

Taiwan Cement Corporation

(incorporated as a company limited by shares in Taiwan, the Republic of China)

US$400,000,000 Zero Coupon Convertible Bonds due 2023

We are offering US$400,000,000 aggregate principal amount of currency-linked US dollar denominated zero coupon convertible bonds due 2023 (the "Bonds"), through J.P. Morgan Securities plc (the "Initial Purchaser").

The Bonds will be direct, unconditional, unsubordinated and unsecured obligations of Taiwan Cement Corporation (the "Company" or "Issuer", and together with its subsidiaries, the "Group"), and will rank *pari passu* without any preference or priority among themselves and with all of the Company's other present and future direct, unconditional, unsubordinated and unsecured obligations, except as otherwise provided herein. Unless the Bonds have been previously redeemed, repurchased and cancelled or converted, the Company will redeem the Bonds at the Settlement Equivalent (as defined herein) of 102.53% of the outstanding principal amount thereof at maturity. The Bonds will not bear any interest.

The Bonds will be convertible into our common shares, par value NT$10.00 per share (the "Shares" or the "Common Shares"), during the period from and including March 11, 2019 to and including November 30, 2023 (subject to certain restrictions) at a conversion price which will initially be NT$41.00 per Share (subject to adjustment as set forth in "Description of the Bonds — Conversion — Adjustments to the Conversion Price") determined on the basis of a fixed exchange rate of NT$30.8780 = US$1.00 applicable on conversion of the Bonds. The Shares are currently listed under the trading code "1101" on the Taiwan Stock Exchange (the "TWSE") in the Republic of China (the "ROC") and application will be made to list the Shares issued on conversion of the Bonds on the TWSE. The closing sale price per Share on the TWSE on November 26, 2018 was NT$35.35 (equivalent to US$1.14 at the exchange rate of NT$30.8780 to US$1.00 based on the Taipei Forex Inc. Taiwan Dollar 11:00 Fixing rate on November 26, 2018). See "Risk Factors — Risks Relating to Ownership of the Bonds and the Shares."

At any time after December 10, 2020, by giving the requisite notice, we may redeem the Bonds, in whole or in part, at the Settlement Equivalent (as defined herein) of the Early Redemption Amount (as defined herein), if the closing price (converted into U.S. Dollars at the Prevailing Rate (as defined herein)) of the Shares for 20 out of 30 consecutive Trading Days (as defined herein) immediately prior to the date upon which notice of such redemption was given, is at least 130% of the quotient of the Early Redemption Amount divided by the Conversion Ratio (as defined herein). In addition, we may, at our option, redeem the Bonds then outstanding, in whole but not in part, at the Settlement Equivalent of the Early Redemption Amount if (i) more than 90% in principal amount of the Bonds originally issued has been redeemed, repurchased and canceled or converted or (ii) we become obligated to pay Additional Amounts (as defined herein) as a result of certain changes in the tax laws of the ROC occurring after the Closing Date, which is expected to be on December 10, 2018.

You may require us to repurchase the Bonds, in whole or in part (being US$200,000 in principal amount or any integral multiple of US$100,000 in excess thereof), at the Settlement Equivalent of 101.00% of the principal amount in US dollars with respect to your Bonds on December 10, 2020. You may also require us to repurchase the Bonds at the Settlement Equivalent of the Early Redemption Amount, if the Shares cease to be listed or admitted to trading on the TWSE or there is a Change of Control (as defined herein).

Approval in-principle has been received for the listing and quotation of the Bonds on the Singapore Exchange Securities Trading Limited (the "SGX-ST"). The SGX-ST assumes no responsibility for the correctness of any statements made, opinions expressed or reports contained in this offering memorandum. Approval in-principle for the listing and quotation of the Bonds and admission of the Bonds to the Official List of the SGX-ST are not to be taken as an indication of the merits of this offering (the "Offering"), the Company, the Group, its subsidiaries, or any of their associated companies or the Bonds. Prior to this Offering, there has been no market anywhere for the Bonds, or any market outside Taiwan for the Common Shares.

Investing in and holding the Bonds involve a high degree of risk. See "Risk Factors" beginning on page 11 for a discussion of certain factors to be considered in connection with an investment in, and the holding of, the Bonds.

The Bonds and the Shares to be issued upon conversion of the Bonds have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act") or any state securities laws. The Bonds are being offered and sold only outside the United States in reliance on Regulation S under the Securities Act ("Regulation S"). The Bonds are sold subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the Securities Act and the applicable securities laws of any state or other jurisdiction pursuant to registration thereunder or exemption from registration. As a prospective purchaser, you should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time. The Bonds are not being directly or indirectly offered in the ROC. See "Transfer Restrictions" and "Plan of Distribution."

The Bonds will be represented by beneficial interests in one or more global bonds registered in the name of Citivic Nominees Limited as nominee for Citibank Europe plc as common depositary for Euroclear Bank S.A./N.V. ("Euroclear") and Clearstream Banking, société anonyme ("Clearstream"). Except as described herein, beneficial interests in the global bonds will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream and their participants. The Initial Purchaser expects to deliver the Bonds to purchasers accounts on or about December 10, 2018.

Bonds Issue Price: 100%

Sole Global Coordinator and Bookrunner

J.P.Morgan

Offering memorandum dated December 5, 2018

You should rely only on the information contained in this offering memorandum. Neither we nor the Initial Purchaser have authorized anyone to provide you with different information. Neither we nor the Initial Purchaser are making an offer of these securities in any state or jurisdiction where the offer is not permitted. This offering memorandum does not constitute an offer to sell or the solicitation of an offer to buy any securities other than the securities to which it relates or an offer to sell or the solicitation of an offer to buy such securities by any person in any circumstances in which such offer or solicitation is unlawful. You should not assume that the information contained in this offering memorandum is accurate as of any date other than the date of this offering memorandum. Our business, financial condition, results of operations and prospects may have changed since that date.

Except as described below, we accept responsibility for the information contained in this offering memorandum. We, having made all reasonable enquiries, confirm that this offering memorandum contains all information with respect to us, our consolidated subsidiaries, the Bonds and the Shares to be delivered upon conversion of the Bonds that is material in the context of the issue and offering of the Bonds, that the information contained in this offering memorandum is true and accurate in all material respects and is not misleading, that the opinions and intentions expressed in this offering memorandum are honestly held and have been reached after considering all relevant circumstances and are based on reasonable assumptions, that there are no other facts, the omission of which would, in the context of the issue and offering of the Bonds, make this offering memorandum as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respects and that all reasonable enquiries have been made by us to verify the accuracy of such information and that this offering memorandum does not contain an untrue statement of a material fact or omit to state a material fact required to be stated or necessary in order to make the statements, in the light of the circumstances under which they are made, not misleading. The information contained in the section entitled "Appendix A — The Securities Markets of the ROC" has been extracted from publicly available resources. However, such information has not been verified by us, the Initial Purchaser or any of our or the Initial Purchaser' respective affiliates or advisors in connection with this offering.

The distribution of this offering memorandum and the offering and sale of the Bonds, in certain jurisdictions may be restricted by law. Persons into whose possession this offering memorandum comes are required by us and the Initial Purchaser to inform themselves about and to observe any such restrictions. For a description of certain further restrictions on the offering and sale of the Bonds, and distribution of this offering memorandum, see "Plan of Distribution" and "Transfer Restrictions." This offering memorandum does not constitute an offer of, or an invitation by or on behalf of us or the Initial Purchaser to subscribe for or purchase any of the Bonds in any jurisdiction in which such offer or invitation would be unlawful. This offering memorandum may be used only for the purposes for which it has been published.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

We have made forward-looking statements in this offering memorandum. The words "anticipate," "believe," "estimate," "expect," "intend," "plan," "project," "seek" and similar words identify forward-looking statements. In addition, all statements other than statements of historical fact included in this offering memorandum are forward-looking statements. Our forward-looking statements contain information regarding:

- our future revenue and profitability;
- our business strategies;
- expected growth in consumer demand;
- the expected industry trends;
- our capital expenditure plans; and
- other matters discussed in this offering memorandum regarding matters that are not historical facts,

are only forecasts based on information currently available to us. We have based these forward-looking statements on our current expectations and projections about future events. Although we believe that these expectations and projections are reasonable, these forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. These risks, uncertainties and other factors include, among others:

- the intensely competitive industries in which we operate;
- industry risks;
- general economic, political and social conditions and developments in the ROC, the PRC and other jurisdictions in which we operate our business;
- market acceptance of our products;
- risks associated with our entry into new markets or businesses;
- changes in market prices for our products;
- our rate of growth and ability to meet the demands in relation to our growth;
- changes in the availability and prices of raw materials and machinery and equipment we need to manufacture our products;
- our ability to meet financial and other covenants provided under our loan agreements;
- our continued ability to secure funding to meet our liquidity needs and investment objectives;
- legal proceedings, if any; and
- other risks identified in the "Risk Factors" section of this offering memorandum.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we can give no assurance that such expectations will prove correct. We undertake no obligation to publicly update or revise any forward-looking statements whether as a result of new information, future events or otherwise. In light of the foregoing and the risks, uncertainties and assumptions in "Risk Factors" and elsewhere in this offering memorandum, the forward-looking events in this offering memorandum are not guarantees of future performance and might not occur and our actual results could differ materially from those anticipated in those forward-looking statements.

ENFORCEABILITY OF FOREIGN JUDGMENTS IN THE ROC AND THE PRC

We are a company limited by shares and incorporated under the ROC Company Act. Most of our directors and executive officers named in this offering memorandum are residents of the ROC and a significant portion of our assets and the assets of such persons are located in the ROC. As a result, it may be difficult for investors to enforce judgments obtained outside the ROC against us or such persons in the ROC, including those predicated upon the civil liability provisions of the federal securities laws of the United States. Any final judgment obtained against us or such persons in any court other than the courts of the ROC in respect of any legal suit or proceeding arising out of or relating to our Bonds or Shares to be issued upon conversion of the Bonds will be enforced by the courts of the ROC without further review of the merits only if the court of the ROC in which enforcement is sought is satisfied that:

- the court rendering the judgment has jurisdiction over the subject matter according to the laws of the ROC;

- neither the judgment nor the court proceedings resulting in the judgment are contrary to the public order or good morals of the ROC;

- if the judgment was rendered by default by the court rendering the judgment, (i) process was duly served on us or such persons within a reasonable period of time within the jurisdiction of such court in accordance with the laws and regulations of such jurisdiction or (ii) process was served on us or such persons with judicial assistance of the ROC; and

- judgments of the courts of the ROC are recognized and enforceable in the jurisdiction of the court rendering the judgment on a reciprocal basis.

A party seeking to enforce a foreign judgment in the ROC would, except under limited circumstances, be required to obtain foreign exchange approval from the Central Bank of the Republic of China (Taiwan), or the CBC, for the remittance out of the ROC of any amounts exceeding US$100,000 or its equivalent recovered in respect of such judgment denominated in a currency other than NT dollars. See "Appendix B — Foreign Investment and Exchange Controls in the ROC."

Further, a significant portion of our assets are located in the PRC. Commerce & Finance Law Offices, our PRC counsel, advises us that the recognition and enforcement of foreign judgments are governed by the PRC Civil Procedures Law. PRC courts may recognize and enforce foreign judgments in accordance with the requirements of the PRC Civil Procedures Law based either on treaties between the PRC and the country where the judgment is made or on reciprocity between jurisdictions, provided that the foreign judgments do not violate the basic principles of laws of the PRC or its sovereignty, security or social and public interest.

CERTAIN CONVENTIONS AND OTHER DATA

Except where the context otherwise requires, all references in this offering memorandum to "we," "us," "our company" or the "Company" are to Taiwan Cement Corporation itself, or to Taiwan Cement Corporation and its subsidiaries, as the context required. All references to "Group" are to Taiwan Cement Corporation and its subsidiaries. All references to "Taiwan" or the "ROC" are to Taiwan and other areas under the effective control of the Republic of China. All references to the "ROC Government" are references to the government of the Republic of China. All references to "China" or the "PRC" are to the People's Republic of China and excludes, for the avoidance of doubt, Taiwan, Hong Kong and Macau. All references to "Taiwan IFRS" are to the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, International Financial Reporting Standards, International Accounting Standards, IFRS Interpretations Committee Interpretations, and Standard Interpretations Committee Interpretations endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China (collectively, "Taiwan IFRS"). All references to "IFRS" are to International Financial Reporting Standards as issued by International Accounting Standard Board. All references to "United States dollars," "US dollars" and "US$" are to United States dollars, references to "New Taiwan dollars," "NT dollars" and "NT$" are to New Taiwan dollars, references to "HK Dollars" and "HK$" are to Hong Kong dollars and references to "Renminbi" and "RMB" are to Renminbi.

As the Shares are listed on the TWSE, our financial statements are required to be presented in New Taiwan dollars, the lawful currency of the ROC. Except as otherwise specified, all translations from NT dollars to US dollars and HK dollars to US dollars are made using the exchange rate of NT$30.46 to US$1.00 and HK$7.8259 to US$1.00, respectively, in each case as set forth in the statistical release published by the Federal Reserve Board of the United States (the "Federal Reserve Board") on September 28, 2018. No representation is made that the NT$ or US$ amounts referred to in this offering memorandum could have been or could be converted into US$ or NT$ or HK$, as the case may be, at any particular rate, the above rates or at all.

Unless expressly stated otherwise, all financial information, description and other information regarding our financial condition and results of operations as of and for the years ended December 31, 2015, 2016 and 2017 and as of and for the nine months ended September 30, 2017 and 2018 included in this offering memorandum are presented on a consolidated basis. Our consolidated financial statements as of and for the years ended December 31, 2015, 2016 and 2017 have been audited by Deloitte & Touche, our independent auditors. Our unaudited consolidated financial statements as of and for the nine months ended September 30, 2017 and 2018 have been reviewed by our independent auditors.

In this offering memorandum, where information has been presented in thousands, millions or billions of units, amounts may have been rounded up or down. Accordingly, the total of columns or rows of numbers in tables may not be equal to the apparent total of the individual items and actual numbers may differ from those contained herein due to rounding.

In this offering memorandum, information related to the company's production capacity is disclosed for illustration purpose only. The company may adjust the actual production volume according to market supply and demand from time to time in its sole discretion.

We have compiled all industry and market information and statistics contained in this offering memorandum from various published and private sources, which may be inconsistent with other information compiled elsewhere. Unless otherwise indicated, all industry and market information and statistics contained in this offering memorandum relate to Taiwan and China. Neither we, nor the Initial Purchaser, have independently verified the accuracy of any of such information.

NON-GAAP FINANCIAL MEASURES

We refer to the terms EBITDA and EBITDA margin (as defined in "Summary Financial Data") in various places in this offering memorandum. These non-GAAP financial data are supplemental financial measures that are not required by, or presented in accordance with Taiwan IFRS, US GAAP or IFRS and are therefore referred to as "non-GAAP" financial measures. They are not measurements of our financial performance under Taiwan IFRS, US GAAP or IFRS and should not be considered as an alternative to profit from operations or any other performance measures derived in accordance with Taiwan IFRS, US GAAP or IFRS or as an alternative to cash flows from operating activities or as a measure of our liquidity.

Our measurement of these non-GAAP items may not be comparable to those of other companies. See the sections titled "Summary Financial Data," "Selected Financial Data" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" for a more thorough discussion of our use of these non-GAAP items in this offering memorandum, including the reasons why we believe this information is useful to management and why they may be useful to investors, and a reconciliation of EBITDA to the most closely comparable financial measure calculated in accordance with Taiwan IFRS.

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SUMMARY

The following is only a summary and it may not contain all the information you should consider before deciding to invest in the Bonds. You should read this entire offering memorandum carefully, including the "Risk Factors" section and the financial statements and related notes.

Overview

Our Shares have been listed on the TWSE since February 1962 under the trading code "1101." On November 26, 2018, the closing price per Share on the TWSE was NT$35.35 per Share and our market capitalization was NT$180,570 million (US$5,848 million). Our principal executive offices are located at No. 113, Sec. 2, Zhongshan N. Rd., Zhongshan District, Taipei, Taiwan, ROC, and our telephone number is +886-2-2531-7099.

We have been the largest cement manufacturer in Taiwan since our inception. We are the sixth largest cement manufacturer in China and a top three cement manufacturer in each of Guangdong, Guangxi, Jiangsu and Guizhou provinces of China, in terms of clinker production capacity in 2017. We also engage in certain non-cement industries, including chemical engineering segment, electricity segment and others.

- **Cement segment:** We manufacture and sell cement and clinker, ready-mixed concrete, or RMC, and other cement products;

- **Chemical engineering segment:** Our subsidiary listed on the TWSE, Taiwan Prosperity Chemical Corporation, or TPCC, manufactures and sells chemical products, primarily including cumene, phenol, acetone, bisphenol-A, cyclohexanone and maleic anhydride;

- **Electricity segment:** We, through our thermal power plant, Ho-Ping Power Plant, engage in electricity segment and sell electricity generated to Taiwan Power Company, or Taipower, and are also expanding into the renewable energy business by developing certain solar and wind farms for power generation from renewable energy; and

- **Others:** We also engage in maritime transportation with a fleet of nine ships as of September 30, 2018, and waste management which provides services to close to 30% of the population and handles over 30% of the household and general waste in Taiwan.

Competitive Strengths

We believe our success is primarily attributable to the following competitive strengths:

- Undisputed market leader in Taiwan's cement market with decades-long experiences dealing with maturing and international markets

- Strong performance based on strategically focused presence in attractive South and Southwest China cement markets

- Well-positioned to benefit from the supply-side structural reform in China

- Front running the green revolution in the Chinese cement industry with direct economic benefits

- Diversified earnings supported by synergistic and complimentary non-cement segments

Our Business Strategies

- **Cement segment:** We strive to maintain our leading market positions in Taiwan and China by continuously improving our operations with a disciplined focus on profitability. We may selectively pursue potential consolidation opportunities in the PRC cement market to maintain and enhance our market penetration and competiveness.

- **Chemical engineering segment:** We aim to expand market share in domestic sales through elastic price adjustment, and further develop markets in China, Japan, Korea and Thailand, to establish a comprehensive and consolidated precision petrochemical production and sales system, and expand downstream product offering to increase diversification as well as self-consumption of upstream chemicals.

- **Electricity segment:** We will continue to focus on operational stability and efficiency and environmental protection, including preventing pollution, reducing waste, strengthening recycling work and monitoring air quality. We are also expanding into the renewable energy business by construction of solar and wind power generation assets currently with 2MW in operation and another 91MW in progress.

- **Waste management business:** We also plan to increase our investments in waste treatment and disposal operations by establishing waste management facilities, and further expand our approach in integrating cement production facilities and waste management capacities.

Recent Developments

On October 3, 2018, we announced that we expected to incur an initial amount of approximately RMB1.25 billion for the purchase of new offices in Hangzhou, Zhejiang, China. It is expected that additional capital expenditure will be incurred in connection with the purchase of further properties in Hangzhou with the aim to establish our new headquarters in China.

On October 3, 2018, our board of directors approved our subscription for approximately 120,586,000 shares of China Synthetic Rubber Corporation at the consideration of approximately NT$4.6 billion. China Synthetic Rubber Corporation changed its name into International CSRC Investment Holdings Co., Ltd., in October 2018. Upon completion of the share subscription on October 15, 2018, our equity interest in International CSRC Investment Holdings Co., Ltd. would be increased from 8.8% to about 19%.

On November 26, 2018, we completed an investment in Ordu Yardimlasma Kurumu ("OYAK"). Pursuant to the subscription agreement we entered into with OYAK in October 2018, we and OYAK formed a Dutch joint venture entity, into which we injected cash and OYAK injected its interest in all its cement subsidiaries, including five Istanbul-listed and two private subsidiaries. The investment is financed mainly through drawing down of existing syndicated loan we signed in March 2018. We and OYAK hold 40% and 60% interests in the Dutch joint venture, respectively. The total investment amount in OYAK approved by our board of directors is up to US$1.1 billion.

