, the analysis was prepared assuming the amount of the liabilities outstanding at the end of the year was outstanding for the whole year. A 25 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 25 basis points higher/lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2019 and 2018 would have been lower/higher by \$12,535 thousand and \$10,796 thousand, respectively. The Group's sensitivity to interest rates increased during the current period mainly due to the increase in variable rate financial assets.

#### c) Other price risk

The Group is exposed to equity price risk through its investments in equity securities and mutual funds. Equity investments are held for strategic rather than trading purposes. The Group does not actively trade these investments.

#### Sensitivity analysis

The sensitivity analysis below is based on the exposure to equity price risk at the end of year.

If equity prices (except for equity securities of Taiwan Cement Corporation) had been 1% higher/lower, the pre-tax profit or loss for the years ended December 31, 2019 and 2018 would have been higher/lower by \$6,326 thousand and \$10,413 thousand, respectively, as a result of the changes in fair value of financial assets at FVTPL, and the other comprehensive income before tax for the years ended December 31, 2019 and 2018 would have been higher/lower by \$5,772 thousand and \$11,636 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI.

If equity prices of Taiwan Cement Corporation had been 1% higher/lower, the pre-tax profit or loss for the years ended December 31, 2019 and 2018 would have been higher/lower by 9,870 thousand and \$8,190 thousand, respectively, as a result of the changes in fair value of financial assets at FVTPL, and the other comprehensive income before tax for the years ended December 31, 2019 and 2018 would have been higher/lower by \$126,028 thousand and \$95,942 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI.

The Group's sensitivity to equity price (except for equity securities of Taiwan Cement Corporation) decreased due to the decrease in the amount of equity securities. The Group's sensitivity to equity price of Taiwan Cement Corporation increased due to the increase in the price of equity securities.

## 2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. As at the end of the year, the Group's maximum exposure to credit risk which would cause a financial loss to the Group due to failure of counterparties to discharge their obligations and due to the financial guarantees provided by the Group, could be equal to the carrying amount of the respective recognized financial assets as stated in the balance sheets and the amount that could arise as liabilities on financial guarantees provided by the Group.

The Group adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group also delegates a special team to monitor the credit risk exposures and the credit amount of the counterparties and, therefore, does not expect any material credit risk.

The credit risk was mainly concentrated on the top 10 customers of the Group. As of December 31, 2019 and 2018, trade receivables from the top 10 customers was 77% and 74%, respectively, of total trade receivables.

In order to minimize credit risk, the management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue receivables. In addition, as of the end of the year, the Group review the recoverability of the receivables to certify proper allowance is recognized for the irrecoverable receivables. In view of the methods mentioned above, the management considered the Group's credit risk has materially declined.

Transactions with banks of high credit ratings given by international rating agencies are mostly free from credit risks.

## 3) Liquidity risk

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

The Group relies on bank borrowings as a significant source of liquidity. As of December 31, 2019 and 2018, the Group had available unutilized bank loan facilities as set out in (b) below.

### a) Liquidity and interest rate risk tables for non-derivative financial liabilities

The following table details the Group's remaining contractual maturities for its non-derivative financial liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The table included both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

To the extent that interest flows are at floating rates, the undiscounted amount was derived from the interest rate curve at the end of the reporting period.

December 31, 2019

	On Demand or Less than 1 Month	1 Month to 3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Non-interest bearing liabilities	\$ 517,899	\$ 386,171	\$ 22,561	\$ 43,572	\$ 53,132
Fixed interest rate liabilities	819,793	170,256	1,038	472,504	1,941,782
Lease liabilities	34,147	5,789	101,016	536,478	1,543,832
Variable interest rate liabilities	<u>90,107</u>	<u>104,410</u>	<u>954,944</u>	<u>5,397,933</u>	<u>-</u>
	<u>\$ 1,461,946</u>	<u>\$ 666,626</u>	<u>\$ 1,079,559</u>	<u>\$ 6,450,487</u>	<u>\$ 3,538,746</u>

Additional information about the maturity analysis of lease liabilities:

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	<u>\$ 140,952</u>	<u>\$ 536,478</u>	<u>\$ 470,571</u>	<u>\$ 401,405</u>	<u>\$ 336,375</u>	<u>\$ 335,481</u>

December 31, 2018

	On Demand or Less than 1 Month	1 Month to 3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Non-interest bearing liabilities	\$ 133,819	\$ 499,160	\$ 58,304	\$ 96,362	\$ 68,716
Fixed interest rate bank loan	766,857	91	275	109,369	829,717
Variable interest rate bank loan	<u>367,033</u>	<u>73,377</u>	<u>517,938</u>	<u>5,364,672</u>	<u>-</u>
	<u>\$ 1,267,709</u>	<u>\$ 572,628</u>	<u>\$ 576,517</u>	<u>\$ 5,570,403</u>	<u>\$ 898,433</u>

b) Financing facilities

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Unsecured bank overdraft facilities, reviewed annually and payable on demand:		
Amount used	\$ 1,639,800	\$ 1,248,920
Amount unused	<u>4,909,400</u>	<u>5,704,040</u>
	<u>\$ 6,549,200</u>	<u>\$ 6,952,960</u>
Secured bank overdraft facilities:		
Amount used	\$ 8,368,728	\$ 6,672,618
Amount unused	<u>1,040,000</u>	<u>3,099,022</u>
	<u>\$ 9,408,728</u>	<u>\$ 9,771,640</u>

### 37. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed as follows.

a. Related party name and category

Related Party Name	Related Party Category
Taiwan Cement Corporation	The Company acts as a member of the BOD
International Chia Hsin Corporation	Associates
Chia Hsin Construction & Development Corp. (Note)	Associates
Chia Hsin Winn Corp.	Related parties
Sung Ju Investment Corp.	Related parties
Zhenjiang Chia Hsin Transportation Co., Ltd.	Related parties
LDC ROME HOTELS S.R.L.	Associates
Shanghai Chang Hsin Shipping Co., Ltd.	Associates
Taiwan Transport & Storage Corp.	The Company acts as a member of the BOD of its ultimate parent company
Jurong Taiwan Cement Co., Ltd.	The Company acts as a member of the BOD of its ultimate parent company

Note: In February 2019, the Company disposed its shares and lost control over Chia Hsin Construction & Development Corp., which is no longer listed as a subsidiary. Nevertheless, the Company still has significant influence on Chia Hsin Construction & Development Corp.

b. Revenue

Line Item	Related Party Category/Name	For the Year Ended December 31	
		2019	2018
Rental revenue	Associates	\$ 2,543	\$ 1,117
	The Company acts as a member of the BOD of its ultimate parent company	2,423	202
	The Company acts as a member of the BOD	3,718	-
	Related Company	<u>505</u>	<u>816</u>
		<u>\$ 9,189</u>	<u>\$ 2,135</u>
Service revenue	The Company acts as a member of the BOD		
	Taiwan Cement Corporation	\$ 28,119	\$ 25,963
	Related Company	<u>-</u>	<u>58</u>
		<u>\$ 28,119</u>	<u>\$ 26,021</u>

The Group leases out the office building, bulk carriers and factory buildings to related parties at market price. The lease agreements were made by both sides. The rentals are collected monthly or quarterly.

The Group renders warehousing and storage service of cement to the related party. The agreement for the service was negotiated by both sides. The fee is collected monthly.

c. Purchases of goods

Line Item	Related Party Category/Name	For the Year Ended December 31	
		2019	2018
Cost of goods sold	The Company acts as a member of the BOD Taiwan Cement Corporation	\$ 484,963	\$ 421,084

The purchase prices and payment terms to related parties were not significantly different from those of purchase from third parties. The payment term is 60 days after the purchase of goods.