On July 9, 2018, we submitted an application to the Financial Supervisory Commission of the ROC (the "FSC") for the issuance of 200,000,000 preferred shares of par value NT$10 each in our company and the issuance was approved on July 25, 2018. On October 19, 2018, we were further approved by the FSC to extend the offering period and complete the issuance by January 24, 2019. On November 13, 2018, our board of directors resolved that the offering price for such preferred shares shall be NT$50 per preferred share. Proceeds generated from the issuance are intended to be used for capital injection in our subsidiaries and for repayment of bank loans.

THE OFFERING

The following is only a summary and is qualified in its entirety by reference to the "Description of the Bonds."

Issuer	Taiwan Cement Corporation
The Offering	US$400,000,000 aggregate principal amount of currency-linked US dollar denominated zero coupon convertible bonds due 2023, being offered outside the United States in reliance on Regulation S.
Interest	The Bonds will not bear any interest.
Closing Date	December 10, 2018
Maturity Date and Final Redemption	Unless previously redeemed, repurchased and canceled or converted, the Bonds will mature, and we will redeem the Bonds, on December 10, 2023 at the Settlement Equivalent (as defined herein) of 102.53% of the outstanding principal amount thereof.
Issue Price	100%
Ranking	The Bonds will be our direct, unconditional, unsubordinated and unsecured obligations (but subject to a negative pledge, as described in "Negative Pledge" below), and will rank *pari passu* without any preference or priority among themselves and with all of our other direct, unconditional, unsubordinated and unsecured obligations.
Conversion	Subject to certain conditions, each holder of the Bonds (a "Holder") will have the right during the Conversion Period (as defined herein) to convert its Bonds (or any portion thereof being US$200,000 in principal amount or integral multiples of US$100,000 in excess) into Common Shares, *provided*, *however*, that the Conversion Right during any Closed Period (as defined herein) shall be suspended and the Conversion Period shall not include any such Closed Period. See "Description of the Bonds — Conversion" and "Risk Factors — Risks Relating to the Ownership of the Bonds or the Shares — There are limitations on the Bondholders' ability to exercise conversion rights." Subject to changes to ROC laws and regulations, we shall as soon as practicable but in no event more than five Trading Days (as defined herein) from the Conversion Date (as defined herein) deliver Common Shares in book-entry form to the converting Holders for the purpose of trading the Common Shares on the TWSE.

Conversion Price	The conversion price will initially be NT$41.00 per share determined on the basis of a fixed exchange rate applicable on conversion of Bonds of NT$30.8780 = US$1.00. The conversion price will be subject to adjustments for, among other things, subdivision or consolidation of shares, right issues, distributions, stock dividends, and other dilutive events. See "Description of the Bonds."
Settlement Equivalent	For the relevant Rate Calculation Date (as defined herein) in respect of any US Dollar-denominated amount payable in respect of the Bonds, means such US Dollar amount converted into NT Dollar amount using the Fixed Exchange Rate of NT$30.8780 = US$1.00, and then converted back to US Dollar amount using the applicable Prevailing Rate (as defined herein) on such date.
Early Redemption Amount	The Early Redemption Amount for each US$100,000 of the Bonds is determined so that it represents for the Holder a yield of 0.5% per annum, calculated on a semi-annual basis.
Redemption at the Option of the Issuer	At any time after December 10, 2020, the Bonds may be redeemed at the option of us, in whole or in part, on not less than 30 nor more than 60 days' notice to the Holders (which notice shall be irrevocable) and upon written notice to the Trustee and the Agents, at the Settlement Equivalent of the Early Redemption Amount, *provided* that: (l) the Closing Price (converted into U.S. Dollars at the Prevailing Rate) of the Common Shares for 20 out of 30 consecutive Trading Days immediately prior to the date upon which notice of such redemption was given, is at least 130% of the quotient of the Early Redemption Amount dividend by the Conversion Ratio (as defined herein); and (2) the applicable Redemption Date does not fall within a Closed Period. Notwithstanding the foregoing, we may redeem the Bonds, in whole but not in part, at any time, on not less than 30 nor more than 60 days' notice, at the Settlement Equivalent of the Early Redemption Amount if more than 90% in principal amount of the Bonds originally issued has been redeemed, repurchased and canceled or converted; *provided* that the applicable Redemption Date does not fall within a Closed Period.
Additional Amounts	Payment of principal of and other amounts on the Bonds will be made without withholding for or on account of taxes of the ROC or such other jurisdiction in which we are then organized or resident for tax purposes or from which any payment on the Bonds is made (or any political subdivision or authority or agency thereof), unless such withholding or deduction is required by law or by regulation or governmental policy having the force of law. In the event that any such withholding or deduction is so required, we will, subject to certain exceptions, pay such Additional Amounts (as defined herein) on the Bonds as will result in receipt by the Holder of each Bond of such amounts as would have been received by such Holder had no such withholding or deduction been required.

Tax Redemption	If, as a result of certain changes relating to the tax laws in the ROC or such other jurisdiction in which we are then organized or resident for tax purposes (or any political subdivision or authority or agency thereof), we become obligated to pay Additional Amounts, the Bonds may be redeemed at the option of us, in whole but not in part, at the Settlement Equivalent of the Early Redemption Amount; *provided* that such right cannot be exercised earlier than 45 days prior to the first date on which we would be obligated to make an Additional Amounts payment with respect to all or substantially all of the outstanding Bonds were a payment then due. Notwithstanding the foregoing, if the outstanding principal amount of the Bonds at the time when such redemption notice is given is greater than 10% of the aggregate principal amount of the Bonds as of the Closing Date, Holders may elect not to have their Bonds redeemed but with no entitlement to any Additional Amounts or reimbursement of additional tax. See "Description of the Bonds — Redemption for Taxation Reasons."
Repurchase at the Option of the Holder	Unless the Bonds have been previously redeemed, repurchased and canceled or converted, each Holder shall have the right, at such Holder's option, to require us to repurchase, in whole or in part (being US$200,000 in principal amount or an integral multiple of US$100,000), such Holder's Bonds, on December 10, 2020 at the Settlement Equivalent of 101.00% of the principal amount in US dollars with respect to such Holder's Bonds to be repurchased.
Repurchase in the Event of Change of Control.	Unless the Bonds have been previously redeemed, repurchased and canceled or converted, each Holder shall have the right, at such Holder's option, to require us to repurchase, in whole or in part (being US$200,000 in principal amount or integral multiples of US$100,000 in excess), such Holder's Bonds at the Settlement Equivalent of the Early Redemption Amount upon the occurrence of a Change of Control, as defined herein. See "Description of the Bonds — Repurchase in the Event of Change of Control."
Repurchase in the Event of Delisting.	Unless the Bonds have been previously redeemed, repurchased and canceled or converted, in the event that the Common Shares cease to be listed or admitted to trading on TWSE, each Holder shall have the right, at such Holder's option, to require us to repurchase, in whole or in part (being US$200,000 in principal amount or an integral multiple of US$100,000), such Holder's Bonds on the 20th Business Day after the Paying Agent mails to each Holder a notice regarding such delisting at the Settlement Equivalent of the Early Redemption Amount with respect to such Holder's Bonds to be repurchased. See "Description of the Bonds — Repurchase in the Event of Delisting."

Negative Pledge	Subject to certain exceptions, we will not, and will ensure that none of our Principal Subsidiaries (as defined herein) will, create or permit to subsist any Lien (as defined herein) to secure for the benefit of the holders of any International Investment Securities (as defined herein) any sum owing in respect thereof or any guarantee or indemnity thereof without making effective provision to secure the Bonds (a) equally and ratably with such International Investment Securities with a similar Lien or (b) with such other security as shall be approved by registered Holders holding not less than 50% of the principal amount of the outstanding Bonds. See "Description of the Bonds — Certain Covenants — Negative Pledge."
Form and Denomination.	The Bonds will be issuable only in book-entry form and only in denominations of US$200,000 in principal amount and any integral multiples of US$100,000 in excess thereof. Bonds will be represented by the Global Bond. On the closing date of the Offering, we will deliver the Global Bond to Citibank Europe plc as common depositary (the "Common Depositary") for Euroclear and Clearstream. If (i) at any time, the Common Depositary advises the Company in writing that it is unwilling or unable to continue as a depository for the Global Bond and a successor depository is not appointed by the Company within 90 days, (ii) either Euroclear or Clearstream or any alternative clearing system on behalf of which the Bonds evidenced by the Global Bond may be held is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so, or (iii) an event of default has occurred and is continuing with respect to the Bonds and the Trustee notifies the Company in writing that any of the Bonds have become immediately due and payable pursuant to the Indenture, the Company shall issue individual certificated bonds in registered form in exchange for the Global Bond in any authorized denominations and in an aggregate principal amount equal to the principal amount of the Global Bond. The Bonds will not be issuable in a bearer form.
Use of Proceeds.	The net proceeds to be received by us from this offering are expected to be US$396,800,000, after deducting underwriting commissions and related expenses. We intend to use the net proceeds of this offering to refinance certain existing indebtedness of our subsidiaries, TCC International Holdings Limited, or TCCIH, and TCC International Limited or TCCI, through capital injection in these two subsidiaries. See "Use of Proceeds".

Listing	Approval in-principle has been received for the listing and quotation of the Bonds on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any statements made, opinions expressed or reports contained in this offering memorandum. Approval in-principle for the listing and quotation of the Bonds and admission of the Bonds to the Official List of the SGX-ST are not to be taken as an indication of the merits of the Offering, the Company, the Group, its subsidiaries or any of their associated companies or the Bonds. Prior to the Offering, there has been no market anywhere for the Bonds, or any market outside Taiwan for the Common Shares. For so long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require, the Bonds will be traded on the SGX-ST in a minimum board lot size of US$200,000.
Lock-Ups	We have agreed that for a period of 90 days after the Closing Date, we will not, without the Initial Purchaser's prior written consent, offer, pledge, sell, contract to sell or otherwise dispose of any Bonds or Shares or any securities convertible into or exercisable or exchangeable for Bonds or Shares. See "Plan of Distribution."
Trading Market for the Common Shares	The only trading market for the Common Shares is the TWSE. The Common Shares have been listed on the TWSE under the trading code "1101".
Governing law	The Indenture and the Bonds will be governed by, and construed in accordance with, the laws of the State of New York.
Trustee	Citicorp International Limited
Principal Paying Agent, Conversion Agent, and Transfer Agent	Citibank, N.A., London Branch
Registrar	Citibank, N.A., London Branch
Transfer restrictions	None of the Bonds or the Shares issuable upon conversion of the Bonds has been registered under the Securities Act, and those securities are subject to restrictions on transfer. See "Transfer Restrictions".
Delivery of the Bonds	Delivery of the Bonds, against payment in same-day funds, will be on the Closing Date.

SUMMARY FINANCIAL DATA

The selected financial information has been derived from our audited consolidated financial statements as of and for the years ended December 31, 2015, 2016 and 2017 and our unaudited consolidated financial statements as of and for the nine months ended September 30, 2017 and 2018 included elsewhere in this offering memorandum. The consolidated financial statements as of and for the years ended December 31, 2015, 2016 and 2017 have been audited by Deloitte & Touche, our independent auditors, and the unaudited consolidated financial statements as of and for the nine months ended September 30, 2017 and 2018 have been reviewed by Deloitte & Touche. Our consolidated financial statements are presented in conformity with the Taiwan IFRS. You should read the following selected financial information together with our financial statements included elsewhere in this offering memorandum. Neither these data nor the format in which they are presented should be viewed as comparable to information prepared in accordance with IFRS or generally accepted accounting principles elsewhere. See "Summary of Certain Material Differences between Taiwan IFRS and IFRS."

Consolidated financial information

Consolidated Statements of Comprehensive Income Data

	Year ended December 31,				Nine months ended September 30,		
	2015	2016	2017		2017	2018	
	NT$	NT$	NT$	US$	NT$	NT$	US$
					(unaudited)		
	(in thousands, except per share information)						
Operating Revenue	93,679,076	89,564,306	98,311,776	3,227,570	68,952,108	89,657,354	2,943,446
Operating Costs	(79,151,059)	(71,583,302)	(79,398,862)	(2,606,660)	(56,428,105)	(64,992,780)	(2,133,709)
Gross Profit	14,528,017	17,981,004	18,912,914	620,910	12,524,003	24,664,574	809,737
Operating Expenses							
Marketing	(859,723)	(733,021)	(791,540)	(25,986)	(572,965)	(636,516)	(20,897)
General and administrative	(3,987,700)	(4,193,229)	(4,126,090)	(135,459)	(2,678,402)	(3,027,009)	(99,377)
Research and development	(6,895)	(20,618)	(32,399)	(1,064)	(24,465)	(24,770)	(813)
Total operating expenses	(4,854,318)	(4,946,868)	(4,950,029)	(162,509)	(3,275,832)	(3,688,295)	(121,087)
Income From Operations	9,673,699	13,034,136	13,962,885	458,401	9,248,171	20,976,279	688,650
Non-Operating Income And Expenses							
Share of profit of associates and joint ventures	737,161	979,609	1,271,111	41,730	996,650	1,663,716	54,619
Interest income	430,757	267,182	244,041	8,012	171,328	364,654	11,972
Dividend income	958,117	808,767	799,137	26,236	796,998	1,247,451	40,954
Other income	821,916	560,785	628,473	20,633	250,955	599,324	19,675
Finance costs	(1,873,739)	(1,916,837)	(1,923,309)	(63,142)	(1,420,845)	(1,827,585)	(60,000)
Other expenses	(378,386)	(473,231)	(452,021)	(14,840)	(385,151)	(162,549)	(5,336)
Foreign exchange losses, net	(1,570,026)	(985,562)	(241,360)	(7,924)	(217,619)	(136,169)	(4,470)
Impairment loss recognized on financial assets	(51,296)	(619,013)	(110,507)	(3,628)	(110,082)	—	—
Impairment loss recognized on non-financial assets	(13,105)	(508,142)	(250,622)	(8,228)	—	—	—
Net gain/(loss) on financial assets and liabilities at fair value through profit or loss	(69,083)	367,641	(103,169)	(3,387)	(103,849)	50,276	1,651
Total non-operating income and expenses	(1,007,684)	(1,518,801)	(138,226)	(4,538)	(21,615)	1,799,118	59,065

	Year ended December 31,				Nine months ended September 30,		
	2015	2016	2017		2017	2018	
	NT$	NT$	NT$	US$	NT$	NT$	US$
					(unaudited)		
	(in thousands, except per share information)						
Income Before Income Tax	8,666,015	11,515,335	13,824,659	453,863	9,226,556	22,775,397	747,715
Income Tax Expense	(1,740,389)	(2,673,260)	(3,501,859)	(114,966)	(2,305,015)	(5,740,441)	(188,458)
Net Income	6,925,626	8,842,075	10,322,800	338,897	6,921,541	17,034,956	559,257
Other Comprehensive Income (Loss)	(7,518,044)	(6,987,714)	9,976,772	327,537	6,197,551	2,461,574	80,813
Total Comprehensive Income (Loss)	(592,418)	1,854,361	20,299,572	666,434	13,119,092	19,496,530	640,070
Net Income Attributable To:							
Shareholders of the parent	5,775,989	6,358,452	7,594,247	249,319	4,948,812	15,943,568	523,427
Non-controlling interests	1,149,637	2,483,623	2,728,553	89,578	1,972,729	1,091,388	35,830
	6,925,626	8,842,075	10,322,800	338,897	6,921,541	17,034,956	559,257
Total Comprehensive Income (Loss) Attributable To:							
Shareholders of the parent	(806,454)	2,411,113	17,775,812	583,579	10,806,091	18,332,102	601,842
Non-controlling interests	214,036	(556,752)	2,523,760	82,855	2,313,001	1,164,428	38,228
	(592,418)	1,854,361	20,299,572	666,434	13,119,092	19,496,530	640,070
Earnings Per Share (NT$/US$)							
Basic earnings per share	1.56	1.72	2.03	0.07	1.22	3.35	0.11
Diluted earnings per share	1.56	1.72	2.03	0.07	1.22	3.35	0.11

Consolidated Balance Sheet Data

	As of December 31,				As of September 30,		
	2015	2016	2017		2017	2018	
	NT$	NT$	NT$	US$	NT$	NT$	US$
					(unaudited)		
	(in thousands)						
Current Assets	90,593,376	77,884,012	92,719,914	3,043,990	85,320,202	102,799,758	3,374,910
Non-current Assets	202,472,979	189,104,684	179,837,135	5,904,042	184,137,694	205,569,803	6,748,844
Total Assets	293,066,355	266,988,696	272,557,049	8,948,032	269,457,896	308,369,561	10,123,754

	As of December 31,				As of September 30,		
	2015	2016	2017		2017	2018	
	NT$	NT$	NT$	US$	NT$	NT$	US$
					(unaudited)		
	(in thousands)						
Current liabilities	68,083,832	55,104,919	65,192,960	2,140,281	65,268,003	62,799,418	2,061,701
Non-current liabilities	69,498,271	64,487,106	54,716,873	1,796,352	51,223,324	59,918,818	1,967,131
Equity Attributable To Shareholders of The Parent	108,042,985	106,768,051	136,348,204	4,476,303	112,222,222	170,123,138	5,585,133
Non-controlling Interests	47,441,267	40,628,620	16,299,012	535,096	40,744,347	15,528,187	509,789
Total Liabilities and Equity	293,066,355	266,988,696	272,557,049	8,948,032	269,457,896	308,369,561	10,123,754

Consolidated Statements of Cash Flow Data

	Year ended December 31,				Nine months ended September 30,		
	2015	2016	2017		2017	2018	
	NT$	NT$	NT$	US$	NT$	NT$	US$
					(unaudited)		
			(in thousands)				
Net cash generated from operating activities	21,763,392	18,750,155	12,310,560	404,155	7,091,678	14,491,475	475,754
Net cash generated from (used in) investing activities	(7,833,403)	54,767	1,055,604	34,655	1,014,918	(3,116,098)	(102,301)
Net cash generated from (used in) financing activities	(5,046,590)	(28,895,952)	(14,892,479)	(488,919)	(9,119,899)	5,964,273	195,807
Effects of exchange rate changes on cash and cash equivalents	(420,081)	(706,572)	(322,225)	(10,579)	(558,155)	(690,019)	(22,653)
Net increase (decrease) in cash and cash equivalents	8,463,318	(10,797,602)	(1,848,540)	(60,688)	(1,571,458)	16,649,631	546,607

Other Financial Data

	Year ended December 31,				Nine months ended September 30,		
	2015	2016	2017		2017	2018	
					(unaudited)		
Gross margin[1]	15.5%	20.1%	19.2%	19.2%	18.2%	27.5%	27.5%
Operating margin[2]	10.3%	14.6%	14.2%	14.2%	13.4%	23.4%	23.4%
Net margin[3]	7.4%	9.9%	10.5%	10.5%	10.0%	19.0%	19.0%
EBITDA (in thousands)[4][6]	NT$17,086,725	NT$20,020,768	NT$20,423,010	US$670,486	NT$14,077,090	NT$25,891,171	US$850,005
EBITDA margin[5][6]	18.2%	22.4%	20.8%	20.8%	20.4%	28.9%	28.9%

(1) Gross margin is calculated by dividing gross profit by operating revenue.

(2) Operating margin is calculated by dividing income from operations by operating revenue.

(3) Net margin is calculated by dividing net income by operating revenue.

(4) EBITDA is defined as income from operations adding back depreciation (but excluding non-operating depreciation) and amortization.

(5) EBITDA margin is calculated by dividing EBITDA by operating revenue.

(6) We have presented EBITDA and EBITDA margin because we consider them important supplemental measures of our operating performance and believe they are frequently used by analysts, investors and other interested parties in the evaluation of companies in our industry. Our management uses EBITDA and EBITDA margin as additional measurement tools for purposes of business decision-making, including developing budgets, managing expenditures and evaluating potential acquisitions or divestitures. Other companies in our industry may calculate EBITDA and EBITDA margin differently than we do. EBITDA and EBITDA margin are not measures of operating performance under Taiwan IFRS and should not be considered as a substitute for, or superior to, income from operations or operating margin prepared in accordance with Taiwan IFRS. EBITDA and EBITDA margin have limitations as analytical tools, and you should not consider them in isolation or as substitutes for analysis of our results as reported under Taiwan IFRS. You are encouraged to evaluate these adjustments and the reasons we consider them appropriate for supplemental analysis. In evaluating EBITDA and EBITDA margin, you should be aware that in the future we may incur expenses that are the same as or similar to some of the adjustments in this presentation. Our presentation of EBITDA and EBITDA margin should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items.

Investing in the Bonds involves risks, and you should carefully consider the risks described below before making an investment decision. In addition, you should also carefully consider all of the information contained in this offering memorandum, including our financial statements and related notes. You should note that we are governed in Taiwan and China by a legal and regulatory environment that in some material respects may be different from that prevailing in other countries.

Risks Relating to our Business

Our business is affected by the level of activity in the construction and infrastructure industries which are affected by the general economic conditions in Taiwan and China.

Our cement segment is substantially affected by the general level of activity in the construction and infrastructure industries in Taiwan and China. General economic conditions, mortgage and interest rate levels, inflation, unemployment, demographic trends, gross domestic product growth and consumer confidence are some of the factors which may influence the performance of the construction industry. Recent housing policy adjustments and measures launched by the Chinese government aiming to combat speculative activities and stabilize property price could affect the property market in China and the construction activities by property developers, which may in turn affect the demand for our products. Infrastructure projects are highly dependent on governments' policies and long-term plans as well as government budgets, which are not within our control and are subject to changes from time to time. A downturn in the construction industry or infrastructure projects in Taiwan, China or in any of the regional markets in which we operate could materially and adversely affect our financial condition, results of operations and prospects.

In particular, our business depends significantly on the level of activity and growth of our core markets in Taiwan and China. Currently, approximately 86% of our total cement production capacity are attributable to our facilities located in South and Southwest China, where we operate cement plants in Guangdong, Guangxi, Hunan, Sichuan, Guizhou and Yunnan provinces and Chongqing municipality. Due to our focus and concentration of production capacity in South and Southwest China, any slowdown in the growth of these provinces and areas, or a general downturn in the construction industry, particularly any decrease in activities related to government infrastructure projects, could affect the demand for our products, which in turn could have a material and adverse effect on our business, financial condition and results of operations.

The ASP of our cement products sold in China is sensitive to the supply of cement products in China. Future oversupply in China's cement market may have a material adverse effect on the ASP, operating revenue and profitability of our cement segment.

A majority of our operating revenue is derived from our cement segment, of which a majority comes from our operations in China. The average selling price, or the ASP, of our cement products in China is highly sensitive to the supply of and demand for cement products in China. China's cement industry suffered from oversupply in the few years prior to 2016, which resulted in a significant decrease in the cement products price in China. As a result, the ASP of our cement and clinker sold in China decreased by 24.0% from RMB238 per metric ton in 2014 to RMB181 per metric ton in 2015, which had a material adverse effect on the profitability of our cement segment in that year.

Since 2016, the State Council of China has been implementing a supply-side structural reform on the construction material sector, including the cement industry, with an aim to, among others, reduce oversupply. The supply-side structural reform has had the effect of eliminating obsolete capacity and inefficient manufacturers including those failing to comply with the PRC government's environmental requirements. Consequently, the cement products price in China has

rebounded since 2016. See "Our Industry — The Supply-Side Structural Reform in China's Cement Industry" for more information. However, there is no assurance that the supply-side structural reform will continue to effectively control the oversupply of China's cement market in the future. If for any reason the oversupply situation in China occurs again in the future, the ASP, operating revenue and profitability of our cement segment would be materially and adversely affected.

In addition, due to our focus and concentration of production capacity in South and Southwest China, if the Chinese government loosens its restrictive off-peak season production policies in North China, the utilization rate of cement production in North China will increase and cement products of North China may be distributed to South China, accordingly, the ASP of our cement products in such regions may be materially and adversely affected.

The cement industry is subject to significant regulation by the PRC government and if we are subject to the supply-side structural reform in China, we may be forced to reduce our cement production capacity and incur significant compliance cost.

All cement producers in China must comply with various regulations and standards, and cement products that fail to meet the relevant quality standards may not be sold in China. These standards include strict guidelines regarding the composition and technical specifications for cement products. They also standardize the testing methods for cement products and the types of packaging permitted. Should there be any change to the existing requirements or new requirements applicable to our cement products, we may need to incur additional expenses to ensure compliance and we cannot assure you that we will successfully obtain such licenses, permits or approvals in a timely manner, or at all. If we are not able to meet all the licensing conditions or the regulatory requirements, our business, financial condition and results of operations could be materially and adversely affected.

The supply-side structural reform on the cement industry by the State Council of China, which began in 2016, aims to eliminate obsolete capacity and inefficient manufacturers including those failing to comply with the PRC government's environmental requirements. We believe we are well-positioned to benefit from such reform due to our large scale, high production efficiency, application of environmental-friendly production technology and long experience operating in a mature market like Taiwan. However, we cannot assure you that we will not, due to policy change or otherwise, be subject to the supply-side structural reform. If we do, the government may request us to reduce our production capacity, suspend the production activities of our production facilities and carry out production technology upgrade, or otherwise comply with higher environmental standards or production efficiency requirements. If any of these situations occurs, our sales volume may be forced to be reduced and we may incur significant cost in complying with any such policies or regulations, and our results of operations, financial condition and prospects may be materially and adversely affected.

Our operations are subject to all relevant environmental laws and regulations.

Our operations are subject to various PRC national and regional laws and regulations relating to environmental protection and ROC laws and regulations in respect of environmental protections. These include provisions for prevention and treatment of noise, water, soil and air pollution and other industrial pollution. For example, our cement manufacturing process requires the combustion of large amounts of fuel which results in the emission of greenhouse gases and therefore, we are subject to certain statutory or regulatory requirements on reduction of greenhouse gas emissions. In recent years, the PRC national and regional environmental requirements and standards have continued to enhance and the enforcement of relevant environmental laws, regulations and standards has been tightened up. Speeding up the construction of an ecological civilization and promoting green development were reinforced at the 19th National Congress of the Communist Party of China. On June 24, 2018, the PRC State Council issued a notice regarding further strengthening environmental protection initiatives in China, which provides various environmental

protection targets by 2020, including the reduction in particulate matter 2.5 (PM2.5) and other air pollutants, as well as enhancing protection of water, soil and forestation. This notice also provides that the PRC government shall continue to contain the oversupply of various industries, including the cement industry, and restrict the expansion of cement production capacity unless newly constructed production facilities replace or reduce the existing production capacity. Failure to comply with these laws and regulations could result in the assessment of damages or imposition of fines or penalties against us, suspension of production or cessation of our operations. There can be no assurance that such environmental laws and regulations will not have a material adverse effect on our business, financial condition or results of operations. The implementation of more stringent environmental laws and regulations such as "Environmental Protection Tax Law of the PRC," and increasingly stricter interpretation or enforcement of the existing environmental laws, regulations and standards, could require us to incur additional expenses to comply with such laws, regulations and standards, result in the need for additional costs and investments in pollution control equipment to meet certain prescribed environmental standards, and restrict our ability to further expand our production facilities or at all. We cannot assure you that we will be able to comply with any additional environmental regulations in the future, or enhanced implementation of environmental regulations, on a cost-effective manner, or at all. In such circumstances, our business, financial condition and results of operations could be adversely and materially affected.

We are subject to stringent health and safety laws and regulations that give rise to significant costs and could give rise to significant liabilities.

We are subject to a broad range of health and safety laws and regulations in each of the jurisdictions in which we operate. These laws and regulations, as interpreted by relevant agencies and the courts, impose increasingly stringent health and safety protection standards. The costs of complying with, and the imposition of liabilities pursuant to, health and safety laws and regulations could be significant, and failure to comply could result in the assessment of civil and criminal penalties, the suspension of permits or operations, and lawsuits by third parties. In addition, under certain circumstances, the relevant authorities could demand our facilities to be curtailed or operations to be suspended on grounds of health and safety concerns.

Despite our efforts to monitor and minimize accidents at our facilities, health and safety incidents do occur, some of which may result in costs and liabilities and may negatively impact on our operations and reputation. Such accidents could include explosions, gas leaks or fires, vehicular accidents, and other accidents involving mobile equipment, or exposure to potentially hazardous materials. Some of our industrial activities involve the use, storage and transport of dangerous chemicals and toxic substances, and we are therefore subject to the risk of industrial accidents which could have significant adverse consequences for our workers and facilities, as well as the environment. Such accidents could lead to production stoppages, loss of key personnel and key assets, and would put at risk our employees (and those of subcontractors and suppliers) and persons living near affected sites.

We are exposed to the risks of increasing energy and raw material costs, and the inability to secure a steady supply of such resources.

A significant portion of the total production costs of our cement segment, electricity segment and chemical engineering segment is composed of expenses that are subject to changes in commodity pricing, such as power and fuel costs for cement production. For example, we are exposed to the risk of increases in global coal prices that would increase our production costs and reduce our operating margins if we are unable to pass these increased costs on to consumers. Our cost of coal accounted for 15.0% to 20.5% of the operating costs in our Taiwan cement business and 31.4% to 42.8% of the operating costs in our cement business in China between 2015 and 2017 and the nine months ended September 30, 2018. Our electricity costs accounted for 11.4% to 13.1% of the operating costs in our Taiwan cement business and 16.4% to 22.2% of the operating costs in our cement business in China during the same period. For Ho-Ping Power Plant, the cost of coal accounted for 86.7% to 90.1% of the total production cost between 2015 and 2017 and the

nine months ended September 30, 2018. Given the electricity tariff Ho-Ping Power charges for a specific year is based on the average coal costs for the previous year, increase in coal prices could affect the short-term profitability of our electricity segment. Our ability to manage these costs through importing coal may be restricted if the ROC government imposes additional tariffs on the import of coal. Any shortage or interruption in the supply of coal or electricity could disrupt our operations and increase the costs of sale. Any interruption in our ability to continue operations at our facilities may have an adverse effect on our operations and reputation, or our ability to retain existing customers or attract new customers, any of which could have a material adverse effect on our business, financial condition and results of operations.

The production of cement also relies on steady supplies of various raw materials including limestone, clay, pyrite and coal. Some of these are shipped to our plants by sea and/or land transport, which are subject to disruption by various factors beyond our control including limited transport infrastructure and weather conditions. In addition, those raw materials are subject to price volatility caused by external conditions such as fluctuations in commodity prices and changes in government policies and programs. As a result, any increase or material fluctuations in the prices of the raw materials or failure to maintain a continuous supply of them could have a material adverse effect on our business, financial condition and results of operations.

We are subject to price fluctuations of cement, chemical products, and other products and services we provide, and a material decline in their prices could adversely affect our business and results of operation.

Our financial performances are highly dependent on the prevailing prices of our products including cement, chemicals, and other products, as well as related materials in the markets in which we operate. Historically, such prices have been influenced by the forces of supply and demand dynamics, market conditions, overall economic growth as well as a variety of other factors beyond our control. Government actions may also affect the prices. The external factors mentioned, in addition to the volatility of the markets in which we operate, render prices of cement and other products difficult to predict. Any substantial or extended decline in prices of cement or other products we produce would adversely affect the results of our operations and financial condition. Moreover, we may not be able to maintain or increase our production volumes in the future. A sustained and material decline in our product prices, a significant rise in our production costs, or a decline in our production volumes or capacity utilization could each have a material adverse effect on our business, financial condition and results of operations.

We may undertake mergers, acquisitions or investments to expand our business, which may pose risks to our businesses and dilute the ownership of existing shareholders, and may not be able to realize the anticipated benefits of these mergers, acquisitions or investments.

As part of the growth strategy to increase scale in selected regions, we may continue to evaluate opportunities to acquire or invest in other companies. Mergers, acquisitions or investments that we have entered into, and may enter into in the future, entail a number of risks that could materially and adversely affect our businesses, operating and financial results, including, among others:

- problems integrating the acquired operations, technologies or products into our existing business and products;
- diversion of management's time and attention from our other segments;
- conflicts with joint venture partners;
- adverse effects on our existing business relationships with customers;
- need for financial resources above our planned investment levels;

- failures in realizing anticipated synergies;
- difficulties in retaining business relationships with suppliers and customers of the acquired company;
- risks associated with entering markets in which we lack experience;
- potential loss of key employees of the acquired company; and
- potential write-offs of acquired assets.

In November 2017, we privatized our subsidiary TCCIH, from the Main Board of The Stock Exchange of Hong Kong Limited. In connection with such privatization, we paid an aggregate consideration of HK$1,824 million (US$233.1 million) in cash and 554,333,141 newly issued Shares, representing 13.05% of our total issued share capital at closing. In addition, on November 26, 2018, we completed an investment in OYAK. Pursuant to the subscription agreement we entered into with OYAK in October 2018, we and OYAK formed a Dutch joint venture entity into which we injected cash and OYAK injected its interest in all its cement subsidiaries, including five Istanbul-listed and two private subsidiaries. We and OYAK hold 40% and 60% interests in the Dutch joint venture, respectively. The total investment amount in OYAK approved by our board of directors is up to US$1.1 billion. The privatization of TCCIH and the joint venture with OYAK had a negative effect on our financial condition as we financed and we expected to finance the cash consideration for these transactions using our own cash balance and loans. Also, our existing shareholders were diluted due to the issue of new Shares as a result of the privatization of TCCIH.

Our failure to address these risks successfully may have a material adverse effect on our financial condition and results of operations. Any such acquisition or investment will likely require a significant amount of capital investment, which would decrease the amount of cash available for working capital or capital expenditures. In addition, if we use our equity securities to pay for acquisitions, the value of your Shares may be diluted. If we borrow funds to finance acquisitions, such debt instruments may contain restrictive covenants that can, among other things, restrict us from distributing dividends.

We do not control our joint ventures with other cement producers whose interests may not always align with ours

We have formed joint ventures with certain large cement producers as part of our strategic cooperation with well-established market players. In the PRC, we partner with Anhui Conch Cement Co., Ltd., the second largest cement producer in China, in the operation of the Yingde Conch plant through Prosperity Conch Cement Co., Ltd. in which we hold 25.0% equity interest. In October 2018, we formed a Dutch joint venture entity with OYAK, a pension fund holding the largest cement group in Turkey, as part of our strategic move to enter the European market. Pursuant to the agreement with OYAK, we injected cash and OYAK injected its interest in all its cement subsidiaries, including five Istanbul-listed and two private subsidiaries.

However, we do not control these joint ventures and our joint venture partners controlling the joint ventures are also our competitors in their respective markets and may therefore have a different interest that does not always align with ours.

We do not possess valid title or rights to certain land and/or properties that we occupy.

In China, title to land and properties are conferred by certain certificates including land use right certificate and building ownership certificates. We have not obtained land use right and/or building ownership certificates for a substantial part of the land and properties of our cement facilities in China. Under the PRC law, the relevant government authorities could impose a fine or

demand for demolition or cessation of use of the lands and properties with defective title. If any of such penalties is imposed on us, we may be prevented from continuing with our production and as a result, our business, results of operations and financial condition may be materially and adversely affected.

Certain of our subsidiaries in the PRC have also been subject to fines for occupying and using agriculture land and woodland for industrial purposes without completing proper conversion approvals. We have signed an investment agreement with the local government in Guigang, Guangxi Province in March 2009 in which the local government covenanted to carry out required proper conversion approval procedures for allocating or granting us with the relevant land use rights. However, such procedures have not been completed so far. Other than the imposition of fines as aforementioned, as of the date of this offering memorandum, we are not aware of any legal proceeding or administrative action initiated against on us by the relevant PRC government authorities with respect to land use right and/or property defects, or any order demanding us to cease the use of such land or properties, to pay a penalty or to take any other actions.

In addition, certain land use right lease agreements that were entered into by certain of our PRC subsidiaries have a term between 30 and 50 years, while the maximum term for a lease under the PRC law is 20 years, beyond which the tenants' right to lease and use the premise shall be invalid and shall not be protected or enforceable under the PRC law unless a new lease is entered into with a term not exceeding 20 years.

We cannot predict how our rights as owner, lessee of these land use right and/or properties and our business, results of operations and financial condition may be materially and adversely affected as a result of the title or right defects. We cannot assure you that ownership disputes or claims will not occur or that third parties will not assert any claims against us for compensation in respect of any illegal and/or authorized use of their land.

Our failure to obtain, retain and renew government approvals, permits and licenses required for our mining activities could materially and adversely affect our business, financial condition and results of operations.

Under the Mining Act (礦業法) of the ROC, all mineral ownerships in the ROC are owned by the state. Companies engaged in exploitation of mineral resources or mining must obtain prior approvals from the government. The duration of a mining right cannot exceed a period of 20 years. Extension of the mining right may be submitted to the Ministry of Economic Affairs, or MOEA, for approval before expiration and the extension duration shall not exceed a period of 20 years each time. There are also restrictions on the location and horizontal surface area of a mineral concession. Similarly, under the Mineral Resources Law of the PRC (中華人民共和國礦產資源法), all mineral resources in China are owned by the state. Companies that engage in mining activities are required to obtain certain government approvals, permits and licenses prior to undertaking any exploration, mining and relevant production activities. The exploration and mining permit is limited to a specific area and time period. Our mining activities in our limestone quarries are subject to such approvals, permits and licenses. Whether we can carry on mining activities depends on our ability to obtain mining permits and other approvals and permits from the relevant ROC and PRC authorities and to renew such approvals and permits upon their expiration. The willingness of the ROC and PRC Governments to issue, renew and not revoke the mining permits materially affects our operation. The ROC and PRC authorities may amend the approvals, permits and licenses to impose certain restrictions or prohibitions on exploration and mining activities in specific areas or limestone quarries in which we are carrying out mining activities.

The mining license obtained by our subsidiary in the PRC, Yingde Dragon Mountain Cement Co., Ltd., is subject to certain mining restrictions, including geographic and altitude limits. We had not been fully complied with such restrictions at all times, which may lead to significant financial and legal liabilities under the PRC law, including being subject to, among other

penalties, an order to cease mining and fines. We may also be subject to significant environmental liabilities if our mining activities cause substantial harm to the environment. In addition, certain of our PRC subsidiaries are still in the process of applying for expansion of permitted capacity for mining activities carried out, and they have commenced mining with a capacity beyond the currently permitted limit before obtaining the formal approval for the expanded capacity. Such non-compliance may subject us to warnings or fines or other financial and legal liabilities under the PRC law.

Our applications for obtaining or renewing mining approvals, permits and licenses are subject to a certain degree of government discretion, and there is no guarantee that we will be able to obtain any extension thereof in the future. In addition, in the event that we identify prospective limestone resources, there is no assurance that mining permits can be successfully obtained. If we are unable to obtain any of such approvals, permits and licenses or renew any of current ones upon their expiration, our business and results of operations could be materially and adversely affected.

Failure to obtain fire safety approvals may prevent us from utilizing the premises we occupy and subject us to significant penalties and liabilities.

We have not obtained fire safety approvals for certain of our cement facilities in China due to certain historical reasons and our lack of property ownership certificates for such facilities. Under the PRC fire safety laws and regulations, we are required to undergo fire inspection checks and obtain fire inspection certificates for all our facilities in China before we can commence operations thereon. Under the PRC law, an entity which has not passed the fire safety inspection may be subject to penalties such as fines and an order to stop utilizing the premises and the imposition of fines on the person responsible for the operations. Furthermore, should a fire occur on such premises without fire safety approvals, we may be liable for any losses or damages to property or personal injuries, the quantum of which would depend on the outcome of findings of a PRC court.

Failure to make adequate contributions to social insurance and housing provident funds for all eligible employees as required by PRC regulations may subject us to penalties.

Companies operating in China are mandatorily required to participate in various employee benefit plans, including pension insurance, unemployment insurance, medical insurance, work-related injury insurance, maternity insurance and housing provident fund, and contribute to the plans in amounts equal to certain percentages of salaries, including bonuses and allowances, of their employees up to a maximum amount specified by the local government from time to time at locations where they operate their businesses. Certain of our PRC principal operating subsidiaries have not made full contributions to social insurance and/or housing provident funds for all of their eligible employees. As of the date of this offering memorandum, no administrative action had been initiated against on us by the relevant PRC government authorities with respect to the above non-compliance shortfalls, nor had any order been received by us to settle the historical contribution shortfall. However, we cannot assure that the relevant local government authorities will not require the relevant subsidiaries to pay the outstanding amount within a specified time limit or impose late charges or fines on it, which may materially and adversely affect our financial condition and results of operations.