Line Item	Related Party Category/Name	For the Year Ended December 31	
		2019	2018
Service cost	Related parties	\$ -	\$ 344

The Group entered into a contract for the ship management service provided by the related party. The contract was negotiated by both sides. The fee is settled monthly.

d. Receivables from related parties (excluding loans to related parties)

Line Item	Related Party Category/Name	December 31	
		2019	2018
Trade receivables	Associates	\$ 15	\$ 6
	The Company acts as a member of the BOD		
	Taiwan Cement Corporation	2,661	5,833
	Related parties	<u>4</u>	<u>4</u>
		\$ 2,680	\$ 5,843
Other receivables	Associates	\$ 8,654	\$ 8,535

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

e. Payables to related parties (excluding loans from related parties)

Line Item	Related Party Category/Name	December 31	
		2019	2018
Trade payables	The Company acts as a member of the BOD Taiwan Cement Corporation	\$ 83,580	\$ 89,849

The outstanding trade payables to related parties are unsecured.

f. Lease arrangements - Group is lessor

The Group is lessor under operating leases

The Group leases out office buildings, bulk ship and factory buildings to its related parties under operating leases. The lease agreements were negotiated by both sides. The rentals were paid monthly or quarterly.

Future lease payment receivables are as follows:

Related Party Category/Name	December 31	
	2019	2018
Associates	\$ 1,000	\$ 2,337
Related parties	528	528
The Company acts as a member of the BOD of its ultimate parent company	11,642	14,183
The Company acts as a member of the BOD	<u>6,641</u>	<u>-</u>
	<u>\$ 19,811</u>	<u>\$ 17,048</u>

g. Loans to related parties

Line Item	Related Party Category/Name	December 31	
		2019	2018
Other receivables	Associates		
	LDC ROME HOTELS S.R.L.	<u>\$ 115,885</u>	<u>\$ 149,600</u>
Other receivables - interest receivable	Associates		
	LDC ROME HOTELS S.R.L.	<u>\$ 1,168</u>	<u>\$ 1,486</u>

The Group provided its associates with unsecured short-term loans at rates comparable to market interest rates. For the years ended December 31, 2019 and 2018, the interest revenue from the loans was \$1,946 thousand and \$2,332 thousand, respectively.

h. Disposal of other assets

Related Party Category/Name	Proceeds		Gain (Loss) on Disposal	
	For the Year Ended		For the Year Ended	
	December 31		December 31	
	2019	2018	2019	2018
The Company acts as a member of the BOD of its ultimate parent company				
Jurong Taiwan Cement Co., Ltd.	<u>\$ -</u>	<u>\$ 36,537</u>	<u>\$ -</u>	<u>\$ -</u>

In August 2018, the Group sold accessories and utensils in disposal group held for sale to Jurong Taiwan Cement Co., Ltd.

i Others

Line Item	Related Party Category/Name	December 31	
		2019	2018
Refundable deposits	Related parties	\$ 168	\$ 168
	Associates	971	372
	The Company acts as a member of the BOD of its ultimate parent company	423	423
	The Company acts as a member of the BOD	<u>880</u>	<u>-</u>
		<u>\$ 2,442</u>	<u>\$ 963</u>
Dividend revenue (credited to investments accounted for using equity method)	Associates	<u>\$ 31,459</u>	<u>\$ -</u>
Dividend revenue	The Company acts as a member of the BOD	<u>\$ 960,492</u>	<u>\$ 404,157</u>

j. Endorsements and guarantees

Endorsements and guarantees provided by the Group

	December 31		December 31	
	2019	2018	2019	2018
	Amount Utilized	Amount Endorsed	Amount Utilized	Amount Endorsed
Associates				
LDC ROME HOTELS S.R.L.	<u>\$ 382,926</u>	<u>\$ 447,600</u>	<u>\$ 422,400</u>	<u>\$ 447,600</u>

k. Compensation of key management personnel

The compensation of key management personnel are as follows:

	For the Year Ended December 31	
	2019	2018
Short-term employee benefits	\$ 29,659	\$ 24,671
Post-employment benefits	<u>10,621</u>	<u>-</u>
	<u>\$ 40,280</u>	<u>\$ 24,671</u>

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



### 38. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The amounts of restricted assets of the Group that were provided as guarantees are as follows:

	December 31	
	2019	2018
Other financial assets - non-current	\$ 23,588	\$ 21,353
Financial assets at FVTOCI - non-current	-	120,857
Carrying amount of property, plant and equipment		
Land - after revaluation	1,031,292	1,037,783
Buildings - after revaluation	<u>2,552,736</u>	<u>-</u>
	<u>3,584,028</u>	<u>1,037,783</u>
Carrying amount of investment properties		
Land - after revaluation	3,209,885	3,755,547
Buildings - after revaluation	<u>50,002</u>	<u>216,940</u>
	<u>3,259,887</u>	<u>3,972,487</u>
	<u>\$ 6,867,503</u>	<u>\$ 5,152,480</u>

### 39. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

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

- a. As of December 31, 2019 and 2018, the Group had bank guarantees for \$153,034 thousand and \$162,997 thousand issued under its name for the operations in the ports.
- b. Unrecognized commitments were as follows:

	December 31	
	2019	2018
Property under construction	<u>\$ 241,283</u>	<u>\$ 3,419,437</u>
Others	<u>\$ -</u>	<u>\$ 210</u>

As of December 31, 2019 and 2018, the abovementioned unrecognized commitments include contractual commitments, \$5,666 thousand and \$3,357,787 thousand, respectively, of the subsidiary - CHC Ryukyu COLLECTIVE KK due to the construction of Hotel COLLECTIVE in Okinawa. As of December 31, 2019, the abovementioned unrecognized commitments also include contract for Tomigusuku development project signed by CHC Ryukyu Development GK of \$207,139 thousand.

### 40. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

On March 25, 2020, the Company's board of directors approved a buy-back of shares. From March 26, 2020 to May 25, 2020, the Company will repurchase 7,000 thousand shares, at the price from \$11 to \$16 per share. The repurchase shall be continued if the price drops beyond the lowest limit as mentioned.

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

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

December 31, 2019

	Foreign Currency	Exchange Rate	Carrying Amount (In NTD)
<u>Financial assets</u>			
Monetary items			
USD	\$ 39,845	29.98 (USD:NTD)	\$ 1,194,566
USD	1,519	1.3461 (USD:SGD)	45,552
USD	577	108.6232 (USD:JPY)	17,286
HKD	6,757	3.8483 (HKD:NTD)	26,004
EUR	6,547	33.59 (EUR:NTD)	219,901
JPY	9,474	0.276 (JPY:NTD)	2,615
Non-monetary items			
Investments accounted for using the equity method			
EUR	11,630	33.59 (EUR:NTD)	390,640
RMB	46,812	0.193 (RMB:SGD)	201,173
Financial assets at FVTPL			
USD	11,638	29.98 (USD:NTD)	348,908
HKD	26,355	3.8483 (HKD:NTD)	101,423

December 31, 2018

	Foreign Currency	Exchange Rate	Carrying Amount (In NTD)
<u>Financial assets</u>			
Monetary items			
USD	\$ 34,852	30.715 (USD:NTD)	\$ 1,070,488
USD	1,499	1.3628 (USD:SGD)	46,033
USD	1,207	110.4062 (USD:JPY)	37,065
RMB	1,907	0.1986 (RMB:SGD)	8,534
HKD	30,843	3.9216 (HKD:NTD)	120,954
EUR	6,497	35.2 (EUR:NTD)	228,688
JPY	2,077,384	0.2782 (JPY:NTD)	577,928
Non-monetary items			
Investments accounted for using the equity method			
EUR	12,023	35.2 (EUR:NTD)	423,215
RMB	46,568	0.1986 (RMB:SGD)	208,404
Financial assets at FVTPL			
USD	15,393	30.715 (USD:NTD)	472,794
HKD	91,343	3.9216 (HKD:NTD)	358,208

For the years ended December 31, 2019 and 2018, realized and unrealized net foreign exchange (losses)/gains were \$(43,513) thousand and \$69,266 thousand, respectively. It is impractical to disclose net foreign exchange gains or losses by each significant foreign currency due to the variety of functional currencies of the entities in the Group.

## 42. OTHERS

### a. Important contracts

The Group as lessee leased the East Wharf Nos. 13, 14 and 15 in the Port of Taipei from Taiwan International Ports Co., Ltd. and committed to construct East Wharf No. 16 and its related office, silos and transportation equipment. The leased land is 65,000 square meters and used in operation of the subsidiary, Chia Pei International Corporation, to load and unload coal, sand stone, bulk and others. The lease term is 35 years and 5 months from December 10, 2009, the date of the transfer of the titles of related constructed equipment to Taiwan International Ports Co., Ltd. The annual minimum guaranteed volume for transportation is 1,200 thousand tons of coal and 5,950 thousand tons of sand stone. When the policy on the transporting of eastern sand to the north changes or the quantity of eastern sand transported to the north significantly decreases, the Group may renegotiate its minimum guaranteed volume for transporting eastern sand and gravel, or convert to equivalent minimum guaranteed volume for coal or other bulk and general cargo with approval from Taipei Harbor Bureau.

The Group has disputed with Taiwan International Ports Co., Ltd. on the reconsideration of converting the guaranteed transportation volume for eastern sand stone to that for coal or other bulk and general cargo and, in February 2013, filed a petition with the court in regards to the management fees for eastern sand stone. Taiwan Keelung District Court ruled in favor of the Group on December 22, 2014 and Taiwan International Ports Co., Ltd. filed an appeal against the court decision. After mediation of the dispute in Taiwan High Court Civil Appeal, both parties reached a settlement on December 27, 2016 and agreed that the Group's annual guaranteed transportation volume of sand and gravel can be replaced by the actual transportation of coal or other bulk cargoes during the year. (The annual replaceable limit shall be 4,050 thousand tons of guaranteed volume for transporting eastern sand and gravel to the north.)

- b. The Group entered into a contract with CHC Resources Corporation on December 1, 2014 to jointly operate the storage and transport of slag powder and its related products at the Port of Taipei. The contract term is valid until May 10, 2045. Upon expiration of the contract, CHC Resources Corporation will be given priority to negotiate a new contract under the premise that the Group extends its contract with the Harbor Bureau. CHC Resources Corporation pays various fees to the Group in accordance with the contract. Unless otherwise specified in the contract, in the event that any party cannot perform its contractual obligations (e.g. due to a financial crisis, changes in market supply and demand, or other unforeseeable circumstances), the contract may be terminated in advance with the consent of the other party.
- c. In order to satisfy the demand for cement in the northern part of Taiwan, the Group leased from Taiwan International Ports Co., Ltd. the land measuring 5,900.35 square meters at the West Wharf No. 33 of the Port of Keelung. The Group committed to build silos, loading and unloading equipment at the Wharf No. 33 under the name of Keelung Harbor Bureau, Transportation Department of Taiwan government and the title of the property belongs to the Keelung Harbor Bureau, while the Group has the right to use the property free of charge within the lease term for operating the business of loading and unloading, transporting and storing cement. The lease term is 23 years and 9 months from October 7, 2000, the date of the transfer of the titles of related constructed equipment to Keelung Harbor Bureau. The minimum guaranteed transporting volume is 900,000 tons of cement per year and the management fees will be charged based on the minimum guaranteed volume of 900,000 tons regardless if the Group reached the volume or not. The rental is charged based on average rental rate in the port and 5% of the rental rate published by the Taiwanese government. The Group has priority to lease the property when the lease contract has expired. In addition, during the lease period, the Group should pay the land use

and administrative fees monthly, which will be adjusted according to the adjustment of loading fee in the port.

- d. In order to satisfy the demand for cement in Taichung and its surrounding area, the Group leased, from Taichung Harbor Bureau, Taiwan International Ports Corporation Ltd., the land, cement warehouses and facilities at Wharf No. 27, Port of Taichung through its subsidiary, Tong Yang Chia Hsin International Corporation to operate the business of loading and unloading, transporting and storing cement. The lease period started from December 1, 2014 to December 30, 2024 and the Group has priority to lease the property when the lease contract has expired. In addition, during the lease period, the Group should pay the land use and administrative fees (based on actual loading amount at \$30.09 dollars per ton) monthly, which will be adjusted according to the adjustment of loading fee in the Port.
- e. In order to further establish the core development and transformation to the resort industry, the Group developed nearly 37 thousand square meters beach-side resorts at Toyosaki, Okinawa. The Group signed a long-term management service contract for InterContinental Okinawa Chura SUN Resort with the international large hotel chain, Japan subsidiary of InterContinental Hotels Group (IHG) on August 17, 2019 with the service period of 20 years. It is expected to introduce the entrusted management of the resort from IHG.

#### **43. SEPARATELY DISCLOSED ITEMS**

- a. Information about significant transactions and b. investees:
  - 1) Financing provided to others (Table 1)
  - 2) Endorsements/guarantees provided (Table 2)
  - 3) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures) (Table 3)
  - 4) Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital (Table 4)
  - 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital (Table 5)
  - 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital (Table 6)
  - 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 7)
  - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 8)
  - 9) Trading in derivative instruments (None)
  - 10) Other: Business relationships and inter-company transactions between the parent company and the subsidiaries (Table 10)
  - 11) Information on investees (Table 9)

c. Information on investments in mainland China

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income and limit on the amount of investment in the mainland China area (Table 11)
- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses (None, except for (e)):
  - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period
  - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period
  - c) The amount of property transactions and the amount of the resultant gains or losses
  - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes
  - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds (Table 1)
  - f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services

d. The disclosure of related information on affiliated companies as follows:

- 1) Disclosed items on the consolidated financial statements of affiliates are as follows:

No.	Items	Description
1	Subsidiaries' company names, relationships to the controlling company, nature of business, and the controlling company's shareholding or capital proportion.	Refer to Note 15
2	Variation of subsidiaries which are included in the current consolidated financial statements.	Refer to Note 15
3	Subsidiaries' company names, shareholding or capital proportion and the reasons that they are not listed on the consolidated financial statements.	None
4	The adjustments and the ways to manage when the controlling company and a subsidiary have different fiscal year start/end dates.	None
5	The adjustments when the controlling company and a subsidiary have different accounting policies.	None
6	Operating risk such as exchange risk for an overseas subsidiary.	Refer to Note 15
7	Retained earnings allocation of each subsidiary restricted by regulations or contracts.	Refer to Note 26
8	Consolidated amortization methods and expirations.	None
9	Others.	None

2) Disclosed items from each individual affiliate are as follows:

No.	Items	Description
1	Elimination transactions between the controlling company and subsidiaries and between subsidiaries.	Refer to Table 10
2	Information about accommodations of funds or endorsements.	Refer to Tables 1 and 2
3	Information about derivative instrument transactions.	None
4	Significant contingencies.	None
5	Significant events after the reporting period.	None
6	Names, quantities, costs, market prices (if not available, disclose net worth per share), capital proportions and the highest shareholding situation of the securities.	Refer to Tables 3, 9 and 11
7	Others.	None

- e. The subsidiaries holding the parent company's shares should list clearly the Company's name, number of shares held, the total amounts and the related reasons: Please refer to Note 26.

#### 44. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. Specifically, the Group's reportable segments were as follows:

Cement segment - cement production, manufacture and sale.

Real estate segment - real estate trading and leasing.

Port of Taipei segment - in charge of loading and unloading, warehousing and storage business in the port.

Each of the abovementioned segment includes a number of direct operations, which were considered a separate operating segment by the chief operating decision maker (CODM). For the purposes of financial statement presentation, the individual operating segments of cement have been aggregated into a single operating segment, taking into account the following factors:

- These operating segments have similar long-term gross profit margins.
- The nature of the products and production processes are similar.
- The methods used to distribute the products to the customers are the same.