We do not have formal policies or procedures designed to ensure compliance with anti-bribery and anti-corruption laws.

We operate our business through our company and various subsidiaries in Taiwan, China and other jurisdictions, and therefore we are subject to various anti-bribery and anti-corruption laws. We, however, do not have any formal policies or procedures designed to ensure compliance with anti-bribery and anti-corruption laws. Therefore, although we are not aware of any incident of

material non-compliance with these laws by us or our subsidiaries in recent years, our internal control in this regard may not be effective due to such lack of policies or procedures. If any such incident occurs, we and our relevant personnel may be subject to severe penalties and liabilities in the jurisdictions where we operate, and our reputation may be harmed.

We may have difficulty in managing our future growth in China if we are unable to execute our business expansion plans.

Our future growth involves the construction of additional cement plants and the expansion of existing plants. The construction of these plants involves substantial capital expenditure and other risks associated with major projects, such as cost overruns, delays in implementation, regulatory approvals and technical and economic viability, and changes in market conditions, any of which may adversely affect our business, financial condition and prospects. Factors which may contribute to delays and cost overruns include price changes and availability of key equipment or materials, the cost and availability of financing, risks relating to construction, changes in safety and/or environmental requirements, changes in the economic conditions, adverse weather conditions, natural disasters, epidemics and outbreaks of contagious diseases, accidents and unforeseen circumstances and problems. In addition, our future growth will require significant managerial, operational and financial resources. The recent supply-side structural reform by the PRC government also makes it more difficult to obtain necessary government approvals for capacity expansions.

If we cannot manage our growth effectively, or if there are any significant delays in the completion of any of the projects or a material increase in the costs of any of the projects, the implementation of our business strategy and our financial performance may be adversely affected.

If we are not able to obtain necessary financial resources to fund our capital expenditures, we may not be able to implement our business strategies.

Our cement segment, chemical engineering segment, electricity segment and certain other segments, such as transportation business, are capital intensive. In order to maintain, upgrade and expand our production facilities, power generation facilities and fleet, we are required to obtain significant financial resources to fund our capital expenditures. We have been in the past relying mainly on our cash flow generated from operating activities and loans from banks to fund our capital expenditures. There is no guarantee, however, that we will continue to obtain sufficient financial resources to support our business on commercially acceptable terms, or at all, and if we do not, our financial condition and liquidity will be materially and adversely affected, and we may not be able to implement our business strategies as planned.

Our cement segment and electricity segment are subject to seasonal fluctuations.

Demand for our cement products is subject to seasonal fluctuations. We usually record our lowest quarterly sales in the first quarter due to the Chinese New Year's holidays and cold weather in certain provinces in China where we operate. Certain climatic conditions, such as snow, storms and heavy or sustained rainfall, also negatively affect our sales because the level of activity in the construction industry is relatively low under those conditions. Our cement sales generally recover in the second and third quarters because of the improved weather conditions. The fourth quarter is our peak season and we generally increase the prices of our products due to higher demand as a result of the higher level of construction activities. Typically, people want to complete construction projects before the Chinese New Year and before the cold season arrives. Our power generation is subject to seasonable fluctuations as summertime is the peak season for electricity demand. As a result of the seasonal fluctuations, our quarterly results may not be indicative of our business and financial performance for the year as a whole.

We, along with many of our customers and suppliers, are vulnerable to events beyond our control, which may seriously disrupt our operations.

Disruptions of the operations at our facilities or the facilities of our customers and suppliers for any reason, including work stoppages, power outages, water supply shortages, fire or other events, could cause delays in the manufacturing and shipment of our products. We may not be able to manage our sources of raw materials to respond to such events. Any delays or disruptions of our operations could drive our customers to seek their supply of cement products from other manufacturers.

We depend on seaborne freight, rail, trucking, overland conveyor and other systems to deliver our products to the market. Disruptions or significant increase in the freight for these transportation services due to market conditions, weather-related problems, key equipment failures, strikes, lock-outs or other events could temporarily impair our ability to supply commodities to our customers and thus could adversely affect our results of operations and financial condition. Even though we seek to coordinate our delivery logistics to improve our turnover performance, our ability to increase export sales, for example, may be restricted by available port capacity which may adversely affect our ability to increase turnover.

Insurance coverage may not be sufficient to cover the risks related to both of our operations and losses.

We may experience major accidents in the course of our operations. Although we maintain liability insurance, such an insurance program does not cover, or may not cover adequately, every potential risk associated with our operations and the consequences resulting from them. Except for TPCC, Ho-Ping Power Plant and the plant of ONYX Ta-Ho Environmental Services Co., Ltd., we do not carry any business interruption insurance arising from accidents on either of our properties or relating to our operations. In addition, as a result of market conditions, premiums and deductibles for our existing insurance policies can increase substantially and, in some instances, our existing insurance may become unavailable or available only for reduced amounts of coverage. Furthermore, we may not be able to obtain meaningful coverage at reasonable rates for certain types of environmental hazards. The occurrence of an accident, the losses and damages of which are not fully covered by insurance, could have a material adverse effect on our business, financial condition and results of operations.

Any failure to maintain an effective quality control system at our production facilities could have a material and adverse effect on our business, financial condition and results of operations.

The quality of our products is critical to the success of our business. The quality of our products depends on the effectiveness of our quality control system, which in turn depends on a number of factors, including the design of the system, the quality control training program and our ability to ensure that our employees adhere to our quality control policies and guidelines. Any failure of our quality control system could result in the production of defective or substandard products, which in turn may result in delays in the delivery of our products, the need to replace defective or substandard products, product liability claims brought against us and damage to our reputation, which could have a material and adverse effect on our business, financial condition and results of operations.

We currently enjoy certain PRC government incentives. Expiration of, or changes to, these incentives could have a material adverse effect on our results of operations.

The PRC government is currently offering VAT refunds and enterprise income tax exemptions to cement producers that use a certain level of recycled materials, such as slag and fly ash. TCC Anshun Cement Co., Ltd., one of our subsidiaries in the PRC, currently enjoys preferential enterprise income tax for enterprises in Western China areas at the reduced tax rate of 15%. In

November 2014, the State Council decided to comprehensively streamline and standardize all existing preferential tax policies. Accordingly, local governments can no longer formulate any tax preferential policies unless it has the tax administration power under the relevant tax laws and regulations, and specific tax preferential policies may not be provided for in any laws, regulations, rules, development plans and regional policies without the approval of the State Council. In May 2015, the State Council promulgated further notice on matters relating to preferential policies, stipulating that except for matters specified in the laws and regulations, any new preferential policies to be released by all regions and departments with regard to matters related to taxes or to non-tax revenues that are approved by the central government shall be reported to the State Council for implementation upon approval. Given the uncertainties of PRC tax preferential policies, we might not be able to continue to enjoy such preferential treatments, incentives and favorable support on the same terms, or at all. Unfavorable changes in such preferential treatments, incentives or support could adversely affect our business, results of operations and financial condition.

Foreign exchange fluctuations may adversely affect our earnings and profitability.

A portion of our raw material costs and borrowings are denominated in US dollars, while a significant portion of our labor cost and assets are denominated in Renminbi. Accordingly, our operations are exposed to fluctuations among US dollar, Renminbi and NT dollar exchange rates and, to a lesser extent, exchange rates between other currencies. The value of the Renminbi is subject to changes in the PRC government's policies and depends to a large extent on domestic and international economic and political developments, as well as supply and demand in the local market. Effective from July 21, 2005, the Renminbi is no longer pegged solely to the US dollars. Instead, it is pegged against a basket of currencies, determined by the People's Bank of China, against which its value can rise or fall by as much as 0.3% each day. Under the new policy, the Renminbi is permitted to fluctuate within a narrow and managed range in relation to a basket of specified foreign currencies. Since then, the PRC government has made, and may in the future make, further adjustments to the exchange rate system. On June 19, 2010, the PRC government announced its intention to further relax its currency policy, and the Renminbi slightly appreciated against the US dollar. Starting from March 15, 2014, the Renminbi has been permitted to fluctuate within a 2% range. In the past three years, the Renminbi experienced continuous depreciation against the US dollar. However, we cannot assure you that the Renminbi will not experience significant appreciation against the US dollar again. There remains significant international pressure on the PRC government to adopt a more flexible currency policy, which could result in a further and more significant appreciation of the Renminbi against the US dollar. Fluctuations in exchange rates may adversely affect the value, translated or converted into US dollars, of our net assets, earnings or any declared dividends.

The impact of future exchange rate fluctuations among these currencies on our results of operations and financial condition cannot be accurately predicted, and there can be no assurance that our attempt to mitigate the adverse effects of exchange rate fluctuations will be successful or that such exchange rate fluctuations will not in the future have a material adverse effect on our results of operations, financial condition and prospects.

We outsource some of our limestone mining activities to third-party contractors who are beyond our control and we may be liable for their failure to comply with applicable laws and regulations.

We outsource a portion of the mining of our limestone reserves to third-party contractors whose operations are beyond our control. These third-party contractors might not continue to provide the limestone excavation services to us. If any or all of them cease to provide such services or fail to perform to our satisfaction, we may not be able to locate suitable replacements to ensure a continuous and adequate supply of limestone for our production of cement products,

and our results of operation and financial performance could be adversely affected. We may be held liable by the authorities if any of our contractors fail to comply with relevant PRC laws and regulations and we may be subject to fine or other penalties, which may negatively and adversely affect our results of operation and financial performance.

Earthquakes, typhoons, floods and other natural disasters could severely disrupt the normal operation of our business and adversely affect our earnings.

Both Taiwan and China are susceptible to earthquakes and have experienced severe earthquakes in the past, which caused significant property damage and loss of life. In Taiwan, earthquakes usually hit the central and eastern regions. For China, which has very densely-populated cities, earthquakes can inflict massive damage and casualties. For example, the 2008 Sichuan earthquake measured 7.9 on the Richter scale and killed at least 68,000 people. Such earthquakes have the potential to severely damage production facilities and adversely affect the operations of many companies.

Taiwan and China are also susceptible to typhoons, which may cause damage and business interruptions to companies. For example in 2009, Taiwan experienced severe damage from typhoons, including typhoon Morakot on August 7, 2009 that caused over 600 deaths, severe flooding and extensive property damage.

Flood is another potential risk that may disrupt our operations or the operations of our customers or suppliers, which could result in a decline in the demand for our respective products or lack of raw material supply. Any temporary or sustained adverse impact from any future floods may adversely affect the economic, social or political conditions in Taiwan and/or China, and may lead to fluctuations in the market price of the Bonds and the Shares.

If our or any of the major subsidiaries' customers are affected by an earthquake, a typhoon, a flood or other natural disasters, it could result in a decline in the demand for our respective products or services. If our respective suppliers and providers of complementary raw materials or transport services are affected, our respective operations could be interrupted or delayed. As a result, a major earthquake, typhoon, flood, or other natural disaster in Taiwan or China could severely disrupt our normal business operations and have a material adverse effect on our respective financial conditions and results of operations.

Our business depends substantially on the continuing efforts of our executive directors, senior management, key personnel, and our ability to maintain a skilled labor force.

We are dependent on our respective board of directors and senior management for our daily business operations and for formulating and implementing our business strategies and future plans. Our success is, to a large extent, attributable to the experience, expertise and managerial skills of our respective boards of directors and senior management. If one or more of our executive directors or senior management were unable or unwilling to continue in their present positions, we may be unable to identify and recruit suitable replacements in a timely manner, or at all. In addition, if any member of our senior management were to join a competitor or form a competing company, we may lose some of our know-how and customers. There is no assurance that any of our senior management members will not discontinue their service for whatever reason in the future.

Furthermore, recruiting and retaining capable personnel, for example experienced professionals familiar with our production processes, are vital to maintaining the quality of our products, continuously improving our production processes and supporting the expansion of our production capacity. We need to recruit personnel with relevant experience to maintain and strengthen our internal control systems and procedures. We may also need to employ and retain more management personnel to support our expansion in the future. We may not be able to attract or retain qualified personnel. If we are unable to attract and retain qualified employees, key

personnel and senior management, our business, financial condition and results of operations may be materially and adversely affected. Without a sufficient number of skilled employees, our operations and manufacturing quality would suffer. Competition for qualified technical personnel and operators in Taiwan and China is intense and replacing or finding new skilled employees is difficult. Failure to attract and retain our technical personnel and other employees may adversely affect our business, and our operating efficiency may deteriorate.

Unfavorable tax law changes, unfavorable import and export tariffs changes, an unfavorable government review of our tax returns, or the imposition of withholding taxes on repatriated earnings could adversely affect our effective tax rate and our operating results.

We are subject to, among others, income and transaction taxes in Taiwan, China and other jurisdictions in which we conduct business. An adverse change in the tax laws of the jurisdictions in which we conduct business, such as an increase in tax rates or an adverse change in the treatment of an item of income or expense, could result in a material increase in the amount of taxes we incur. For example, the statutory income tax rate applicable to us in the ROC was adjusted from 17% to 20% since January 1, 2018.

We are subject to periodic audits or other reviews by tax authorities in the jurisdictions in which we conduct our activities. Any such audit, examination or review requires our management's time, diverts internal resources and, in the event of an unfavorable outcome, may result in additional tax liabilities or other adjustments to our historical results.

Our subsidiaries' and investees' ability to pay dividends may be subject to limitations under applicable laws and regulations and other limitations.

We receive cash dividends from our subsidiaries operating different businesses. In 2015, 2016 and 2017, we had cash dividends received from our subsidiaries and associates of NT$1,357.4 million, NT$1,856.8 million and NT$1,197.3 million (US$39.3 million), respectively. The ability of our subsidiaries and affiliates to pay dividends to their shareholders (including our company) is subject to various factors, such as the financial performance of each of these companies; the applicable laws and regulations; changes in foreign exchange controls in the jurisdictions in which these companies are located; restrictions or veto rights of other parties pursuant to any joint venture arrangements; dividend policies of these companies and considerations relating to minority shareholders' interests with respect to our subsidiaries or other investees that are public companies.

For example, the dividend policy of Ho-Ping Power Company ("Ho-Ping Power"), a joint venture we established with Power Infrastructure Holdings (Malaysia) Sdn Bhd, a subsidiary of CLP Holdings Limited, in March 1995, is subject to the requirements under the Electricity Act (電業法). Under Article 64 of the Electricity Act, a power company may distribute its annual net profit (not including those from the generation of renewable-energy-based electricity) only after its annual net profit as calculated per the requirements of relevant rules and regulation exceeds its total paid-in capital and a special reserve prescribed by the same article of the Electricity Act is set aside for improving the operation and maintenance of the machineries, investing in the pollution-minimizing infrastructure and facilitating further advancement in the renewable energy. The special reserve currently required to be set aside includes: (i) when the portion of annual net profit exceeding the paid-in capital is more than 10% but less than 25% of the total paid-in capital of the power company, it shall set aside 50% of the excess portion; and (ii) when the portion of annual net profit exceeding the total paid-in capital reaches 25% or more of its paid-in capital, it shall allocate the full amount in excess of the total paid-in capital.

In addition, although our subsidiaries in China have not made significant distribution of dividends to our company and it is not intended that they would increase their dividend payments significantly, their ability to pay dividends is also subject to the various factors mentioned above such as limitations under PRC laws and regulations on payment of dividends.

There are risks associated with the operations of Ho-Ping Power, including possible political, operational and commercial risks related to the Taiwan power industry.

Although Ho-Ping Power has fully documented its arrangements with Taipower and other governmental bodies to mitigate against any possible political, operational and commercial risks, there are certain risks associated with its business, such as: (i) force majeure, property damage and business interruptions; (ii) interest rate risks; (iii) damage to transmission lines or towers; (iv) security of its fuel supply; (v) Taipower's impending privatization; and (vi) any amendment of the ROC Power Business Law by the Legislative Yuan. Moreover, the ROC government has announced future plans to privatize Taipower. Should such privatization occur, while we expect Taipower to continue to honor its obligations under the power purchase agreement entered into with Ho-Ping Power on August 4, 1998 (the "Power Purchase Agreement"), Taipower may seek a possible renegotiation of such agreement. The Power Purchase Agreement has a duration from August 4, 1998 to June 29, 2027.

Certain of the risks faced by Ho-Ping Power are outside of our control. To the extent feasible, Ho-Ping Power has taken actions designed to mitigate the risks. For example, a transmission tower operated by Ho-Ping Power was toppled by Typhoon Nesat in late July 2017, which significantly affected the power supply capacity, triggering a power shortage crisis in Taiwan. But thanks to the huge efforts of all relevant parties, the repair of the damaged facility was completed ahead of schedule and the power plan resumed to run at full capacity of 1.3 million kilowatts since mid-August 2017. Further, in 2017 and 2018, the occurrences of broken pipes in certain plants of Ho-Ping Power had also caused a drop of electricity supply in Taiwan and Ho-Ping Power had taken various actions to repair such problems. However, there can be no assurance that actions taken by Ho-Ping Power in order to mitigate business or financial risks would be effective. Given the significance of Ho-Ping Power to our business, we cannot assure you that such commercial and operational risks will not have an adverse effect upon our operations or financial condition.

We recorded a loss in our chemical engineering segment in recent years.

As set forth in the section headed "Management's Discussion and Analysis of Financial Condition and Results of Operations — Results of Operations," our chemical engineering segment recorded loss of NT$1,620.0 million, NT$212.3 million and NT$162.7 million for the three years ended December 31, 2015, 2016 and 2017, respectively. The loss was primarily attributable to certain unprofitable products. We terminated the production of these products in late 2016 and our chemical engineering segment recorded income from operations of NT$343.3 million in the nine months ended September 30, 2018. We cannot assure you that we are able to optimize the operation in the future to cover the costs and expenses incurred and turn around the chemical engineering segment into profit. If we cannot successfully achieve turnaround for the chemical engineering segment or if the results of the chemical engineering segment deteriorate in the future, our business, profitability, financial condition and results of operation may be adversely affected.

Risks Relating to the Cement Industry

We operate in highly competitive markets and may not be able to compete successfully.

The cement industry is highly competitive both in Taiwan and China. Although we have a leading share of the Taiwan cement market, we face intense competition from other market participants, primarily Asia Cement Corporation. In China, the market is increasingly competitive and we face competition from domestic participants with large international cement manufacturers seeking to expand their operations. We have to compete with other manufacturers for customers, raw materials, energy and distribution resources. Many of our current and potential competitors may have better brand recognition in local markets, better pricing or greater financial, technical or marketing resources than we do. We compete primarily on the basis of our product pricing, quality of product offerings, access to resources, sales and marketing network, production efficiency and

brand image. In addition, we are entering into the cement industry of Europe as a result of the joint venture with OYAK pursuant to the subscription agreement in October 2018. See "Summary — Recent Developments" for more information. We have no experience in operating in Europe, which we currently have no presence and may be subject to intense competition with established players in Europe.

In China, large cement manufacturing companies have been acquiring smaller competitors, and further consolidation is expected to continue in this industry, which is likely to further increase market competition. Accordingly, we may not be able to compete successfully with others in the future in light of the changing and competitive market environment and regulation. If we are unable to compete successfully, our business, financial condition and results of operations could be materially and adversely affected.

Cement-related mining activities are extensively regulated. Changes in policy or regulations may cause us to incur significant compliance costs. We may also be unable to procure the necessary exploration or mining rights with respect to our planned projects.

Cement-related mining activities in Taiwan and China are subject to governmental regulations, policies and controls, including mining safety regulations, environmental protection policies and regulations with respect to exploration rights and mining rights. The liabilities, costs, obligations and requirements associated with these laws and regulations may delay the commencement of, or cause interruptions to, our mining production and consequently adversely affect our earnings.

Under China's Mineral Resources Law, all mineral resources in China are owned by the state. We are required to obtain mining rights before undertaking any mining activities, and the mining rights are limited to a specific area during a fixed license period. We cannot assure you that any of our or our subsidiaries' licenses will be renewed upon expiration, or that upon expiration we will be able to renew on terms that are commercially reasonable.

In addition, there is no assurance that we will not be in any material violation of the relevant laws and regulations in the future. A failure to comply with the relevant laws and regulations applicable to our mining operations could result in the reduction of our capacity or the suspension of our cement business operations, and thus materially and adversely affect our business, financial condition and results of operations. In addition, there is no assurance that the relevant government agencies will not change such laws or regulations or impose additional or more stringent laws or regulations in the future.