One operation (Jiangsu Union Cement Co., Ltd.) was discontinued in the current period. The segment information reported on the following pages does not include any amounts for this discontinued operation, which is described in more detail in Note 13.

a. Segment revenue and results

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

	<b>Segment Revenue</b>		<b>Segment Profit or Loss</b>	
	<b>For the Year Ended</b>		<b>For the Year Ended</b>	
	<b>December 31</b>		<b>December 31</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Cement segment	\$ 1,027,929	\$ 987,785	\$ (41,505)	\$ (55,106)
Real estate segment	267,365	446,732	117,913	173,112
Port of Taipei segment	479,561	567,928	(21,865)	17,540
Other segment	<u>109,147</u>	<u>89,961</u>	(459,670)	(214,476)
	<u>\$ 1,884,002</u>	<u>\$ 2,092,406</u>		
Other income			1,204,029	607,299
Other gains and losses			294,329	50,798
Finance costs			(125,646)	(86,716)
Share of profit or loss of associates and joint ventures accounted for using the equity method			47,845	(39,900)
General and administrative expenses and remuneration of director			<u>(29,659)</u>	<u>(24,671)</u>
Profit before income tax from continuing operation			<u>\$ 985,771</u>	<u>\$ 427,880</u>

Segment profit represents the profit before tax earned by each segment without allocation of general and administrative expenses and remuneration of directors, other income, other gains and losses, finance costs, share of profit or loss of associates and joint ventures accounted for using the equity method and income tax expense. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

b. Total segment assets and liabilities

The measure of assets and liabilities of the Group is not reported to the operating decision maker. Therefore, the information of segment assets and liabilities does not need to be disclosed.

c. Revenue from major products and services

The following is an analysis of the Group's revenue from continuing operations from its major products and services.

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Revenue from the sale of goods	\$ 1,039,437	\$ 996,482
Revenue from the rent	283,563	462,437
Revenue from rendering of services	<u>561,002</u>	<u>633,487</u>
	<u>\$ 1,884,002</u>	<u>\$ 2,092,406</u>

d. Geographical information

The Group operates in three principal geographical areas - Taiwan, China and Japan.

The Group's revenue from continuing operations from external customers by location of operations and information about its non-current assets by location of assets are detailed below.

	<b>Revenue from External Customers</b>		<b>Non-current Assets</b>	
	<b>For the Year Ended December 31</b>		<b>December 31</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Taiwan	\$ 1,870,805	\$ 2,084,606	\$ 8,515,716	\$ 8,306,924
China	12,233	6,790	324,756	130,283
Japan	<u>964</u>	<u>1,010</u>	<u>5,810,294</u>	<u>2,616,397</u>
	<u>\$ 1,884,002</u>	<u>\$ 2,092,406</u>	<u>\$ 14,650,766</u>	<u>\$ 11,053,604</u>

Non-current assets exclude those classified as financial instruments and deferred tax assets.

e. Information about major customers

Included in revenue of \$1,884,002 thousand and \$2,092,406 thousand in 2019 and 2018, respectively, is revenue of \$215,437 thousand and \$212,043 thousand which represents sales to the Group's largest customer. No other single customers contributed 10% or more to the Group's revenue for both 2019 and 2018.



TABLE 1

CHIA HSIN CEMENT CORPORATION AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars)

No.	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period	Ending Balance	Actual Amount Borrowed	Interest Rate (%)	Nature of Financing	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limit	Note
													Item	Value			
0	Chia Hsin Cement Corporation (Note 1)	LDC ROME HOTELS S.R.L.	Other receivables from related parties	Yes	\$ 149,600	\$ 115,885	\$ 115,885	1.5 (Note 4)	Short-term financing	\$ -	The need for financing operating capital	\$ -	-	-	\$ 3,422,016 (15% of net value)	\$ 9,125,377 (40% of net value)	
1	Chia Hsin Business Consulting (Shanghai) Co., Ltd. (Note 2 and 6)	Jiangsu Union Cement Co., Ltd.	Other receivables from related parties	Yes	134,485	-	-	6.525 (Note 5)	Short-term financing	-	The need for financing operating capital	-	-	-	229,672 (40% of net value)	229,672 (40% of net value)	

Note 1: The total amount of loans provided by the Company shall not exceed 40% of the net worth of the Company (lending company). The amount of loans provided by the Company to each company or registered firm shall not exceed 15% of the net worth of the Company (lending company).

Note 2: The total amount of loans provided by the company shall not exceed 40% of the net worth of the company (lending company). The amount of short-term financing provided by the company to the related parties shall not exceed 40% of the net worth of the company (lending company). The amount of short-term financing provided by the company to each borrower company shall not exceed 40% of the net worth of the company (lending company).

Note 3: The highest balance for the period and ending balance presented above are listed in New Taiwan dollars (NTD). The highest balance denominated in foreign currency is translated using the prevailing exchange rate; and the ending balance is translated into NTD using the exchange rate as of December 31, 2019.

Note 4: Total interest in the period is \$1,946 thousand.

Note 5: Total interest in the period is \$1,492 thousand.

Note 6: Has been eliminated through the consolidation and is not shown on the consolidated financial statements.

**TABLE 2**

**CHIA HSIN CEMENT CORPORATION AND SUBSIDIARIES**

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

No.	Endorser/Guarantor	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Amount Borrowed	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements	Aggregate Endorsement/ Guarantee Limit	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship (Note 4)										
0	Chia Hsin Cement Corporation (Notes 2 and 5)	Chia Hsin Property Management & Development Corporation	b.	\$ 7,747,805 (Paid-in capital)	\$ 2,360,000	\$ 1,480,000	\$ 500,000	\$ -	6.49%	\$ 22,813,442	Yes	No	No
	Chia Hsin Cement Corporation (Note 2)	LDC ROME HOTELS S.R.L.	f.	7,747,805 (Paid-in capital)	447,600	447,600	382,926	-	1.96%	22,813,442	No	No	No
	Chia Hsin Cement Corporation (Notes 2 and 5)	CHC Ryukyu Development GK	b.	7,747,805 (Paid-in capital)	1,569,048	425,040	138,000	-	1.86%	22,813,442	Yes	No	No
	Chia Hsin Cement Corporation (Notes 2 and 5)	CHC Ryukyu COLLECTIVE KK	b.	7,747,805 (Paid-in capital)	1,380,000	1,380,000	496,800	-	6.05%	22,813,442	Yes	No	No
1	Chia Hsin Property Management & Development Corporation (Notes 3 and 5)	Chia Hsin Cement Corporation	c.	22,813,442	7,244,000	6,544,000	4,829,000	6,540,000	28.64%	22,813,442	No	Yes	No

Note 1: a. The Company is coded “0.”  
b. The investees are coded consecutively beginning from “1” in the order presented in the table above.

Note 2: The amounts of guarantee to any individual entity shall not exceed the paid-in capital of the Company. The total amount of guarantees shall not exceed the net worth of the Company.

Note 3: The amount of guarantees from Chia Hsin Property Management & Development Corporation shall not exceed the net worth of the Company.

Note 4: The seven types of relationships between the endorser/guarantor and endorsee/guarantee indicated as numbers in the table above are as follows:

- Having a business relationship
- The endorser/guarantor owns directly or indirectly more than 50% of the ordinary shares of the endorsee/guarantee.
- The endorsee/guarantee owns directly or indirectly more than 50% of the ordinary shares of the endorser/guarantor.
- The endorser/guarantor owns directly or indirectly more than 90% of the ordinary shares of the endorsee/guarantee.
- Mutually endorsed/guaranteed companies for the construction project based on the construction contract.
- Due to joint venture, each shareholder provides endorsements/guarantees to the endorsee/guarantee in proportion to its ownership.
- Companies in the same industry that are liable for joint endorsements/guarantees of the preconstruction house contract under the consumer protection law.

Note 5: Has been eliminated through the consolidation and is not shown on the consolidated financial statements.