The cement industry is subject to significant regulation by the PRC government and subsequent introduction of new policies may affect the current and future development plans of our business.

The cement industry has traditionally been subject to government control with respect to production method and volume, product mix and environmental protection. It is an industry heavily regulated by a number of PRC government authorities including the Ministry of Land and Resources (now the Ministry of Natural Resources) and the General Administration of Quality Supervision Inspection and Quarantine (now the Ministry of Emergency Management). Our operation in China is required to maintain certain licenses and permits in China including without limitation to the production license for industrial products, the production safety license and mining permit. In addition, projects involving significant capital investment are subject to approval or filing requirements at different levels of the PRC government.

While the PRC government's current policies in respect of the domestic cement industry are generally market-oriented, it has imposed a number of austerity control measures within the cement industry. In August 2016, the PRC government announced China's thirteenth five-year plan for the cement industry which targets at (i) reducing production plants with overcapacity; (ii)

encouraging technology innovations and industry upgrades; (iii) encouraging further energy saving and emission reduction in the industry; (iv) promoting application of Internet and high technologies in the industry; and (v) advocating international cooperation. Compliance with these government regulations and policies and efforts to obtain relevant approvals and permits may result in significant adjustments to our current or future development plans, increase our costs and divert our management resources, which may adversely affect our profitability and growth aspects. Any changes to the existing requirements may result in additional expenses for our operations in China, and we cannot assure you that it can meet all future requirements on a timely manner, or at all.

Risks Relating to Taiwan

We are subject to risks associated with the political status and international relations of Taiwan.

We are incorporated in Taiwan, some of our assets and operations are located in Taiwan, and the Shares are listed on the TWSE. Accordingly, our business, results of operations and financial condition and the market price of the Shares may be affected by changes in the ROC governmental policies, law, taxation, inflation, interest rates, social instability and other political, economic, diplomatic or social developments in or affecting Taiwan which are outside our control. Taiwan has a unique international political status. Since 1949, Taiwan and the Chinese mainland have been separately governed. The PRC government regards Taiwan as a province of China and does not recognize the legitimacy of Taiwan. Although significant economic and cultural relations have been established in the past decade between Taiwan and China, China has refused to renounce the possibility that it may use military force to gain control over Taiwan, particularly under what it considers as highly provocative circumstances, such as a declaration of independence by Taiwan. Furthermore, the PRC government passed the Anti-Secession Law in March 2005, which authorized non-peaceful means and other necessary measures should Taiwan move to gain independence from China. Relations between China and Taiwan have at times been strained. Strained relations could result in future military actions or economic sanctions or other disruptive activities undertaken by either government. Past tensions between Taiwan and China have from time to time adversely affected the value of securities listed on the TWSE, including the price of the Shares. Tension between Taiwan and China and other factors affecting political or economic conditions in Taiwan could have a material adverse effect on our results of operations and financial condition, as well as the market price and liquidity of the Shares.

Further, if relations between Taiwan and China worsen, it could also have a material adverse effect on the ROC's economy and our ability to manage and operate our production facilities in China and to implement future plans for the expansion of our existing PRC production facilities or the establishment of new production facilities in China. There can be no assurance that the present tensions will not worsen, which could have a significant adverse impact on our financial condition, results of operations and future prospects.

Disruptions in the international trading environment may significantly reduce our international sales and revenue.

A significant portion of the net operating revenue of our chemical engineering segment is derived from sales from Taiwan to customers located outside Taiwan. We expect sales to customers outside Taiwan to continue to represent a significant portion of the net operating revenue of our chemical engineering segment. Accordingly, our business, financial condition and results of operations may be affected by changes in governmental policies, inflation, increasing interest rates, social instability and other political, economic or social developments in or affecting the countries in which we sell our products that are not within our control. As a result, our business will continue to be exposed to disruptions in the international trading environment, including

adverse changes in foreign government regulations, political unrest and international economic downturns. These disruptions in the international trading environment affect the demand for our products and the terms upon which we sell our products overseas, which may significantly reduce our international sales and revenue.

Our future investment in China or other countries may be restricted by the ROC laws and regulations relating to investment of ROC entities in China or foreign countries and failure to obtain, maintain or renew approvals for inbound and outbound investments may materially and adversely affect our financial condition and results of operation.

Under the ROC Relations Between Peoples of the Taiwan Area and the Mainland Area Act (the "Act"), Taiwanese nationals may only invest in China after obtaining the prior approval of the Investment Commission of the Ministry of Economic Affairs unless the investment amount is less than US$1,000,000. The cement industry falls within the permitted investment category under the Act and we obtained the qualification as an operational headquarters in Taiwan approved by the Industrial Development Bureau of the Ministry of Economic Affairs, which allows us to make investments in the PRC without being subject to the restriction on investment amount set forth in the regulations governing investments by ROC persons in the PRC. However, the qualification as an operational headquarters approved by the Industrial Development Bureau is valid for three years only. Our approval for such qualification will expire on October 5, 2019. There is no assurance that we may be able to obtain such qualification in the future and if we fail to obtain such qualification, we would be subject to the restriction on the investment amount which is currently 60% of the amount of our consolidated net assets and thus limit our capability to invest in the PRC and our growth potential.

The ROC Investment Commission has supervisory and regulatory authority for matters relating to, among other things, inbound investment in Taiwan companies by non-ROC persons and overseas ROC nationals, and outbound investments by Taiwan companies or individuals. Under current ROC law, ROC companies are required to obtain prior approval from or, within the period of time prescribed by relevant laws and regulations, a post filing with the ROC Investment Commission for making certain investments in any other jurisdictions outside Taiwan under certain circumstances. There is no assurance that we will be able to continue to satisfy the requirements for, or otherwise obtain, permits or approvals for current and future projects. Failure to obtain, maintain or renew such permits and approvals may impede or hinder our operations, and adversely affect our financial condition, results of operations and business prospects.

The imposition of foreign exchange restrictions may have an adverse effect on foreign investors' abilities to acquire ROC securities, including the Shares, or to repatriate the interest, dividends or sale proceeds from those securities.

The ROC government may impose foreign exchange restrictions in certain emergency situations, including situations where there are sudden fluctuations in interest rates or exchange rates, where the ROC government experiences extreme difficulty in stabilizing the balance of payments or where there are substantial disturbances in the financial and capital markets in Taiwan. These restrictions may require foreign investors to obtain the ROC government's approval before acquiring ROC securities, repatriating the interest or dividends from those securities or repatriating the proceeds from the sale of those securities. There can be no assurance that these restrictions, if imposed, will not adversely affect, among other things, the secondary market price of the Bonds.

Financial reporting and accounting standards in Taiwan differ from those in certain other countries.

We are subject to financial reporting requirements in Taiwan that differ in significant respects from those applicable to companies in certain other countries, including the United States. In addition, our financial statements are prepared in accordance with Taiwan IFRS, which differ in

certain significant respects from generally accepted accounting principles in certain other countries, such as US GAAP or IFRS. See "Summary of Certain Material Differences Between Taiwan IFRS and IFRS." The accounting treatment adopted by us under Taiwan IFRS may cause volatility of our revenue and/or profits. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies" for more information. Potential investors should consult their own professional advisers for an understanding of such differences and how they might affect the financial information contained herein.

You may not be able to enforce a judgment of a foreign court in Taiwan.

We are a company incorporated under the ROC Company Act. Most of our directors and executive officers and certain of the parties named herein are residents of Taiwan, and certain portion of our assets and the assets of such persons are located in Taiwan. As a result, it may be difficult for investors to enforce judgments obtained outside Taiwan against us or such persons in Taiwan, including those predicated upon the civil liability provisions of the federal securities laws of the United States.

Risks Relating to China

Adverse changes in economic, political or social conditions or government policies in China could have a material adverse effect on our business and results of operations.

Currently, most of our production facilities are located in China and we may make further investments in China in the future. Accordingly, our results of operations, financial condition and prospects are subject, to a significant degree, to the political and economic environment and legal developments in China. There can be no assurance that our investments in China and our production operations in China will not be adversely affected if relations between China and Taiwan are further strained.

The economy of China differs from the economies of most developed countries in many respects, including but not limited to structure, level of government involvement, level of development, growth rate, control of foreign exchange, and allocation of resources. The PRC government has broad discretion and authority to regulate the industry in China, and the government has implemented policies from time to time to regulate economic expansion in China. Although in recent years the PRC government has implemented measures emphasizing the use of market forces for economic reform, it continues to play a significant role in regulating industrial development. It also exercises significant control over PRC's economic growth through the allocation of resources, controlling payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies.

While the PRC's economy has experienced significant growth in the past 30 years, growth has been uneven both geographically and among various sectors in the economy. The PRC government has implemented various measures to encourage economic growth and guided the allocation of resources. Some of these measures benefit the overall economy of China, but may have a negative effect on us. For example, our business, results of operations and financial condition may be adversely affected by governmental control and policy on a supply-side structural reform on cement industry.

Uncertainties with respect to the PRC legal system could have a material adverse effect on us.

Our business and operations conducted through our subsidiaries in China are governed by PRC laws, rules and regulations. The PRC legal system is based on written statutes. Prior court decisions are not legally binding and can only be cited as reference. Additionally, PRC written statutes are often principle-oriented and require detailed interpretations by the enforcement bodies in applying and enforcing such laws. Since 1979, the PRC Government has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organization and

governance, commerce, taxation and trade, with a view to developing a comprehensive system of commercial law. However, as these laws and regulations are continually evolving in response to changing economic and other conditions, and because of the limited volume of published cases and their non-binding nature, any particular interpretation of PRC laws and regulations may not be definitive. In addition, the PRC legal system is based in part on government policies and internal rules, some of which are not published on a timely basis, if at all, and some of which may have a retroactive effect.

Furthermore, China is geographically large and divided into various provinces and municipalities. As such, when PRC laws, rules, regulations and policies apply in different parts in China, there may be varying applications, interpretations and enforcement of these laws, rules and regulations, which may limit the legal protections available to us. Since the application of laws may differ from court to court, we cannot be certain that similar cases will have similar results. In addition, legislation or regulations, particularly for local applications, may be enacted without sufficient prior notice or announcement to the public. Accordingly, we may not be aware of the existence of new legislation or regulations. There is at present no integrated system in China from which information can be obtained in respect of legal actions, arbitrations or administrative actions. Even if an individual court-by-court search were performed, certain courts may refuse to make their documentation available for inspection. As a result, the legal protections available to you under the PRC legal system may be limited.

Profits from our PRC operating subsidiaries available for distribution are determined under PRC GAAP.

We derive a portion of our profits from operating subsidiaries established in China. The profits available for distribution are therefore dependent on, to a significant extent, the profit available for distribution by the PRC subsidiaries to us which is determined in accordance with generally accepted accounting principles and financial regulations in China, or PRC GAAP, which differ in certain significant respects from generally accepted accounting principles in certain other countries, such as IFRS. In addition, under the relevant PRC financial regulations, profit available for distribution is determined after offsetting losses in previous years and setting aside a statutory capital reserve equal to 10% of the remaining profits until an aggregate statutory capital reserve is 50% of the company's registered capital. These limitations on the ability of our PRC subsidiaries to transfer funds to us limit our ability to receive and utilize such funds.

Dividends we receive from our PRC subsidiaries may be subject to PRC withholding tax.

The PRC Enterprise Income Tax Law (the "EIT Law") that took effect on January 1, 2008 provides that a maximum income tax rate of 20% may be applicable to dividends payable to non-PRC investors that are "non-resident enterprises," to the extent such dividends are derived from sources within China, and the State Council has reduced such rate to 10% through the implementation of the EIT Law. Under the Arrangement between the PRC and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion, or the Double Taxation Arrangement, which became effective on January 1, 2007, dividends from our PRC subsidiaries paid to our Hong Kong subsidiary will be subject to a withholding tax at a rate of 5%, subject to the confirmation of the in-charge local tax authorities. Thus, dividends paid to our Hong Kong subsidiary by our PRC subsidiaries may, subject to the confirmation of the in-charge local tax authorities, be lowered to 5% income tax if the Hong Kong subsidiary is considered as a "real operating business other than only holding function and is beneficial owner of such dividend" under the EIT Law.

Our results of operations, financial condition and prospects may be adversely affected by the occurrence of an epidemic.

Natural disasters, epidemics such as the human swine flu, also known as Influenza A (H1N1), H5N1 avian flu or severe acute respiratory syndrome ("SARS"), the Ebola virus and other natural

disasters which are beyond our control may adversely affect the economy, infrastructure and livelihood of the people in China. Some regions in China, including certain cities where we operate, are under the threat of flood, earthquake, fire, drought or epidemics. Our business, financial position, results of operations and prospects may be materially and adversely affected if natural disasters or other such events occur.

We cannot guarantee the accuracy of facts, forecasts and other statistics included in this offering memorandum that are derived from official government publications with respect to the PRC, the PRC economy and the PRC industries that affect our business.

Facts, forecasts and other statistics in this offering memorandum relating to the PRC, the PRC economy and the PRC industries that affect our business have been derived from various official government publications generally believed to be reliable. However, we cannot guarantee the quality or reliability of such source materials. They have not been prepared or independently verified by us, the Sole Bookrunner or any of our or its affiliates or advisors and, therefore, none of them makes any representation as to the accuracy of such facts, forecasts and statistics, which may not be consistent with other information compiled within or outside the PRC. Due to possibly flawed or ineffective collection methods or discrepancies between official government publications and market practice and other problems, the statistics cited in this offering memorandum may be inaccurate or may not be comparable to statistics produced for other economies and should not be unduly relied upon. Further, they might not be stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere. In all cases you should give consideration as to how much importance to place on such facts, forecasts or statistics.

Risks Relating to Ownership of the Bonds and the Shares

There are limitations on the Bondholders' ability to exercise conversion rights.

The Bondholders will not be able to exercise conversion rights during any Closed Period, as defined in "— Description of the Bonds". In addition, under the current ROC laws, regulations and policies, a PRC person is not permitted to convert the Bonds or to register as our shareholder unless (i) it is a qualified domestic institutional investor, or a QDII, who will hold less than 10% of the Issuer's issued shares after conversion of the Bonds, or (ii) it otherwise obtains the approval of the Investment Commission of the Ministry of Economic Affairs if all the business items are within the positive list promulgated by the ROC government from time to time and it will hold 10% or more (or other threshold required by the regulators) of the Issuer's issued shares after conversion of the Bonds. There are also restrictions on the amount remitted to Taiwan for investments by QDIIs, separately and jointly. Accordingly, the qualification criteria for a PRC person to make investment and the investment threshold imposed by the FSC and the TWSE may cause a Bondholder who is a PRC person to be unable to convert the Bonds and hold the Shares. Under current ROC laws, "PRC person" means an individual holding a passport issued by the PRC, a resident of any area of China under the effective control or jurisdiction of the PRC (but not including a special administrative region of the PRC such as Hong Kong and Macau, if so excluded by applicable laws of the ROC), any agency or instrumentality of the PRC and any corporation, partnership or other entity organized under the laws of any such area or controlled by, or directly or indirectly having more than 30% of its capital owned by, or beneficially owned by any such person, resident, agency or instrumentality.

Shares or any securities that are substantially similar to the Shares, including any securities that may be convertible into, or exchangeable for, the Shares that are eligible for future sale by us or our current shareholders, may adversely affect the value of your investment.

The market prices of the Bonds and the Shares could decline as a result of sales of a large number of our Shares or any securities that are substantially similar to the Shares including, but not limited to any securities that may be convertible into, or exchangeable for, the Shares after this offering or the perception that such sales could occur. In connection with the Offering, we

agreed to certain lock-ups, subject to certain exceptions, for a period of 90 days after the Closing Date not to offer, sell, contract to sell or otherwise dispose of any of our Shares or securities that are substantially similar to the Shares without the prior written consent of the Initial Purchaser. Nevertheless, the Initial Purchaser may lift or waive all or some of these restrictions at their sole discretion, and when the applicable restrictive period expires, we will be able to sell or otherwise dispose of the Shares, subject to legal restrictions. In addition, we cannot assure you that any of our shareholders will not sell, or otherwise dispose of, the Shares. If our shareholders sell a large number of the Shares after this offering, the market price of the Bonds and the Shares could be depressed and the value of your investment could substantially decrease. The market prices of the Shares and the Bonds could also decline if substantial amounts of the Shares or securities convertible or exchangeable into the Shares are sold after the closing of this offering, or if there is a perception that these sales could occur.

A liquid market for the Bonds may not develop, and the market for the Shares may not be liquid.

Prior to this offering, there has been no market for the Bonds. We have received approval in-principle for the listing and quotation of the Bonds but not the Shares on the SGX-ST, and we may not obtain or be able to maintain a listing on the SGX-ST. An active trading market for the Bonds might not develop.

The Bonds have not been registered under the securities laws of the United States or elsewhere and cannot be publicly offered, sold, pledged or otherwise transferred in any jurisdiction where such registration may be required. The Bonds may not be publicly offered or sold, directly or indirectly, in the ROC. Furthermore, there has been no trading market for the Shares outside the ROC, and the only trading market for the Shares is the TWSE.

Holders of the Bonds will bear the risk of fluctuations in the price of the Shares.

The market price of the Bonds at any time will be affected by fluctuations in the price of the Shares. It is impossible to predict how the price of the Shares will change. Trading prices of the Shares will be influenced by, among other things, our results of operations and political, economic, financial and other factors that affect capital markets generally. Any decline in the price of the Shares would adversely affect the market price of the Bonds.

Fluctuations in the exchange rate between the NT Dollar and the US dollar may have a material adverse effect on the value of the Bonds in US dollar terms.

Although the principal amount of the Bonds is denominated in US dollars, the Shares are listed on the TWSE, which quotes and trades the Shares in NT dollars. As a result, fluctuations in the exchange rate between the NT Dollar and the US dollar will affect, among other things, the market price of the Bonds and the US dollar equivalent of the Shares received upon conversion of the Bonds.

Furthermore, the Bonds are currency-linked debt instruments. Bondholders are required to pay the subscription money for the Bonds in US dollars, while all amounts due from the Company under the Bonds, will be settled in US dollars, translated to NT dollars at the Fixed Exchange Rate and then translated back to US dollars at the Prevailing Rate. Accordingly, the US dollar return on the Bonds, or yield to maturity, will depend on the principal amount converted into US dollars at the prevailing exchange rate at the time of payment. Any volatility of the exchange rate between NT dollar and the US dollar during the term of the Bonds will affect the return on the Bonds, or yield to maturity, in US dollars. In particular, any devaluation of the NT dollar against the US dollar during the term of the Bonds will decrease the US dollar return on the Bonds and

will result in the yield to maturity of the Bonds in US dollars being less than the stated yield to maturity of the Bonds. In the event of a material devaluation of the NT dollar against the US dollar, Bondholders may not receive the full US dollar subscription amount upon redemption of the Bonds.

Holders of the Bonds will have no rights as shareholders until they acquire the Shares upon conversion of the Bonds.

Unless and until the holders of the Bonds acquire the Shares upon conversion of the Bonds, the holders of the Bonds will have no rights as shareholders, including any voting rights or rights to receive any dividends or other distributions with respect to the Shares. Subject to the Indenture and other applicable ROC laws, holders of the Bonds who acquire the Shares upon the exercise of their conversion rights will be entitled to exercise the rights of shareholders only as to actions for which the applicable record date occurs after the Conversion Date.

Holders of the Bonds are subject to government-imposed requirements of appointing a tax guarantor and local agent in the ROC.

When a non-ROC person converts the Bonds or registers as our shareholder, such non-ROC person will be required under the current ROC laws and regulations to appoint an agent, or a tax guarantor, in the ROC for filing tax returns and making tax payments. A tax guarantor must meet certain qualifications set by the Ministry of Finance of the ROC and, upon appointment, becomes a guarantor of your ROC tax obligations. We cannot assure that such non-ROC person will be able to appoint and obtain approval for a tax guarantor in a timely manner, if at all.

In addition, under current ROC laws, if a non-ROC person is an overseas Chinese or foreign national or entity having not been registered with the TWSE, when exercising the conversion right, such non-ROC person will be required to first register with the TWSE and then appoint a local agent to, among other things, open a securities trading account with a local securities brokerage firm to hold or trade the common shares, open an NT dollar bank account, remit funds, pay ROC tax, exercise shareholders' rights, and perform such other matters as may be designated by the converting holder. In addition, under the current ROC laws, a non-ROC person is required to appoint a local bank to act as custodian for handling confirmation and settlement of trades, safekeeping of securities and cash proceeds, and reporting and declaration of information. Under existing ROC laws and regulations, without satisfying these requirements, a non-ROC person will not be able to hold or to sell or otherwise transfer our shares on the TWSE or otherwise.

Holders of the Bonds may be subject to the income tax imposed by Taiwan when they sell the Shares delivered upon conversion of the Bonds.

As used in this section, a "Non-ROC Resident Individual" is a foreign national individual who owns the Bonds or the Shares and is not physically present in Taiwan for 183 days or more during any calendar year, and a "Non-ROC Resident Entity" is a corporation or a non-corporate body that owns the Bonds or the Shares and is organized under the laws of a jurisdiction other than Taiwan and has no fixed place of business or business agent in Taiwan. "Non-ROC Resident Individuals" and "Non-ROC Resident Entities" are jointly referred to as "Non-ROC Holders".

Starting from January 1, 2016, capital gains realized from the sale or disposal of our Shares are exempt from ROC income tax under Article 4-1 of the ROC Income Tax Act. Nevertheless, capital gains realized from the sale or disposal of the Bonds are exempt from ROC income tax. There is no assurance that capital gains realized from the sale or disposal of our Shares may be able to be exempted from ROC income tax in the future.

A holder of the Bonds or its designee requesting the conversion of the Bonds may be required to provide certain information to us or the Conversion Agent, and failure to provide such information may result in a delay of the conversion.

A holder of the Bonds or its designee requesting the conversion of the Bonds may be required to provide certain information to us or the Conversion Agent, including the name and nationality of the person to be registered as the shareholder, the number of Shares the person is acquiring and has acquired in the past as a result of the conversion of the Bonds it holds, the Conversion Date, or such other information as may be reasonably required, before such conversion is effected. Under applicable ROC laws, we are required to report to the FSC if the person to be registered as a shareholder (i) is a "related party" of ours as defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuer or (ii) will hold, immediately following such conversion, more than 10% of the total number of the Shares deliverable upon conversion of the aggregate principal amount of all such Bonds at the time of issue. Failure to provide such information may cause the delay or rejection of such conversion of the Bonds.

The value of the Shares and the Bonds may be adversely affected by the volatility of the ROC securities market.

The ROC securities market is smaller and more volatile than the securities markets in the United States and in certain European and other countries. The TWSE has experienced substantial fluctuations in the prices and volumes of sales of listed securities and there are currently limits on the range of daily price movements on the TWSE. In 2017, the TWSE Weighted Index reached a low of 9,253.50 on January 2, 2017 and peaked at 10,854.57 on November 23, 2017. In 2018 and up to November 26, 2018, the TWSE Weighted Index reached a low of 9,489.18 on October 26, 2018 and peaked at 11,253.11 on January 23, 2018. The daily closing values of the Shares which are listed on the TWSE, ranged from NT$30.36 per share to NT$43.40 per share during October 1, 2017 to September 30. 2018. On November 26, 2018, the TWSE Weighted Index closed at 9,765.36 and the daily closing value of the Shares was NT$35.35 per share. The TWSE has experienced problems such as market manipulation, insider trading and payment defaults. The recurrence of these or similar problems and restrictions on price movements could adversely affect the market price and liquidity of the securities of ROC companies, including the Bonds and the Shares, in both domestic and international markets. See "Appendix A — The Securities Markets of the ROC."

In response to major past declines and volatility in the securities markets in Taiwan, and in line with similar activities by other countries in Asia, the ROC government formed the National Stabilization Fund in 2000, which has purchased, and may from time to time purchase, shares listed on the TWSE to support these securities markets in Taiwan. In addition, other funds associated with the ROC government have in the past purchased, and may from time to time purchase, shares listed on the TWSE or other securities markets in Taiwan. In the future, market activity by government entities, or the perception that such activity is taking place, may take place or has ceased, may cause fluctuations in the market prices and liquidity of the Shares.

Our public shareholders may have more difficulty in protecting their interests than they would as a shareholder of a corporation of other jurisdictions.

Our corporate affairs are governed by our Articles of Incorporation and ROC laws and regulations. The rights of our shareholders to bring shareholders' suits against our board of directors under ROC laws are much more limited than those of the shareholders of corporations of some other jurisdictions. Therefore, our public shareholders may have more difficulty in protecting their interests in connection with actions taken against our management, members of our board of directors or controlling shareholders than they would as shareholders of corporations of other jurisdictions.

If we pay a cash dividend on our Shares, U.S. investors may be deemed to have received a taxable dividend without the receipt of any cash.

If we pay any cash dividend on our Shares in the future, the conversion rate of the Bonds will be adjusted and U.S. investors in the Bonds may be deemed to have received a taxable dividend subject to U.S. federal income tax without the receipt of any cash. See "Taxation — United States Federal Income Tax Considerations — Adjustments to the Conversion Price."

A Bondholder's right to receive payments on the Bonds is structurally subordinated.

As of September 30, 2018, we had outstanding secured debt of NT$3,046.7 million. The Bonds will be effectively subordinated to any of our secured obligations with respect to assets that secure such obligations. The terms of the Bonds do not prevent us from incurring additional debt in the future and we are generally permitted to secure this indebtedness, although our existing financial covenants may restrict our future borrowings. If we incur further indebtedness, our ability to make payments on the Bonds and, if required, to redeem the Bonds may be adversely affected.

USE OF PROCEEDS

The net proceeds to be received by us from the Offering are expected to be US$396,800,000, after deducting underwriting commissions and related expenses. We intend to use the net proceeds of the Offering to refinance certain existing indebtedness of our subsidiaries, TCCIH and TCCI, through capital injection in TCCIH and TCCI.

DIVIDENDS AND DIVIDEND POLICY

Dividend Policy

Pursuant to our Articles of Incorporation (as amended at the shareholders' meeting held on June 22, 2018) and certain ROC regulatory requirements, we are generally not permitted to distribute dividends or make other distributions to shareholders for any year in which we have no current or retained earnings. Before we can distribute a dividend or make any distribution to shareholders from profits, we must pay all outstanding taxes, apply our profits to losses incurred in previous years, if any, and set aside 10% of our annual net income, as legal reserve, unless the legal reserve amounts to our paid-in capital.

Any remaining profits plus accumulated retained earnings, unless special reserve is made pursuant to relevant laws and regulations, shall be distributed, first, as special dividends to the holders of our preferred shares at up to 8% per annum on a non-cumulative basis, and after that, as dividends to the shareholders, taking into consideration financial, business and operational factors. Our board of directors has decided that the rate of interest of our preferred shares is 3.5% (five-year IRS rate (currently 0.9375%) plus fix margin rate of 2.5625%) per annum at the issuance. The five-year IRS rate will be reset every five years. The percentage distribution of dividends and the ratio between cash dividend and stock dividend is proposed by our board of directors and approved by our shareholders at the shareholders' meeting. Pursuant to our Articles of Incorporation, the distribution of dividends is subject to the condition that cash dividends shall not be less than 20% of total dividends. Dividends are paid after shareholder approval has been received.

As of the date of this offering memorandum, we did not have any preferred shares in issue. On July 9, 2018, we submitted an application to the FSC for the issuance of 200,000,000 preferred shares of par value NT$10 each in our company and such issuance was approved on July 25, 2018 and is expected to be completed by January 24, 2019. On November 13, 2018, the offering price of such preferred shares was resolved by our board of directors to be NT$50 per preferred share. See "Summary — Recent Developments" for details.

Our dividend distribution policy is made in accordance with our Articles of Incorporation, taking into account various factors, including, among others, our capital, financial structure, earnings, future development and the market environment. Our current policy is that apart from engaging in a capital-intensive cement and cement product manufacturing and sale industry at the steady growth stage, we are also expanding into different segments of the market in an active manner. In order to satisfy the demand of the diversity of investment or major capital planning, cash dividends shall not be less than 20% of total dividends payable to shareholders of Common Shares and the remaining dividends shall be in the form of stock dividends. Subject to our Articles of Incorporation, our dividend policy may be adjusted from time to time in accordance with economic and market conditions and, in particular, our future development and profitability.

Recent Historical Dividends

On May 10, 2018, our board of directors resolved to propose the distribution of a cash dividend of NT$1.50 per Share in the total amount of NT$6,360.8 million and a stock dividend of NT$1.00 per Share in the amount of NT$4,240.5 million (equivalent to 424.1 million new Common Shares) in respect of the 2017 financial year. Our shareholders approved dividend distribution plans at the shareholder's general meeting held on June 22, 2018. The dividends were paid and distributed on August 24, 2018.

On June 28, 2017, our shareholders approved the distribution of a cash dividend of NT$1.45 per Share in the total amount of NT$5,353.7 million in respect of the 2016 financial year. We paid this dividend on August 25, 2017.

Our historical dividends payment history is not, and should not be taken as, an indication of our potential future practice with respect to dividend payments.

MARKET PRICE INFORMATION

The Shares have been listed on the TWSE since February 1962.

The table below shows, for the periods indicated, the high and low closing prices and the average daily volume of trading activity on the TWSE for the Shares and the highest and lowest of the daily closing values of the Taiwan Stock Exchange Weighted Index.

	Closing price per Share[1]		Average daily Trading volume[2]	Closing of the Taiwan Stock Exchange Weighted Index	
	High	Low		High	Low
	(NT$)		(Shares)		
2013	46.85	33.75	9,127,728	8,623.43	7,616.64
2014	49.55	41.55	9,401,651	9,569.17	8,264.48
2015	45.10	27.15	7,943,812	9,973.12	7,410.34
2016	38.15	25.50	7,618,878	9,392.68	7,664.01
First Quarter	32.10	25.50	8,178,954	8,812.70	7,664.01
Second Quarter	33.95	27.70	7,612,238	8,716.25	8,053.69
Third Quarter	37.80	32.65	8,490,419	9,284.62	8,575.75
Fourth Quarter	38.15	34.10	6,282,084	9,392.68	8,931.03
2017	38.40	33.40	7,112,066	10,854.57	9,253.50
First Quarter	38.40	34.65	7,881,100	9,972.49	9,253.50
Second Quarter	37.30	33.85	5,333,771	10,513.96	9,632.69
Third Quarter	36.20	33.70	6,981,210	10,631.57	10,225.28
Fourth Quarter	36.45	33.40	8,236,599	10,854.57	10,329.94
2018					
May	46.00	39.40	22,739,072	10,987.77	10,514.18
June	45.65	42.35	17,708,286	11,251.75	10,654.28
July	45.50	39.35	32,099,607	11,075.78	10,608.57
August	43.40	40.15	29,231,655	11,099.57	10,683.90
September	42.10	37.95	18,956,852	11,034.19	10,722.57
October	41.05	33.50	18,236,818	11,051.80	9,489.18
November (through November 26)	36.65	34.70	13,284,535	9,945.31	9,667.30

Source: TWSE

Notes:

(1) As reported.

(2) As adjusted retroactively for cash and stock dividends, rights issues and stock splits, but excluding new shares offered in initial public offering.

The TWSE has experienced substantial fluctuations in the prices of listed securities and there are currently limits on the range of daily price movements. See "Risk Factors — Risks Relating to Ownership of the Bonds and the Shares — The value of the Shares and the Bonds may be adversely affected by the volatility of the ROC securities market" and "Appendix A — The Securities Markets of the ROC."

EXCHANGE RATES

Fluctuations in the exchange rate between NT dollars and US dollars will affect the US dollar equivalent of the NT dollar price of the Shares on the TWSE and, as a result, will likely affect the market price of the Bonds and our Shares. Such fluctuations will also affect the conversion of NT dollars proceeds you will receive from any sale of the Shares.

The following table sets forth the average, high, low and period-end average spot rates for buying and selling NT dollars as set forth in the H.10 Statistical Release of the Federal Reserve Board for the periods indicated:

	NT Dollars per US Dollar			
	Average[(1)]	**High**	**Low**	**Period-End**
2013	29.68	30.20	28.93	29.83
2014	30.30	31.80	29.85	31.60
2015	31.74	33.17	30.37	32.79
2016	32.23	33.74	31.05	32.40
2017	30.40	32.37	29.64	29.64
2018				
May	29.87	30.09	29.68	29.99
June	30.08	30.58	29.70	30.43
July	30.54	30.69	30.36	30.54
August	30.70	30.85	30.56	30.70
September	30.73	30.84	30.46	30.46
October	30.88	31.00	30.54	30.94
November (through November 26)	30.80	30.94	30.57	30.85

Source: Federal Reserve Statistical Release, Board of Governors of the Federal Reserve System

Note:

(1) Annual averages were calculated by using the average of the exchange rates on the last day of each month during the relevant year. Monthly averages were calculated by using the average of the daily rates during the relevant month.

CAPITALIZATION

The following table sets forth under Taiwan IFRS (i) our unaudited consolidated capitalization as of September 30, 2018 on an actual basis; and (ii) our unaudited consolidated capitalization as of September 30, 2018, as adjusted for the issuance of the Bonds under the Bond Offering, after deducting underwriting discount and commission and other offering expenses. Other than as disclosed herein, there has been no material change in our capitalization since September 30, 2018.

The following table should be read in conjunction with our financial statements and the notes thereto included elsewhere herein.

	As of September 30, 2018			
	Actual		As Adjusted for offering of Bonds	
	NT$	US$[1]	NT$	US$[1]
	(in millions)			
Short-term loans (including current portion of long-term loans)	37,938	1,246	37,938	1,246
Long-term liabilities				
Bonds payable[2]	11,976	393	24,228	795
Long-term loans, net of current portion	36,056	1,184	36,056	1,184
Total long-term liabilities	**48,032**	**1,577**	**60,284**	**1,979**
Shareholders' equity				
Common shares	51,081	1,677	51,081	1,677
Stock dividends to be distributed	—	—	—	—
Capital surplus	38,546	1,265	38,546	1,265
Legal reserve	—	—	—	—
Retained earnings	54,268	1,782	54,268	1,782
Other items[3]	26,228	861	26,228	861
Total shareholders' equity of the parent company	**170,123**	**5,585**	**170,123**	**5,585**
Total capitalization[4]	**218,155**	**7,162**	**230,407**	**7,564**

Notes:

(1) Translation of amounts from US dollars into NT dollars has been made at the rate prevailing on September 28, 2018 of NT$30.46 = US$1.00. However, the sum of the line item "Common shares" is arrived at by multiplying the total number of Shares issued by NT$10, which is the par value of a Share, and then translated at the fixed historical exchange rate as of the date indicated.

(2) Bonds payable includes corporate bonds payable of NT$11,976 million (US$393 million) and convertible bonds payable of NT$12,252 million (US$396.8 million) including the principal amount of the Bonds of NT$12,351 million (US$400 million), after deducting issuance cost of approximately NT$99 million (US$3.2 million) related to the Bond offering. In addition, the fair value of the convertible option related to the Bonds has not been determined at this time.

(3) Other items include treasury shares.

(4) Total capitalization is total long-term liabilities plus total shareholders' equity of the parent company.

SELECTED FINANCIAL DATA

The selected financial information has been derived from our audited consolidated financial statements as of and for the years ended December 31, 2015, 2016 and 2017 and our unaudited consolidated financial statements as of and for the nine months ended September 30, 2017 and 2018 included elsewhere in this offering memorandum. The consolidated financial statements as of and for the years ended December 31, 2015, 2016 and 2017 have been audited by Deloitte & Touche, our independent auditors, and the unaudited consolidated financial statements as of and for the nine months ended September 30, 2017 and 2018 have been reviewed by Deloitte & Touche. Our consolidated financial statements are presented in conformity with the Taiwan IFRS. You should read the following selected financial information together with our financial statements included elsewhere in this offering memorandum. Neither these data nor the format in which they are presented should be viewed as comparable to information prepared in accordance with IFRS or generally accepted accounting principles elsewhere. See "Summary of Certain Material Differences between Taiwan IFRS and IFRS."

Consolidated financial information

Consolidated Statements of Comprehensive Income Data

	Year ended December 31,				Nine months ended September 30,		
	2015	2016	2017		2017	2018	
	NT$	NT$	NT$	US$	NT$	NT$	US$
					(unaudited)		
	(in thousands, except per share information)						
Operating Revenue	93,679,076	89,564,306	98,311,776	3,227,570	68,952,108	89,657,354	2,943,446
Operating Costs	(79,151,059)	(71,583,302)	(79,398,862)	(2,606,660)	(56,428,105)	(64,992,780)	(2,133,709)
Gross Profit	14,528,017	17,981,004	18,912,914	620,910	12,524,003	24,664,574	809,737
Operating Expenses							
Marketing	(859,723)	(733,021)	(791,540)	(25,986)	(572,965)	(636,516)	(20,897)
General and administrative	(3,987,700)	(4,193,229)	(4,126,090)	(135,459)	(2,678,402)	(3,027,009)	(99,377)
Research and development	(6,895)	(20,618)	(32,399)	(1,064)	(24,465)	(24,770)	(813)
Total operating expenses	(4,854,318)	(4,946,868)	(4,950,029)	(162,509)	(3,275,832)	(3,688,295)	(121,087)
Income From Operations	9,673,699	13,034,136	13,962,885	458,401	9,248,171	20,976,279	688,650
Non-Operating Income And Expenses							
Share of profit of associates and joint ventures	737,161	979,609	1,271,111	41,730	996,650	1,663,716	54,619
Interest income	430,757	267,182	244,041	8,012	171,328	364,654	11,972
Dividend income	958,117	808,767	799,137	26,236	796,998	1,247,451	40,954
Other income	821,916	560,785	628,473	20,633	250,955	599,324	19,675
Finance costs	(1,873,739)	(1,916,837)	(1,923,309)	(63,142)	(1,420,845)	(1,827,585)	(60,000)
Other expenses	(378,386)	(473,231)	(452,021)	(14,840)	(385,151)	(162,549)	(5,336)
Foreign exchange losses, net	(1,570,026)	(985,562)	(241,360)	(7,924)	(217,619)	(136,169)	(4,470)
Impairment loss recognized on financial assets	(51,296)	(619,013)	(110,507)	(3,628)	(110,082)	—	—
Impairment loss recognized on non-financial assets	(13,105)	(508,142)	(250,622)	(8,228)	—	—	—
Net gain/(loss) on financial assets and liabilities at fair value through profit or loss	(69,083)	367,641	(103,169)	(3,387)	(103,849)	50,276	1,651
Total non-operating income and expenses	(1,007,684)	(1,518,801)	(138,226)	(4,538)	(21,615)	1,799,118	59,065

	Year ended December 31,				Nine months ended September 30,		
	2015	2016	2017		2017	2018	
	NT$	NT$	NT$	US$	NT$	NT$	US$
					(unaudited)		
	(in thousands, except per share information)						
Income Before Income Tax	8,666,015	11,515,335	13,824,659	453,863	9,226,556	22,775,397	747,715
Income Tax Expense	(1,740,389)	(2,673,260)	(3,501,859)	(114,966)	(2,305,015)	(5,740,441)	(188,458)
Net Income	6,925,626	8,842,075	10,322,800	338,897	6,921,541	17,034,956	559,257
Other Comprehensive Income (Loss)	(7,518,044)	(6,987,714)	9,976,772	327,537	6,197,551	2,461,574	80,813
Total Comprehensive Income (Loss)	(592,418)	1,854,361	20,299,572	666,434	13,119,092	19,496,530	640,070
Net Income Attributable To:							
Shareholders of the parent	5,775,989	6,358,452	7,594,247	249,319	4,948,812	15,943,568	523,427
Non-controlling interests	1,149,637	2,483,623	2,728,553	89,578	1,972,729	1,091,388	35,830
	6,925,626	8,842,075	10,322,800	338,897	6,921,541	17,034,956	559,257
Total Comprehensive Income (Loss) Attributable To:							
Shareholders of the parent	(806,454)	2,411,113	17,775,812	583,579	10,806,091	18,332,102	601,842
Non-controlling interests	214,036	(556,752)	2,523,760	82,855	2,313,001	1,164,428	38,228
	(592,418)	1,854,361	20,299,572	666,434	13,119,092	19,496,530	640,070
Earnings Per Share (NT$/US$)							
Basic earnings per share	1.56	1.72	2.03	0.07	1.22	3.35	0.11
Diluted earnings per share	1.56	1.72	2.03	0.07	1.22	3.35	0.11