**TABLE 3**

**CHIA HSIN CEMENT CORPORATION AND SUBSIDIARIES**

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

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2019				Highest Number of Shares Held in the Year	Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value		
Chia Hsin Cement Corporation	<u>Stock</u> Taiwan Cement Corporation	The Company acts as a member of the BOD	Financial assets at FVTPL - current	7,371,606	\$ 322,139	0.13	\$ 322,139	7,371,606	
	Asia Cement Corporation		Financial assets at FVTPL - current	71	3	0.00	3	71	
	China Chemical & Pharmaceutical Co., Ltd.		Financial assets at FVTPL - current	20,000	385	0.01	385	20,000	
	<u>Foreign stock</u> Anhui Conch Cement Co., Ltd.		Financial assets at FVTPL - current	464,000	101,423	0.01	101,423	766,000	
	<u>Foreign fund</u> HAITONG FREEDOM MULTI-TRANCHE BOND FUND - P1A (SERIES 27)		Financial assets at FVTPL - current	9,594	32,404	-	32,404	9,594	
	GREENWOODS GOLDEN CHINA FUND - UNRESTRICTED CLASS A (0518)		Financial assets at FVTPL - current	3,342	33,082	-	33,082	3,342	
	GOPHER ASIA HOLD-TO-MATURITY HIGH YIELD BOND FUND - CLASS B (SERIES 10)		Financial assets at FVTPL - current	5,000	15,203	-	15,203	5,000	
	GOPHER ASIA HOLD-TO-MATURITY HIGH YIELD BOND FUND - CLASS C (SERIES 15)		Financial assets at FVTPL - current	55,000	170,678	-	170,678	55,000	
	JPMorgan Funds - Emerging Markets Small Cap Fund - JPM Emerging Markets Small Cap A (perf) (acc) - USD		Financial assets at FVTPL - current	17,022	8,517	-	8,517	17,022	
	JPMorgan Funds - Emerging Markets Local Currency Debt Fund - JPM Emerging Markets Local Currency Debt A (acc) - USD		Financial assets at FVTPL - current	77,882	40,907	-	40,907	77,882	
	JPMorgan Funds - China Fund - JPM China A (acc) - USD		Financial assets at FVTPL - current	10,992	15,713	-	15,713	10,992	
	<u>Stock</u> Taiwan Cement Corporation	The Company acts as a member of the BOD	Financial assets at FVTOCI - current	24,190,846	1,057,140	0.43	1,057,140	24,190,846	
	CHC Resources Corporation		Financial assets at FVTOCI - current	4,285,694	215,570	1.72	215,570	4,285,694	
	Chien Kuo Construction Co., Ltd.		Financial assets at FVTOCI - current	771,256	8,291	0.29	8,291	771,256	

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2019				Highest Number of Shares Held in the Year	Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value		
Tong Yang Chia Hsin International Corporation	<u>Stock</u> Taiwan Cement Corporation	The Company acts as a member of the BOD	Financial assets at FVTOCI - non-current	175,919,516	\$ 7,687,683	3.10	\$ 7,687,683	175,919,516	Has been eliminated through consolidation
	<u>Stock</u> Pan Asian (Engineers & Constructors) Corporation		Financial assets at FVTOCI - non-current	2,718,217	17,016	2.38	17,016	2,718,217	
	Chia Hsin Ready-Mixed Concrete Corporation		Financial assets at FVTOCI - non-current	12,718,440	310,075	13.71	310,075	12,718,440	
	Overseas Investment & Development Corp.		Financial assets at FVTOCI - non-current	2,000,000	18,420	2.22	18,420	2,000,000	
	Asia Pacific Gongshanglian Corporation Limited		Financial assets at FVTOCI - non-current	21,090	-	0.03	-	21,090	
	Chia Hsin Livestock Corp.		Financial assets at FVTOCI - non-current	6,600,000	-	1.17	-	6,600,000	
	Huatung Heping River Mining Industry Development Co., Ltd.		Financial assets at FVTOCI - non-current	9,350	-	1.87	-	9,350	
	<u>Stock</u> Fubon Financial Holding Co.	The Company acts as a member of the BOD	Financial assets at FVTPL - current	3,919,849	181,880	0.03	181,880	3,919,849	
	Taiwan Cement Corporation		Financial assets at FVTPL - current	15,214,293	664,865	0.27	664,865	15,214,293	
	<u>Foreign fund</u> HAITONG FREEDOM MULTI-TRANCHE BOND FUND - P1A (SERIES 27)		Financial assets at FVTPL - current	9,594	32,404	-	32,404	9,594	
	<u>Stock</u> Taiwan Cement Corporation	The Company acts as a member of the BOD Parent company	Financial assets at FVTOCI - current	30,911,113	1,350,816	0.54	1,350,816	30,911,113	
	Chia Hsin Cement Corporation		Financial assets at FVTOCI - non-current	127,370,320	2,846,727	16.44	2,846,727	127,370,320	
	Taiwan Cement Corporation	The Company acts as a member of the BOD	Financial assets at FVTOCI - non-current	57,372,867	2,507,194	1.01	2,507,194	57,372,867	
	IBT Second Venture Capital Co., Ltd.		Financial assets at FVTOCI - non-current	725,493	5,270	2.30	5,270	725,493	
	Kaohsiung Tug and Port Service Corp.		Financial assets at FVTOCI - non-current	350,000	2,520	0.88	2,520	350,000	

Note 1: The abovementioned assets are not used as collateral to secure loan or restricted due to other contractual restriction.

Note 2: For the information about subsidiaries, associates and joint ventures, refer to Table 9 and Table 11.

(Concluded)

CHIA HSIN CEMENT CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Other Adjustments		Ending Balance		Note
					Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Number of Shares	Amount	Shares	Amount	
Chia Hsin Cement Corporation	YJ International Corporation	Investment accounted for using equity method	None	Subsidiaries	90,000,000	\$ 858,841	138,000,000	\$ 1,380,000	-	\$ -	\$ -	\$ -	-	\$ (231,370)	228,000,000	\$ 2,007,471	Notes 1 and 6
YJ International Corporation	CHC Ryukyu Development GK	Investment accounted for using equity method	None	Second-tier subsidiaries	-	823,517	-	672,480	-	-	-	-	-	(1,325,062)	-	170,935	Notes 1, 2 and 6
	CHC Ryukyu COLLECTIVE KK	Investment accounted for using equity method	None	Second-tier subsidiaries	-	-	-	689,544	-	-	-	-	-	1,098,892	-	1,788,436	Notes 1 and 6
Chia Hsin Cement Corporation	Taiwan Stock Exchange Corporation	Non-current financial assets at FVTOCI	King's Town Bank	None	3,468,052	262,289	-	-	3,468,052	270,423	270,423	-	-	8,133	-	-	Notes 3 and 4
Tong Yang Chia Hsin International Corporation	Taiwan Stock Exchange Corporation	Non-current financial assets at FVTOCI	King's Town Bank	None	573,178	43,349	-	-	573,178	44,694	44,694	-	-	1,345	-	-	Notes 3 and 5

Note 1: The ending balance includes gain/(loss) recognized by using equity method and the relevant equity adjustments.

Note 2: On July 1, 2019, CHC Ryukyu Development GK underwent a spin-off process and established a new company, CHC Ryukyu COLLECTIVE KK, under the resolution of the board of directors made on May 16, 2019.

Note 3: The revaluation of financial assets at FVTOCI.

Note 4: The transaction has been completed on July 5, 2019. The unrealized gain/(loss) on financial assets at FVTOCI of \$269,823 thousand has been reclassified to the retained earnings.

Note 5: The transaction has been completed on July 5, 2019. The unrealized gain/(loss) on financial assets at FVTOCI of \$26,346 thousand has been reclassified to the retained earnings.

Note 6: The transaction has been eliminated through the consolidation and is not shown on the consolidated financial statements.

**TABLE 5**

**CHIA HSIN CEMENT CORPORATION AND SUBSIDIARIES**

**ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars, or in Thousands of Foreign Currencies)**

Buyer (Note 1)	Property	Event Date (Note 2)	Transaction Amount (Note 3)	Payment Status	Counterparty	Relationship	Information on Previous Title Transfer If Counterparty Is A Related Party				Pricing Reference (Note 4)	Purpose of Acquisition	Other Terms
							Property Owner	Relationship	Transaction Date	Amount			
CHC Ryukyu COLLECTIVE KK	Buildings	October 20, 2017	JPY13,546,591	In line with the construction progress	Kumagai Gumi Co., Ltd., Kyushu Branch	Unrelated party	None	None	None	\$ -	Not applicable	For operating purpose	None

- Note 1: CHC Ryukyu Development GK, CHC Ryukyu COLLECTIVE KK and Kumagai Gumi Co., Ltd., Kyushu Branch, signed contract of status on July 1, 2019. The full rights and obligations of the construction were thereafter transferred from CHC Ryukyu Development GK to CHC Ryukyu COLLECTIVE KK.
- Note 2: Means the date when the contract was signed.
- Note 3: The contractual total amount is JPY13,546,591 thousand, the construction has been completed and recorded under account property, plant and equipment - building.
- Note 4: The construction was on the freehold land. A valuation report is not required.

**TABLE 6**

**CHIA HSIN CEMENT CORPORATION AND SUBSIDIARIES**

**DISPOSAL OF INDIVIDUAL REAL ESTATE AT PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2019**  
(In Thousands of New Taiwan Dollars, or in Thousands of Foreign Currencies)

Seller	Property	Event Date	Original Acquisition Date	Carrying Amount (Note 8)	Transaction Amount (Note 8)	Collection	Gain (Loss) on Disposal	Counterparty	Relationship	Purpose of Disposal	Price Reference	Other Terms
Jiangsu Union Cement Co., Ltd.	Right-of-use assets and buildings	May 9, 2018 (Note 1)	March 1997	NT\$ 421,370 (RMB 98,051)	NT\$ 983,261 (RMB 228,800)	(Note 3)	\$ 586,037 (RMB 130,749)	Zhenjiang City Construction Industry Group Co., Ltd.	Unrelated party	Disposal of property for liquidation	(Note 6)	None
Shanghai Jia Huan Concrete Co., Ltd.	Right-of-use assets and buildings	July 12, 2018 (Note 2)	August 1996	NT\$ 42,536 (RMB 9,898)	NT\$ 453,082 (RMB 105,430)	(Note 4)	- (Note 5)	Shanghai Xuhui Land Reserve Center and Shanghai Xuhui Waterfront Development Investment Construction Co., Ltd.	Unrelated party	Government land reserve	(Note 7)	None

- Note 1: Means the date the resolution was approved by the BOD of the parent company.
- Note 2: Means the date the resolution was approved by the subsidiary’s BOD and shareholders in their meetings.
- Note 3: As of December 31, 2019, the price RMB228,800 thousand has been received.
- Note 4: As of December 31, 2019, the price RMB105,430 thousand has been received.
- Note 5: The contract was signed on August 29, 2018, but the transfer has not been registered. The gain/(loss) from the disposal, around RMB70,000 thousand (moving expense and tax excluded), will be recognized upon the transfer of the title.
- Note 6: Decided after referring to real estate appraisal report from Jiangsu Zhengxin Assets Evaluation Firm Co., Ltd. and Prudential Cross-Strait Real Estate Appraisers Firm and to the result of price negotiation between the two parties.
- Note 7: Decided after referring to real estate appraisal report from Prudential Cross-Strait Real Estate Appraisers Firm and to the result of price negotiation between the two parties.
- Note 8: The balance sheet items denominated in foreign currencies are translated into NTD using the exchange rate as of December 31, 2019: RMB1=NT\$4.297468. The income items denominated in foreign currencies are translated using the average exchange rate of 2019: RMB1=NT\$4.482145.

**TABLE 7**

**CHIA HSIN CEMENT CORPORATION AND SUBSIDIARIES**

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

Buyer/Seller	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes Receivable (Payable)/Trade Receivables (Payables)		Note
			Purchases/ Sales	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
Chia Hsin Cement Corporation	Taiwan Cement Corporation	The Company acts as a member of the BOD	Purchases	\$ 484,963	49	60 days from the purchase day	N/A (equal to the price for other clients)	N/A (same as the term for other clients)	\$ (83,580)	(45)	
Chia Hsin Cement Corporation	Chia Pei International Corporation	Subsidiary	Warehousing and storage revenue	(130,567)	(10)	Billed monthly and paid quarterly with receipt issued in the same month	N/A (equal to the price for other clients)	N/A (same as the term for other clients)	-	-	Note
Chia Pei International Corporation	Chia Hsin Cement Corporation	Parent company	Service cost	130,567	11	Billed monthly and paid quarterly with receipt issued in the same month	N/A (equal to the price for other clients)	N/A (same as the term for other clients)	-	-	Note

Note: The transaction has been eliminated through consolidation.



**TABLE 8**

**CHIA HSIN CEMENT CORPORATION AND SUBSIDIARIES**

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

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
Chia Hsin Cement Corporation	LDC ROME HOTELS S.R.L.	Investment accounted for using equity method	\$ 117,053 (Note 1)	-	\$ -	-	\$ -	\$ -
	Chia Pei International Corporation	Investment accounted for using equity method	1,332,208 (Note 2 and 3)	-	-	-	-	-

Note 1: The other receivables consist of principal and interest of loans to related party.

Note 2: The other receivables consist of finance lease receivable from the sublease of the wharf in the Port of Taipei.

Note 3: The transaction has been eliminated through consolidation.