Consolidated Balance Sheet Data

	As of December 31,				As of September 30,		
	2015	2016	2017		2017	2018	
	NT$	NT$	NT$	US$	NT$	NT$	US$
					(unaudited)		
	(in thousands)						
Current Assets	90,593,376	77,884,012	92,719,914	3,043,990	85,320,202	102,799,758	3,374,910
Non-current Assets	202,472,979	189,104,684	179,837,135	5,904,042	184,137,694	205,569,803	6,748,844
Total Assets	293,066,355	266,988,696	272,557,049	8,948,032	269,457,896	308,369,561	10,123,754

	As of December 31,				As of September 30,		
	2015	2016	2017		2017	2018	
	NT$	NT$	NT$	US$	NT$	NT$	US$
					(unaudited)		
	(in thousands)						
Current liabilities	68,083,832	55,104,919	65,192,960	2,140,281	65,268,003	62,799,418	2,061,701
Non-current liabilities	69,498,271	64,487,106	54,716,873	1,796,352	51,223,324	59,918,818	1,967,131
Equity Attributable To Shareholders of The Parent	108,042,985	106,768,051	136,348,204	4,476,303	112,222,222	170,123,138	5,585,133
Non-controlling Interests	47,441,267	40,628,620	16,299,012	535,096	40,744,347	15,528,187	509,789
Total Liabilities and Equity	293,066,355	266,988,696	272,557,049	8,948,032	269,457,896	308,369,561	10,123,754

Consolidated Statements of Cash Flow Data

	Year ended December 31,				Nine months ended September 30,		
	2015	2016	2017		2017	2018	
	NT$	NT$	NT$	US$	NT$	NT$	US$
					(unaudited)		
			(in thousands)				
Net cash generated from operating activities	21,763,392	18,750,155	12,310,560	404,155	7,091,678	14,491,475	475,754
Net cash generated from (used in) investing activities	(7,833,403)	54,767	1,055,604	34,655	1,014,918	(3,116,098)	(102,301)
Net cash generated from (used in) financing activities	(5,046,590)	(28,895,952)	(14,892,479)	(488,919)	(9,119,899)	5,964,273	195,807
Effects of exchange rate changes on cash and cash equivalents	(420,081)	(706,572)	(322,225)	(10,579)	(558,155)	(690,019)	(22,653)
Net increase (decrease) in cash and cash equivalents	8,463,318	(10,797,602)	(1,848,540)	(60,688)	(1,571,458)	16,649,631	546,607

Other Financial Data

	Year ended December 31,				Nine months ended September 30,		
	2015	2016	2017		2017	2018	
					(unaudited)		
Gross margin[1]	15.5%	20.1%	19.2%	19.2%	18.2%	27.5%	27.5%
Operating margin[2]	10.3%	14.6%	14.2%	14.2%	13.4%	23.4%	23.4%
Net margin[3]	7.4%	9.9%	10.5%	10.5%	10.0%	19.0%	19.0%
EBITDA (in thousands)[4][6]	NT$17,086,725	NT$20,020,768	NT$20,423,010	US$670,486	NT$14,077,090	NT$25,891,171	US$850,005
EBITDA margin[5][6]	18.2%	22.4%	20.8%	20.8%	20.4%	28.9%	28.9%

(1) Gross margin is calculated by dividing gross profit by operating revenue.

(2) Operating margin is calculated by dividing income from operations by operating revenue.

(3) Net margin is calculated by dividing net income by operating revenue.

(4) EBITDA is defined as income from operations adding back depreciation (but excluding non-operating depreciation) and amortization.

(5) EBITDA margin is calculated by dividing EBITDA by operating revenue.

(6) We have presented EBITDA and EBITDA margin because we consider them important supplemental measures of our operating performance and believe they are frequently used by analysts, investors and other interested parties in the evaluation of companies in our industry. Our management uses EBITDA and EBITDA margin as additional measurement tools for purposes of business decision-making, including developing budgets, managing expenditures and evaluating potential acquisitions or divestitures. Other companies in our industry may calculate EBITDA and EBITDA margin differently than we do. EBITDA and EBITDA margin are not measures of operating performance under Taiwan IFRS and should not be considered as a substitute for, or superior to, income from operations or operating margin prepared in accordance with Taiwan IFRS. EBITDA and EBITDA margin have limitations as analytical tools, and you should not consider them in isolation or as substitutes for analysis of our results as reported under Taiwan IFRS. You are encouraged to evaluate these adjustments and the reasons we consider them appropriate for supplemental analysis. In evaluating EBITDA and EBITDA margin, you should be aware that in the future we may incur expenses that are the same as or similar to some of the adjustments in this presentation. Our presentation of EBITDA and EBITDA margin should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Our audited consolidated financial statements for the years ended December 31, 2015, 2016 and 2017 and unaudited consolidated financial statements for nine months ended September 30, 2017 and 2018, have been prepared in accordance with Taiwan IFRS. Taiwan IFRS and IFRS differ in certain significant respects. See "Summary of Certain Material Differences Between Taiwan IFRS and IFRS." We have not quantified or identified the impact of differences between Taiwan IFRS and IFRS. The following discussion should be read in conjunction with the consolidated financial statements and notes thereto, which appear elsewhere in this offering memorandum. Unless otherwise stated, all financial information below for the years ended December 31, 2015, 2016 and 2017 and nine months ended September 30, 2017 and 2018 is presented on a consolidated basis. The following discussion contains forward-looking statements that reflect our current views with respect to future events and financial performance. Our actual results may differ materially from those anticipated in the forward-looking statements as a result of any number of factors, such as those set forth under "Risk Factors" and elsewhere in this offering memorandum. See "Special Note Regarding Forward-Looking Statements."

OVERVIEW

We have been the largest cement manufacturer in Taiwan since our inception and we are the sixth largest cement manufacturer in China and a top three cement manufacturer in each of Guangdong, Guangxi, Jiangsu and Guizhou provinces of China in terms of clinker production capacity in 2017. In addition, we entered into the cement industry of Europe as a result of the joint venture with OYAK pursuant to the subscription agreement in October 2018. See "Summary — Recent Developments" for more information. We also engage in certain non-cement segments, including chemical engineering segment, electricity segment and other segments.

We currently operate three cement plants and 21 RMC plants in Taiwan, as well as 19 cement plants, two RMC plants and three grinding mills in China, with a total annual production capacity of 64.3 million and 10.4 million metric tons of cement (including grinding mills capacity) in the PRC and Taiwan, respectively, and 12.0 million cubic meters of RMC as of September 30, 2018.

Our chemical engineering segment is operated through our subsidiary TPCC which is listed on TWSE. The production facilities of TPCC are located in Kaohsiung Industrial Park with a gross area of 13 hectares. TPCC is the first specialized phenol chemical producer in Taiwan. TPCC manufactures and sells a range of chemical products, primarily including cumene, phenol, acetone, bisphenol-A, cyclohexanone and maleic anhydride. We conduct the power generation business in Taiwan through Ho-Ping Power Plant, which is owned by our subsidiary Ho-Ping Power. We are also expanding into the renewable energy business to establish solar and wind farms to generate power from renewable energy. Our other segments include maritime transportation business that is complementary to our cement segment, as well as operation of waste management business.

In 2015, 2016, 2017 and the nine months ended September 30, 2017 and 2018, we had operating revenue of NT$93,679.1 million, NT$89,564.3 million, NT$98,311.8 million (US$3,227.6 million), NT$68,952.1 million and NT$89,657.4 million (US$2,943.4million), respectively. In the same periods, we had net income of NT$6,925.6 million, NT$8,842.1 million, NT$10,322.8 million (US$338.9 million), NT$6,921.5 million and NT$17,035.0 million (US$559.3 million), respectively.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our business and results of operations have been affected by a number of important factors that we believe will continue to affect our business and results of operations. Among these factors are the following:

Supply of Cement Products in China

A majority of our operating revenue is derived from our cement segment, of which a majority comes from our operations in China. The ASP of our cement products is highly sensitive to the supply of and demand for cement products in China. China's cement industry suffered from oversupply in the few years prior to 2016, which resulted in a significant decrease in the cement products price in China. As a result, the ASP of our cement and clinker sold in China decreased by 24.0% from RMB238 per metric ton in 2014 to RMB181 per metric ton in 2015. Due to the intense competition, a number of relatively small and low-end cement manufacturers have gone out of business. In addition, since 2016, the State Council of China has been implementing a supply-side structural reform on the construction material sector, including the cement industry, with an aim to, among others, reduce oversupply. The supply-side reform has had and is expected to continue to have the effect of phasing out obsolete capacity and inefficient manufacturers including those failing to comply with the PRC government's environmental requirements. Under the supply-side structural reform, certain areas are implementing off-peak season production policies for the cement industry. Consequently, the cement products price in China rebounded in 2017 compared to previous years. Mainly as a result of the above, our ASP for cement and clinker sold in China rebounded from RMB181 per metric ton in 2015 and RMB180 per metric ton in 2016, to RMB231 per metric ton in 2017. In the nine months ended September 30, 2018, our ASP for cement and clinker sold in China was RMB310 per metric ton. We expect that the change in overall supply in China's cement industry will continue to have a significant effect on our ASP and thus the overall operating revenue and profitability.

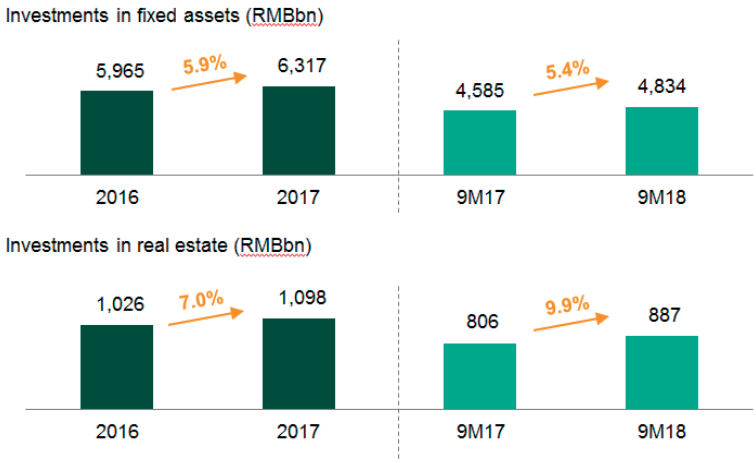
In addition, as cement manufacturers generally establish operations in areas with proximity to raw materials and end markets, competition in general is limited among regional players due to the localization characteristics and the high weight-to-value ratio of cement products. Currently, approximately 86% of our production capacity in China is located in South and Southwest China where we possess strong market positions. In particular, we are among the top three cement companies in four provinces in China, namely, Guangdong, Guangxi, Jiangsu and Guizhou provinces. Therefore, the supply of cement products in South and Southwest China would particularly have an impact on our ASP and results of operations.

Growth in Demand for Cement Products in China

Macro-economic trends in China have a significant impact on the demand for cement products, particularly the infrastructure and property development sectors. Therefore, the sales volume and ASP of our cement products are sensitive to the level of activities in these sectors in China.

During the past few years, China has announced a series of policies and committed infrastructure development projects, in particular, transportation network and hydraulic engineering projects. The promotion of private public partnership projects is expected to continue to be the impetus for further implementation of civil engineering works in the public sector. In terms of infrastructure construction, according to China's Railway Development Plan announced in 2017, by 2020, the fixed asset investment of China's railway will reach RMB3.5 trillion to RMB3.8 trillion and 30,000-kilometer railway is expected to be newly built. The national railway mileage is expected to reach 150,000 kilometers by 2020, of which the high-speed railway is expected to reach 30,000 kilometers and the intercity railway mileage is expected to reach 2,000 kilometers. The national railway network will cover almost all cities with a resident population of 200,000 or

above by 2020. The increase in governmental infrastructure projects, as well as the supply-side structural reform in the cement industry, have increased demand for high grade cement, which benefits us and other large cement manufacturers. The following chart sets forth the growth of the infrastructure and property development sectors for the periods indicated:



Source: National Bureau of Statistics of China

In the future, infrastructure and property development activities will continue to drive the demand for cement products, and thus have a significant impact on our results of operations. See "Our Industry — Cement Industry — Cement Demand in China" for more information.

R&D Capability and Production Efficiency

We have been committed to invest in our R&D capability, in particular, in enhancing the production efficiency and addressing environmental concerns of our cement production facilities. These R&D investments would increase our operating expenses. However, we believe these investments are essential to the results of operations of our cement segment because:

- enhancing our production efficiency would reduce our production cost and therefore increase our profitability;
- applying higher environmental standards to our cement production facilities would mitigate our potential environmental liabilities and risks associated with being required to shut down or reduce capacity by the government due to environmental concerns;
- increasing alternative fuel ratios and the number of incineration facilities in cement kilns and increasing waste management capacity would create synergies in various business segments and diversify revenue streams; and
- these efforts would also help us earn business from environmental conscious customers.

Due to our continuing R&D efforts and application of advanced production technologies, we have benefited from the PRC government's efforts to eliminate obsolete capacity and inefficient manufacturers including those failing to comply with the PRC government's environmental requirements. We believe the effectiveness of our R&D activities and our production efficiency will continue to affect our business and results of operations.

Cost of Fuel Coal

Energy expenses account for a substantial portion of cement manufacturers' and power plants' cost structure. In 2015, 2016 and 2017 and the nine months ended September 30, 2017 and

2018, cost of coal for our cement business in Taiwan represented 16.5%, 15.0%, 19.6%, 20.3% and 20.5% of the segment operating costs incurred in Taiwan, respectively, while cost of coal for our cement business in China represented 31.4%, 32.8%, 42.8%, 42.2% and 41.6% of the segment operating costs incurred in China, respectively. During the same periods, cost of coal for our electricity segment represented 86.7%, 87.1%, 87.9%, 89.6% and 90.1% of the segment operating costs, respectively.

In particular, cost of coal constitutes a vast majority of the operating costs of our electricity segment. On the other hand, under the Power Purchase Agreement, Ho-Ping Power sells its entire output to Taipower and charges Taipower based on both its net dispatchable capacity and the actual amount of electricity sold. The pricing for electricity tariff Ho-Ping Power charges Taipower for a specific year is based on a formula referencing to the average cost of coal for the previous year. As such, the fluctuation of coal price would have a deferred effect on the pricing, and thus the gross margin of our electricity segment. We experienced significant increases in coal price since late 2016. Surging coal price had inevitably exerted pressure on our profit margins in 2016. However, our high cost of coal in 2016 in turn had a positive effect of our electricity segment in 2017, due to the increased electricity tariff reflecting the 2016 cost of coal pursuant to the Power Purchase Agreement.

Product Mix

Our results of operations are affected by our product mix in many ways. First, the profit margin of our different segments are significantly different. In 2017, the segment operating margin, defined as the segment income from operations divided by the segment operating revenue, for our cement segment, chemical engineering segment, electricity segment and other segments were 13.4%, negative 1.2%, 41.8% and 9.0%, respectively. Therefore, a change in our product mix among different reporting segments will have a significant effect on our overall profitability.

In addition, for our cement products, we sell different grades of cement with various physical characteristics at different selling prices. The ASP of our high grade cement is higher than the ASP of our low grade cement. Therefore, changes in the mix of cement products will affect our overall ASP and the total operating revenue. As high grade cement has higher strength, it has been primarily used in government infrastructure projects while the low grade cement has been primarily used in various rural residential construction projects. As a result of the increasing investment in governmental infrastructure projects in China, our operating revenue contributed by sales of high grade cement increased substantially in recent years. In terms of our chemical products, we underwent a series of adjustment in product mix and ceased the production of certain phenol products due to their relatively low profit margin in 2015 and 2016. As a result, the segment operating margin for our chemical engineering segment improved from negative 2.2% in 2016 to negative 1.2% in 2017.

CERTAIN COMPONENTS OF STATEMENT OF OPERATIONS

Operating Revenue

We generate operating revenue from each of our four business segments: cement segment, chemical engineering segment, electricity segment and other segments. Our operating revenue represents net operating revenue that is arrived at after deducting sales returns and allowances on cement and chemical products. Historically, we have not had substantial amount of sales returns. Our sales returns and allowances have consisted principally of volume discounts to certain of our

large customers. The following table sets forth a breakdown of our operating revenue by business segments for the periods indicated:

	Year ended December 31,							Nine months ended September 30,				
	2015		2016		2017			2017		2018		
	NT$	% of Total	NT$	% of Total	NT$	US$	% of Total	NT$	% of Total	NT$	US$	% of Total
										(unaudited)		
	(in thousands, except percentages)											
Cement segment	66,015,946	70.5	65,373,914	73.0	71,905,276	2,360,646	73.1	49,904,208	72.4	65,966,462	2,165,675	73.6
Chemical engineering segment	11,741,599	12.5	9,786,812	10.9	13,192,984	433,125	13.4	9,752,582	14.1	11,835,610	388,562	13.2
Electricity segment	12,645,730	13.5	11,752,037	13.1	10,353,637	339,909	10.5	7,330,458	10.6	8,925,291	293,017	10.0
Other segments	3,275,801	3.5	2,651,543	3.0	2,859,879	93,890	3.0	1,964,860	2.8	2,929,991	96,192	3.3
Total	**93,679,076**	**100.0**	**89,564,306**	**100.0**	**98,311,776**	**3,227,570**	**100.0**	**68,952,108**	**100.0**	**89,657,354**	**2,943,446**	**100.0**

Cement Segment

We generate operating revenue from our cement segment through selling cement and clinker, RMC, and other cement products. In accordance with sales practice, we recognize operating revenue from sales of cement products upon our shipment. We generally require prepayment for sale of cement and clinker. In 2015, 2016, 2017 and the nine months ended September 30, 2017 and 2018, operating revenue from our cement segment were NT$66,015.9 million, NT$65,373.9 million, NT$71,905.3 million (US$2,360.6 million), NT$49,904.2 million and NT$65,966.5 million (US$2,165.7 million), respectively, representing 70.5%, 73.0%, 73.1%, 72.4% and 73.6% of our total operating revenue, respectively.

Chemical Engineering Segment

We generate operating revenue from our chemical engineering segment through selling phenol, acetone and other chemical products. We generally recognize operating revenue from sales of chemical products upon our shipment. In 2015, 2016, 2017 and the nine months ended September 30, 2017 and 2018, operating revenue from our chemical engineering segment were NT$11,741.6 million, NT$9,786.8 million, NT$13,193.0 million (US$433.1 million), NT$9,752.6 million and NT$11,835.6 million (US$388.6 million), respectively, representing 12.5%, 10.9%, 13.4%, 14.1% and 13.2% of our total operating revenue, respectively.

Electricity Segment

We through Ho-Ping Power operate one thermal power plant, Ho-Ping Power, located in Hualien, Taiwan. Ho-Ping Power sells its entire output to Taipower. We generate operating revenue from our electricity segment through charging Taipower (i) energy payments calculated according to the volume of electric power sold, and (ii) capacity payments determined based on the net dispatchable capacity of Ho-Ping Power. Pursuant to the Power Purchase Agreement, the tariff rate for the energy payments is based on the average coal costs and other variable operation and maintenance costs during the year preceding the relevant year. The capacity payments are charged mainly to cover the capital expenditure in respect of the construction of Ho-Ping Power Plant. In accordance with applicable accounting policies, the arrangement under the Power Purchase Agreement constitutes a finance lease. See "— Critical Accounting Policies — Determining Whether an Arrangement Contains a Lease." Accordingly, the operating revenue from our electricity segment arises from the energy payments and income under the finance lease. In 2015,

2016, 2017 and the nine months ended September 30, 2017 and 2018, operating revenue from our electricity segment were NT$12,645.7 million, NT$11,752.0 million, NT$10,353.6 million (US$339.9 million), NT$7,330.5 million and NT$8,925.3 million (US$293.0 million), respectively, representing 13.5%, 13.1%, 10.5%, 10.6% and 10.0% of our total operating revenue, respectively.