TABLE 9

CHIA HSIN CEMENT CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTEEES  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars, or Otherwise Stated)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2019			Net Income/(Loss) of the Investee	Share of Profit/(Loss) of Investee	Remark
				December 31, 2019	December 31, 2018	Number of Shares (Thousands of Shares)	%	Carrying Amount			
Chia Hsin Cement Corporation	Chia Hsin Construction & Development Corp.	11F, No. 96, Sec. 2, Rd. Zhongshan, Dist. Zhongshan, Taipei City	Office buildings construction and lease and sale of public housings	\$ 656,292	\$ 698,183	\$ 31,458,920	43.87	\$ 1,783,114	\$ 155,267	\$ 70,091	(Notes 4 and 5)
	Tong Yang Chia Hsin International Corporation	No. 96, Sec. 2, Rd. Zhongshan, Dist. Zhongshan, Taipei City	General international trade	1,600,159	1,600,159	257,073,050	87.18	6,432,832	740,450	645,524	Subsidiary (Note 3)
	Chia Hsin Property Management & Development Corporation	No. 96, Sec. 2, Rd. Zhongshan, Dist. Zhongshan, Taipei City	Wholesale and retail business of machinery; residence, factory buildings and office buildings leasing and selling; PPE leasing and selling	1,000,000	1,000,000	100,000,000	100.00	3,764,936	109,229	109,229	Subsidiary (Note 3)
	Chia Pei International Corporation	No. 96, Sec. 2, Rd. Zhongshan, Dist. Zhongshan, Taipei City	Mining; Wholesale of Building Materials; Nonmetallic Mining; Retail Sale of Building Materials; International Trade; Rental and Leasing Business; Retail Sale of Other Machinery and Equipment	120,000	120,000	19,560,000		142,153	(75,289)	(75,289)	Subsidiary (Note 3)
	BlueSky. Co., Ltd.	No. 96, Sec. 2, Rd. Zhongshan, Dist. Zhongshan, Taipei City	International trade; real estate trading; real estate leasing	81,561	81,561	8,300,000	100.00	84,177	850	850	Subsidiary (Note 3)
	Chia Hsin Pacific Limited	Cayman Islands	Holding company	969,104	969,104	19,186,070	74.16	2,153,905	610,354	452,602	Subsidiary (Note 3)
	YJ International Corporation	11F, No. 96, Sec. 2, Rd. Zhongshan, Dist. Zhongshan, Taipei City	Real estate rental and leasing; real estate management; realtor agent	2,280,000	900,000	228,000,000	100.00	2,007,471	(210,718)	(210,718)	Subsidiary (Note 3)
	Jaho Life Plus+ Management Corp., Ltd.	No. 96, Sec. 2, Rd. Zhongshan, Dist. Zhongshan, Taipei City	Management consulting service	300,000	300,000	30,000,000	100.00	212,161	(40,727)	(40,727)	Subsidiary (Note 3)
	LDC ROME HOTELS S.R.L.	Rome, Italy	Hotel management	NT\$ 537,574 (EUR 16,004,000)	NT\$ 537,574 (EUR 16,004,000)	-	40.00	390,640	(34,051)	(13,619)	(Note 4)
	Chia Huan Tung Cement Corporation	5F-1, No. 21, Wufu 3rd Rd., Qianjin Dist., Kaohsiung City	Cement and concrete mix manufacturing	142,014	142,014	14,201,649	20.69	25,928	(9,154)	(1,894)	
Chia Hsin Property Management & Development Corporation	International Chia Hsin Corporation	No. 96, Sec. 2, Rd. Zhongshan, Dist. Zhongshan, Taipei City	International trade; general investment	69,341	69,341	5,800,000	19.33	113,579	21,623	4,180	
	Chia Sheng Construction Corp.	No. 96, Sec. 2, Rd. Zhongshan, Dist. Zhongshan, Taipei City	Wholesale and retail business of machinery; residence, factory buildings and office buildings leasing and selling; PPE leasing and selling	250,000	250,000	25,000,000	100.00	239,359	(89)	(89)	Second-tier subsidiary (Note 3)
YJ International Corporation	CHC Ryukyu Development GK	26 Tokashiki, Aza, Tomigusuku-shi, Okinawa, Japan	Real estate rental and leasing; management consulting service	NT\$ 270,363 (JPY 979,575,335)	NT\$ 869,400 (JPY 3,150,000,000)	-	100.00	170,935	(48,344)	(48,344)	Second-tier subsidiary (Note 3)
	CHC Ryukyu COLLECTIVE KK	2 Chome-1-12 Matsuyama, Naha, Okinawa, Japan	Hotel management	NT\$ 1,937,637 (JPY 7,020,424,665)	-	-	100.00	1,788,436	(153,364)	(153,364)	Second-tier subsidiary (Notes 3 and 6)
Chia Hsin Pacific Limited	Yonica Pte Ltd.	Singapore	Investment and holding company	NT\$ 1,995,206 (US\$ 66,551,243)	NT\$ 1,995,206 (US\$ 66,551,243)	104,908,690	100.00	NT\$ 790,764 (US\$ 26,376,383)	NT\$ 455,229 (US\$ 14,726,618)	NT\$ 455,229 (US\$ 14,726,618)	Second-tier subsidiary (Note 3)
	Effervesce Investment Pte. Ltd.	Singapore	Investment and holding company	NT\$ 931,738 (US\$ 31,078,656)	NT\$ 931,738 (US\$ 31,078,656)	53,274,892	100.00	NT\$ 1,234,241 (US\$ 41,168,815)	NT\$ 137,554 (US\$ 4,449,865)	NT\$ 137,554 (US\$ 4,449,865)	Second-tier subsidiary (Note 3)
	Sparksvieview Pte. Ltd.	Singapore	Investment and holding company	NT\$ 86,112 (US\$ 2,872,328)	NT\$ 86,112 (US\$ 2,872,328)	3,763,350	100.00	NT\$ 87,134 (US\$ 2,906,391)	NT\$ 2,235 (US\$ 72,287)	NT\$ 2,235 (US\$ 72,287)	Second-tier subsidiary (Note 3)
Tong Yang Chia Hsin International Corporation	International Chia Hsin Corporation	No. 96, Sec. 2, Rd. Zhongshan, Dist. Zhongshan, Taipei City	International trade; general investment	36,642	36,642	6,052,636	20.18	135,234	21,623	4,364	
	Tong Yang Chia Hsin Marine Corp.	Panama	Shipping service	NT\$ 80,946 (US\$ 2,700,000)	NT\$ 80,946 (US\$ 2,700,000)	2,700	100.00	427,221	7,119	7,119	Second-tier subsidiary (Note 3)
	Chia Hsin Pacific Limited	Cayman Islands	Holding company	626,119	626,119	6,257,179	24.18	702,456	610,354	147,609	Subsidiary (Note 3)

Note 1: For information on investments in mainland China, refer to Table 11.

Note 2: The balance sheet items denominated in foreign currencies are translated into NT\$ using the exchange rate as of December 31, 2019: US\$1=NT\$29.98, JPY1=NT\$0.276, EUR1=NT\$33.59; net income items denominated in foreign currencies are translated using the average exchange rate of 2019: US\$1=NT\$30.912, JPY1=NT\$0.2837, EUR1=NT\$34.61.

Note 3: The investment has been eliminated through consolidation.

Note 4: Important associates

Note 5: The Company disposed of part of the stakes and lost control over Chia Hsin Construction & Development Corp. since March 2019. Nonetheless, the Company still has significant influence over Chia Hsin Construction & Development Corp., Therefore, the Company still categorizes the rest of the investment to Chia Hsin Construction & Development Corp. as the important associate accounted for using equity method.

Note 6: On July 1, 2019, CHC Ryukyu Development GK underwent a spin-off and established a new company, CHC Ryukyu COLLECTIVE KK, according to the resolution made of the BOD on May 16, 2019.

Note 7: The number of shares of investee company held by each investor company remain the same in the year, except the shares of Chia Hsin Construction & Development Corp., which has a peak of 35,758,920 shares in the year. All the shares are not pledged.

TABLE 10

## CHIA HSIN CEMENT CORPORATION AND SUBSIDIARIES

PARENT-SUBSIDIARY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS  
FOR THE YEAR ENDED DECEMBER 31, 2019

(Amounts in Thousands of New Taiwan Dollars)

No. (Note 1)	Company	Counterparty	Relationship (Note 2)	Transaction Details			
				Financial Statement Accounts	Amount	Payment Terms	% of Total Sales or Assets (Note 3)
0	Chia Hsin Cement Corporation	Chia Pei International Corporation	a.	Warehousing and storage service revenue	\$ 130,567	The fee is billed monthly and paid quarterly with receipts issued in the same month when the fee is billed.	6.93
1	Chia Pei International Corporation	Chia Hsin Cement Corporation	b.	Right-of-use assets	128,276		0.33
2	Tong Yang Chia Hsin International Corporation	Chia Hsin Cement Corporation	b.	Service revenue	68,871	The fee is billed monthly and paid in the next month.	3.66
		Chia Hsin Cement Corporation	b.	Dividend income	111,041	Cash dividends	5.89
3	Chia Hsin Property Management & Development Corporation	Chia Hsin Cement Corporation	b.	Endorsement or guarantee	6,544,000		16.90
		Chia Hsin Cement Corporation	b.	Other income	23,053	Transaction fee arising from endorsement or guarantee	1.22
		Chia Hsin Cement Corporation	b.	Other receivables	24,206	Transaction fee arising from endorsement or guarantee	0.06
4	YJ International Corporation	CHC Ryukyu Development GK	c.	Investment accounted for using equity method	662,400	Cash injection	1.71
		CHC Ryukyu COLLECTIVE KK	c.	Investment accounted for using equity method	676,200	Cash injection	1.75
5	Shanghai Chia Peng Healthcare Management Consulting Co., Ltd.	Jiapeng Maternal and Child Care (Yangzhou) Co., Ltd.	c.	Investment accounted for using equity method	42,975	Cash injection	0.11

(Continued)

Transactions with amount above \$10 million are listed in this table.

Note 1:   a.   The Company is coded “0”.  
          b.   The subsidiaries are coded consecutively beginning from “1” in the order presented in the table above.

Note 2:   The three types of relationships are as follows:

- a.   The parent company to the subsidiary.
- b.   The subsidiary to the parent company.
- c.   The subsidiary to the subsidiary.

Note 3:   For the calculation of percentage, percentage for balance sheet items is calculated by dividing the year-end balance with consolidated assets. Percentage for income items is calculated by dividing the accumulated sum with total operating income for the year.

Note 4:   The balance sheet items denominated in foreign currencies are translated into NTD using the exchange rate as of December 31, 2019: US\$1=NT\$29.98, JPY1=NT\$0.276, RMB1=NT\$4.297468; net income items denominated in foreign currencies are translated using the average exchange rate of 2019: US\$1=NT\$30.912, JPY1=NT\$0.2837, RMB1= NT\$4.482145.

Note 5:   The transaction has been eliminated through consolidation.

(Concluded)

## CHIA HSIN CEMENT CORPORATION AND SUBSIDIARIES

## INFORMATION ON INVESTMENTS IN MAINLAND CHINA

## FOR THE YEAR ENDED DECEMBER 31, 2019

(In Thousands of New Taiwan Dollars, or in Thousands of Foreign Currencies)

- a. Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, investment income or loss, carrying amount of the investment at the end of the period and repatriations of investment income:

Investee Company	Main Businesses and Products	Paid-in Capital (Note 1 (a.))	Method of Investment (Note 2)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2019 (Note 1 (a.))	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2019 (Note 1 (a.))	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 1 (a.))	Carrying Amount as of December 31, 2019 (Note 1 (a.))	Accumulated Repatriation of Investment Income as of December 31, 2019	Note
					Outward (Note 1 (a.))	Inward (Note 1 (a.))						
Shanghai Jia Huan Concrete Co., Ltd.	Processing, manufacturing and selling of cement, concrete and other related products.	\$ 253,631 (US\$ 8,460)	b.	\$ 381,406 (US\$ 12,722)	\$ - (US\$ -)	\$ - (US\$ -)	\$ 381,406 (US\$ 12,722)	95.23	\$ 9,040 (US\$ 292)	\$ 244,513 (US\$ 8,156)	\$ - (US\$ -)	Note 1 (b.) (2) and Note 5
Shanghai Chia Hsin Ganghui Co., Ltd.	Warehousing and packing bulk cement and formulating and delivering high-strength cement.	314,790 (US\$ 10,500)	b.	481,659 (US\$ 16,066)	- (US\$ -)	- (US\$ -)	481,659 (US\$ 16,066)	95.23	6,209 (US\$ 201)	437,315 (US\$ 14,587)	- (US\$ -)	Note 1 (b.) (2) and Note 5
Jiangsu Union Cement Co., Ltd.	Processing, manufacturing and selling of cement.	1,738,840 (US\$ 58,000)	c.	2,069,310 (US\$ 69,023)	- (US\$ -)	- (US\$ -)	2,069,310 (US\$ 69,023)	95.23	588,578 (US\$ 19,040)	604,435 (US\$ 20,161)	- (US\$ -)	Note 1 (b.) (2) and Note 5
Shanghai Chang Hsin Shipping Co., Ltd.	Delivering cement.	149,900 (US\$ 5,000)	b.	91,889 (US\$ 3,065)	- (US\$ -)	- (US\$ -)	91,889 (US\$ 3,065)	38.09	(376) (US\$ -12)	36,879 (US\$ 1,230)	- (US\$ -)	Note 1 (b.) (2) and Note 6
Chia Hsin Business Consulting (Shanghai) Co., Ltd.	Consulting for developing information system for business and finance purpose.	518,954 (US\$ 17,310)	b.	794,380 (US\$ 26,497)	- (US\$ -)	- (US\$ -)	794,830 (US\$ 26,497)	95.23	(9,248) (US\$ -299)	574,181 (US\$ 19,152)	- (US\$ -)	Note 1 (b.) (2) and Note 5
Shanghai Chia Peng Healthcare Management Consulting Co., Ltd.	Consulting for management of healthcare and hotel business.	107,437 (RMB 25,000)	f. Investor: Chia Hsin Business Consulting (Shanghai) Co., Ltd.	- (US\$ -)	- (US\$ -)	- (US\$ -)	- (US\$ -)	66.66	(14,972) (US\$ -484)	55,547 (US\$ 1,853)	- (US\$ -)	Note 1 (b.) (2) and Note 5
Jiapeng Maternal and Child Care (Yangzhou) Co., Ltd.	Providing healthcare service to mothers in pregnancy, parturition and postpartum period.	42,975 (RMB 10,000)	f. Investor: Chia Hsin Business Consulting (Shanghai) Co., Ltd.	- (US\$ -)	- (US\$ -)	- (US\$ -)	- (US\$ -)	66.66	(15,279) (US\$ -494)	28,326 (US\$ 945)	- (US\$ -)	Note 1 (b.) (2) and Note 5
Jiangsu Union Mining Industry Ltd.	Processing, manufacturing and delivering of limestone and other related products.	343,368 (RMB 79,900)	c.	149,001 (US\$ 4,970)	- (US\$ -)	- (US\$ -)	149,001 (US\$ 4,970)	47.62	1,471 (US\$ 48)	164,294 (US\$ 5,480)	- (US\$ -)	Note 1 (b.) (2) and Note 7
Jiangsu Jiaguo Construction Material Storage Co., Ltd.	Engaging in overland delivery of ordinary goods and the processing, manufacturing and selling of cement and other construction material	395,736 (US\$ 13,200)	d.	415,133 (US\$ 13,847)	- (US\$ -)	- (US\$ -)	415,133 (US\$ 13,847)	87.18	6,965 (US\$ 225)	420,366 (US\$ 14,022)	- (US\$ -)	Note 1 (b.) (2) and Note 5
Jiangsu Jiaxin Property Limited Company	Developing and selling real estate and providing property management service	85,949 (RMB 20,000)	f. Investor: Jiangsu Jiaguo Construction Material Storage Co., Ltd.	- (US\$ -)	- (US\$ -)	- (US\$ -)	- (US\$ -)	87.18	(428) (US\$ -14)	86,447 (US\$ 2,883)	- (US\$ -)	Note 1 (b.) (2) and Note 5

(Continued)

b. Limit on the amount of investments in the mainland China area:

Accumulated Outward Remittance for Investments in Mainland China as of December 31, 2019	Investment Amount Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA
\$6,885,447 (US\$229,668)	\$6,959,078 (US\$232,124)	(Notes 3 and 4)

c. Significant transactions with investee companies in the Mainland Area, either directly or indirectly through a third area: None, except for those in Table 1.

Note 1: a. The balance sheet items denominated in foreign currencies are translated into NTD using the exchange rate as of December 31, 2019: US\$1=NT\$29.98, RMB1=NT\$4.297468; net income items denominated in foreign currencies are translated using the average exchange rate of 2019: US\$1=NT\$30.912, RMB1= NT\$4.482145.

b. The basis for investment income (loss) recognition includes the following:

- 1) The investment income (loss) is recognized based on the financial statements audited and attested by an international accounting firm which has cooperative relationship with an accounting firm in the ROC.
- 2) The investment income (loss) is recognized based on the financial statements audited and attested by the parent company’s CPA in the ROC.
- 3) Other

Note 2: The method of investment includes the following:

- a. Direct investment in mainland China.
- b. Indirect investment in mainland China through companies registered in a third region. The Company and Tong Yang Chia Hsin International Corporation invest in Chia Hsin Pacific Limited, which then invest in Effervesce Investment Pte. Ltd., the company that invests in mainland China.
- c. Indirect investment in mainland China through companies registered in a third region. The Company and Tong Yang Chia Hsin International Corporation invest in Chia Hsin Pacific Limited, which then invest in Yonica Pte. Ltd., the company that invests in mainland China.
- d. Indirect investment in mainland China through companies registered in a third region. The Company and Tong Yang Chia Hsin International Corporation invest in Tong Yang Chia Hsin Marine Corp., which then invests in mainland China.
- e. Other method.

Note 3: Pursuant to the Jing-Shou-Gong Letter No. 10520404590 issued by the Industrial Development Bureau, the Company has obtained the certificate of being qualified as the operating headquarters; thus, the ceiling amount or ratio of the investment in mainland China is not applicable.

Note 4: The Company conducted a stock-for-stock transaction with Taiwan Cement Corporation to get rid of the investment via TCC International Holdings Ltd. in mainland China. The result of the stock-for-stock transaction will be a decrease in investment in mainland China. On May 17, 2018, the aforementioned write-off of the amount and the ratio of investment was approved by the Investment Commission, Ministry of Economic Affairs.

Note 5: The transaction has been eliminated through consolidation.

Note 6: The investment in associate accounted for using equity method.

Note 7: The joint venture investment accounted for using equity method.

Note 8: The number of shares of investee company held by each investor company remain the same in the year. All the shares are not pledged.

(Concluded)