Other Segments

Other segments include certain transportation businesses that are complementary to our cement segment, as well as other miscellaneous operations. Operating revenue from our transportation business represents freight payable by third party customers for our transportation services. In 2015, 2016, 2017 and the nine months ended September 30, 2017 and 2018, operating revenue from our other segments were NT$3,275.8 million, NT$2,651.5 million, NT$2,859.9 million (US$93.9 million), NT$1,964.9 million and NT$2,930.0 million (US$96.2 million), respectively, representing 3.5%, 3.0%, 3.0%, 2.8% and 3.3% of our total operating revenue, respectively.

Operating Costs

Our operating costs include principally cost of raw materials, employee benefits expense, depreciation and amortization and other costs, such as cost of electricity and taxation expenses. In 2015, 2016, 2017 and the nine months ended September 30, 2017 and 2018, our operating costs were NT$79,151.1 million, NT$71,583.3 million, NT$79,398.9 million (US$2,606.7 million), NT$56,428.1 million and NT$64,992.8 million (US$2,133.7 million), respectively.

Operating Expenses

The following table sets forth the principal components of our operating expenses for the periods indicated:

	Year ended December 31,							Nine months ended September 30,				
	2015		2016		2017			2017		2018		
Operating Expenses:	NT$	% of Operating Revenue	NT$	% of Operating Revenue	NT$	US$	% of Operating Revenue	NT$	% of Operating Revenue	NT$	US$	% of Operating Revenue
										(unaudited)		
					(in thousands, except percentages)							
Marketing	(859,723)	(0.9)	(733,021)	(0.8)	(791,540)	(25,986)	(0.8)	(572,965)	(0.8)	(636,516)	(20,897)	(0.7)
General and administrative	(3,987,700)	(4.3)	(4,193,229)	(4.7)	(4,126,090)	(135,459)	(4.2)	(2,678,402)	(3.9)	(3,027,009)	(99,377)	(3.4)
Research and development	(6,895)	(0.0)	(20,618)	(0.0)	(32,399)	(1,064)	(0.0)	(24,465)	(0.0)	(24,770)	(813)	(0.0)
Total	**(4,854,318)**	**(5.2)**	**(4,946,868)**	**(5.5)**	**(4,950,029)**	**(162,509)**	**(5.0)**	**(3,275,832)**	**(4.8)**	**(3,688,295)**	**(121,087)**	**(4.1)**

Our operating expenses consist primarily of general and administrative costs, which include primarily salaries and wages, pensions and retirement benefits, and depreciation expenses relating to our self-owned plant and equipment. Our marketing expenses include principally staff costs, advertisement expenses and transportation expenses. We also incur research and development expenses which relate primarily to research and application of environmental friendly technologies in our production and development of new products.

Segment Income and Operating Margin

Our segment income from operations represented profit before tax earned by each segment without allocation of central administration costs, director's remuneration, share of profits of associates and joint ventures, dividend income, interest income, net gain (loss) on financial assets

and liabilities at fair value through profit or loss, impairment recognized on financial assets, impairment loss recognized on non-financial assets, finance costs, foreign exchange gains and losses and income tax expense. Segment operating margin is calculated by dividing segment income from operations by segment operating revenue. The following table sets forth a breakdown of our segment income and segment operating margin for the periods indicated:

	Year ended December 31,							Nine months ended September 30,				
	2015		2016		2017			2017		2018		
	NT$	Operating Margin	NT$	Operating Margin	NT$	US$	Operating Margin	NT$	Operating Margin	NT$	US$	Operating Margin
										(unaudited)		
	(in thousands, except percentages)											
Cement segment	2,487,671	3.8%	5,104,355	7.8%	9,608,840	315,458	13.4%	5,858,801	11.7%	16,806,853	551,768	25.5%
Chemical engineering segment	(1,620,047)	(13.8)%	(212,321)	(2.2)%	(162,677)	(5,341)	(1.2)%	(249,203)	(2.6)%	343,265	11,269	2.9%
Electricity segment	8,468,844	67.0%	7,895,737	67.2%	4,326,424	142,036	41.8%	3,530,718	48.2%	3,394,012	111,425	38.0%
Other segments	387,748	11.8%	302,045	11.4%	256,603	8,424	9.0%	151,869	7.7%	485,654	15,944	16.6%
Total	**9,724,216**	**N.A.**	**13,089,816**	**N.A.**	**14,029,190**	**460,577**	**N.A**	**9,292,185**	**N.A.**	**21,029,784**	**690,406**	**N.A.**

Non-operating Income and Expenses

Non-operating income consists of share of profit of associates and joint ventures recognized under the equity method, interest income, dividends income and other income. Our non-operating expenses comprise finance costs, foreign exchange loss and other losses. The following table sets forth the principal components of our non-operating income and expenses for the periods indicated:

	Year ended December 31,							Nine months ended September 30,				
	2015		2016		2017			2017		2018		
Non-operating Income and Expenses:	NT$	% of Operating Revenue	NT$	% of Operating Revenue	NT$	US$	% of Operating Revenue	NT$	% of Operating Revenue	NT$	US$	% of Operating Revenue
										(unaudited)		
	(in thousands, except percentages)											
Share of profit of associates and joint ventures	737,161	0.8	979,609	1.1	1,271,111	41,730	1.3	996,650	1.4	1,663,716	54,619	1.9
Interest income	430,757	0.5	267,182	0.3	244,041	8,012	0.2	171,328	0.2	364,654	11,972	0.4
Dividend income	958,117	1.0	808,767	0.9	799,137	26,236	0.8	796,998	1.2	1,247,451	40,954	1.4
Other income	821,916	0.9	560,785	0.6	628,473	20,633	0.6	250,955	0.4	599,324	19,675	0.7
Finance costs	(1,873,739)	(2.0)	(1,916,837)	(2.1)	(1,923,309)	(63,142)	(2.0)	(1,420,845)	(2.1)	(1,827,585)	(60,000)	(2.0)
Other expenses	(378,386)	(0.4)	(473,231)	(0.5)	(452,021)	(14,840)	(0.4)	(385,151)	(0.6)	(162,549)	(5,336)	(0.2)
Foreign exchange losses, net	(1,570,026)	(1.7)	(985,562)	(1.1)	(241,360)	(7,924)	(0.2)	(217,619)	(0.3)	(136,169)	(4,470)	(0.2)
Impairment loss recognized on financial assets	(51,296)	(0.1)	(619,013)	(0.7)	(110,507)	(3,628)	(0.1)	(110,082)	(0.2)	—	—	—
Impairment loss recognized on non-financial assets	(13,105)	0.0	(508,142)	(0.6)	(250,622)	(8,228)	(0.3)	—	—	—	—	—
Net gain (loss) on financial assets and liabilities at fair value through profit or loss	(69,083)	(0.1)	367,641	0.4	(103,169)	(3,387)	(0.1)	(103,849)	(0.2)	50,276	1,651	0.1
Total	**(1,007,684)**	**(1.1)**	**(1,518,801)**	**(1.7)**	**(138,226)**	**(4,538)**	**(0.2)**	**(21,615)**	**(0.0)**	**1,799,118**	**59,065**	**2.0**

Share of profit of associates and joint ventures recognized under equity method mainly comes from our 25.0% equity interest in Prosperity Conch Cement Co., Ltd., as well as our certain other investments.

CRITICAL ACCOUNTING POLICIES

The preparation of financial statements and disclosures in conformity with Taiwan IFRS requires management to make judgments, assumptions and estimates that affect the amounts reported in our financial statements and the accompanying notes. The amounts of assets and liabilities reported in our balance sheets and the amounts of revenues and expenses reported for each of the periods are affected by estimates and assumption which are used for, but not limited to, determining whether an arrangement contains a lease, and impairment tests of property, plant and equipment and goodwill. Actual results could differ from these estimates. Notes 4 and 5 to our audited consolidated financial statements as of and for the years ended December 31, 2015, 2016 and 2017 included elsewhere in this offering memorandum describe the significant accounting policies and methods used in the preparation of the financial statements for the years ended December 31, 2015, 2016 and 2017. The following critical accounting policies are significantly affected by judgments, assumptions and estimates used in the preparation of our financial statements.

Determining Whether an Arrangement Contains a Lease

We apply the principles of IFRIC Interpretations 4 "Determining Whether an Arrangement Contains a Lease" in order to assess whether the arrangement under the Power Purchase Agreement constitutes or contains a lease. The requirements to be met in order to conclude that an arrangement constitutes or contains a lease are set forth as follows:

- the provision of a service under the arrangement should be dependent on the use of one or more specific assets; and

- the arrangement must convey a right to use these assets.

Under the Power Purchase Agreement, the power plant is specified and it is not economically feasible for Ho-Ping Power to perform its obligations through the use of alternative assets. Furthermore, Taipower effectively has the ability to direct Ho-Ping Power to operate the power plant in a manner it determines while obtaining all the electricity produced by Ho-Ping Power Plant. Accordingly, we determine that the arrangement under the Power Purchase Agreement contains a lease.

Impairment of Property, Plant and Equipment

At the end of each reporting period, we review the carrying amounts of our property, plant and equipment, excluding goodwill, 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, we estimate the recoverable amount of the cash-generating unit to which the asset belongs. Group assets are allocated to the smallest group of cash-generating units on a reasonable and consistent basis of allocation.

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

Impairment of Goodwill

For the purpose of impairment testing, goodwill is allocated to each of our cash-generating units or groups of cash-generating units (referred to as cash-generating units) that is expected to benefit from the synergies of the combination. A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The calculation of the value in use requires management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

RESULTS OF OPERATIONS

The following table sets forth, for the periods indicated, financial data from our audited consolidated and unaudited consolidated statements of income and as a percentage of our total operating revenue.

	Year ended December 31,							Nine months ended September 30,				
	2015		2016		2017			2017		2018		
	NT$	% of Operating Revenue	NT$	% of Operating Revenue	NT$	US$	% of Operating Revenue	NT$	% of Operating Revenue	NT$	US$	% of Operating Revenue
										(unaudited)		
	(in thousands, except percentages)											
Operating Revenue	93,679,076	100.0	89,564,306	100.0	98,311,776	3,227,570	100.0	68,952,108	100.0	89,657,354	2,943,446	100.0
Operating Costs	(79,151,059)	(84.5)	(71,583,302)	(79.9)	(79,398,862)	(2,606,660)	(80.8)	(56,428,105)	(81.8)	(64,992,780)	(2,133,709)	(72.5)
Gross Profit	14,528,017	15.5	17,981,004	20.1	18,912,914	620,910	19.2	12,524,003	18.2	24,664,574	809,737	27.5
Operating Expenses												
Marketing	(859,723)	(0.9)	(733,021)	(0.8)	(791,540)	(25,986)	(0.8)	(572,965)	(0.8)	(636,516)	(20,897)	(0.7)
General and administrative	(3,987,700)	(4.3)	(4,193,229)	(4.7)	(4,126,090)	(135,459)	(4.2)	(2,678,402)	(3.9)	(3,027,009)	(99,377)	(3.4)
Research and development	(6,895)	(0.0)	(20,618)	(0.0)	(32,399)	(1,064)	(0.0)	(24,465)	(0.0)	(24,770)	(813)	(0.0)
Total Operating Expenses	(4,854,318)	(5.2)	(4,946,868)	(5.5)	(4,950,029)	(162,509)	(5.0)	(3,275,832)	(4.8)	(3,688,295)	(121,087)	(4.1)
Income from Operations	9,673,699	10.3	13,034,136	14.6	13,962,885	458,401	14.2	9,248,171	13.4	20,976,279	688,650	23.4
Non-Operating Income and Expenses												
Share of profit of associates and joint ventures	737,161	0.8	979,609	1.1	1,271,111	41,730	1.3	996,650	1.4	1,663,716	54,619	1.9
Interest income	430,757	0.5	267,182	0.3	244,041	8,012	0.2	171,328	0.2	364,654	11,972	0.4
Dividend income	958,117	1.0	808,767	0.9	799,137	26,236	0.8	796,998	1.2	1,247,451	40,954	1.4
Other income	821,916	0.9	560,785	0.6	628,473	20,633	0.6	250,955	0.4	599,324	19,675	0.7
Finance costs	(1,873,739)	(2.0)	(1,916,837)	(2.1)	(1,923,309)	(63,142)	(2.0)	(1,420,845)	(2.1)	(1,827,585)	(60,000)	(2.0)
Other expenses	(378,386)	(0.4)	(473,231)	(0.5)	(452,021)	(14,840)	(0.4)	(385,151)	(0.6)	(162,549)	(5,336)	(0.2)
Foreign exchange losses, net	(1,570,026)	(1.7)	(985,562)	(1.1)	(241,360)	(7,924)	(0.2)	(217,619)	(0.3)	(136,169)	(4,470)	(0.2)
Impairment loss recognized on financial assets	(51,296)	(0.1)	(619,013)	(0.7)	(110,507)	(3,628)	(0.1)	(110,082)	—	—	—	—

	Year ended December 31,							Nine months ended September 30,				
	2015		2016		2017			2017		2018		
	NT$	% of Operating Revenue	NT$	% of Operating Revenue	NT$	US$	% of Operating Revenue	NT$	% of Operating Revenue	NT$	US$	% of Operating Revenue
										(unaudited)		
	(in thousands, except percentages)											
Impairment loss recognized on non-financial assets	(13,105)	0.0	(508,142)	(0.6)	(250,622)	(8,228)	(0.3)	—	—	—	—	—
Net gain (loss) on financial assets and liabilities at fair value through profit or loss	(69,083)	(0.1)	367,641	0.4	(103,169)	(3,387)	(0.1)	(103,849)	(0.2)	50,276	1,651	0.1
Total Non-operating income and expenses	(1,007,684)	(1.1)	(1,518,801)	(1.7)	(138,226)	(4,538)	(0.2)	(21,615)	(0.0)	1,799,118	59,065	2.0
Income before Income Tax	8,666,015	9.3	11,515,335	12.9	13,824,659	453,863	14.0	9,226,556	13.4	22,775,397	747,715	25.4
Income Tax Expense	(1,740,389)	(1.9)	(2,673,260)	(3.0)	(3,501,859)	(114,966)	(3.6)	(2,305,015)	(3.3)	(5,740,441)	(188,458)	(6.4)
Net Income	6,925,626	7.4	8,842,075	9.9	10,322,800	338,897	10.4	6,921,541	10.0	17,034,956	559,257	19.0

Nine months Ended September 30, 2018 (Unaudited) Compared to Nine months Ended September 30, 2017 (Unaudited)

Operating revenue

Our operating revenue increased by 30.0% to NT$89,657.4 million (US$2.943.4 million) in the nine months ended September 30, 2018 from NT$68,952.1 million in the same period in 2017, primarily due to a 32.2% increase in operating revenue from our cement segment to NT$65,966.5 million (US$2,165.7 million) from NT$49,904.2 million and a 21.4% increase in operating revenue from our chemical engineering segment to NT$11,835.6 million (US$388.6 million) from NT$9,752.6 million. Operating revenue from electricity and other segments also increased by 21.8% and 49.1%, respectively.

The increase in operating revenue in our cement segment in the nine months ended September 30, 2018 compared to the same period in 2017 was primarily due to the increase in the ASP of our cement and clinker in China to RMB310 per metric ton from RMB222 per metric ton mainly as a result of the continuing supply-side structural reform in China while the repaid growth in our chemical engineering segment was primarily driven by the increase in sales volume of our chemical products.

The increase in the operating revenue generated from our electricity segments was primarily due to the relatively higher electricity tariffs in the nine months ended September 30, 2018 as compared to the same period in 2017. Increase in the operating revenue of other segments was due to the strong demand of our transportation services and the consequent increase in freight paid by third party customers for such services.

Operating Costs

Our operating costs increased by 15.2% to NT$64,992.8 million (US$2,133.7 million) in the nine months ended September 30, 2018 from NT$56,428.1 million in the same period in 2017. The increase was principally due to an increase in cost of coal along with the increase in the sales volume of our cement products.

Gross Profit and Gross Margin

As a result of the foregoing, our gross profit increased by 96.9% to NT$24,664.6 million (US$809.7 million) in the nine months ended September, 2018 from NT$12,524.0 million in the same period in 2017, and our gross margin increased to 27.5% from 18.2%. The significant increase in gross margin was primarily driven by the increase in the ASP of our cement and clinker and that we realized a profit for our chemical engineering segment as compared to a loss, partially offset by a decrease in gross margin of our electricity segment.

Operating Expenses

Our operating expenses increased by 12.6% to NT$3,688.3 million (US$121.1 million) in the nine months ended September 30, 2018 from NT$3,275.8 million in the same period of 2017. The increase was mainly resulted from a 13.0% increase in the general and administrative expenses, primarily attributable to employee benefits expense associated with our newly hired employees.

Income from Operations and Operating Margin

As a result of the foregoing, our income from operations increased significantly to NT$20,976.3 million (US$688.7 million) in the nine months ended September 30, 2018 from NT$9,248.2 million in the same period in 2017, and our operating margin, defined as income from operations divided by operating revenue, increased to 23.4% from 13.4%.

Segment income from operations of our cement segment increased significantly to NT$16,806.9 million (US$551.8 million) in the nine months ended September 30, 2018 from NT$5,858.8 million in the same period in 2017, and the segment operating margin improved to 25.5% from 11.7%, primarily driven by the increased ASP of our cement and clinker.

In the nine months ended September, segment income from operation of our chemical engineering segment was NT$343.3 million (US$11.3 million), as compared to a loss of NT249.2 million in the same period of 2017. Such change was primarily due to our continuous effort in optimizing the product mix for our chemical engineering segment.

Segment income from operations of our electricity segment slightly decreased by 3.9% to NT$3,394.0 million (US$111.4 million) in the nine months ended September 30, 2018 from NT$3,530.7 million in the same period in 2017, primarily due to the routine equipment repair and maintenance of Ho-Ping Power Plant in early 2018, which resulted in a significant decrease in its capacity in the first half of 2018. Segment income from operations of our other segments increased by 219.8% to NT$485.7 million (US$15.9 million) in the nine months ended September 30, 2018 from NT$151.9 million in the same period in 2017 as a result of the strong demand of our transportation services and the consequent increase in freight paid by third party customers for such services.

Non-Operating Income and Expenses

We recorded net non-operating income of NT$1,799.1 million (US$59.1 million) in the nine months ended September 30, 2018 while incurred net non-operating expenses of NT$21.6 million in the same period of 2017. The change was primarily due to a 66.9% increase in share of profit of associates and joint ventures to NT$1,663.7 million (US$54.6 million) from NT$996.7 million, which was mainly related to our investment in cement companies in China. The change was also attributable to a 112.8% increase in interest income to NT$364.7 million (US$12.0 million) in the nine months ended September 30, 2018 from NT$171.3 million in the same period in 2017 and a 56.5% increase in dividend income to NT$1,247.5 million (US$41.0 million) from NT$797.0 million.

Income Tax Expense

Our income tax expense increased significantly to NT$5,740.4 million (US$188.5 million) in the nine months ended September 30, 2018 from NT$2,305.0 million in the same period in 2017, primarily as a result of the significant increase in our income before income tax to NT$22,775.4 million (US$747.7 million) from NT$9,226.6 million. The statutory income tax rate applicable to us in the ROC was adjusted from 17% to 20% since January 1, 2018, which further increased our income tax expenses in the nine months ended September 30, 2018.

Net Income and Net Income Margin

As a result of the foregoing, our net income was NT$17,035.0 million (US$559.3 million) in the nine months ended September 30, 2018, compared to NT$6,921.5 million in the same period of 2017. Our net income margin also increased to 19.0% from 10.0%.

Year Ended December 31, 2017 Compared to Year Ended December 31, 2016

Operating revenue

Our operating revenue increased by 9.8% to NT$98,311.8 million (US$3,227.6 million) in 2017 from NT$89,564.3 million in 2016, primarily due to a 10.0% increase in operating revenue from our cement segment to NT$71,905.3 million (US$2,360.6 million) from NT$65,373.9 million, partially offset by a 11.9% decrease in operating revenue from our electricity segment to NT$10,353.6 million (US$339.9 million) from NT$11,752.0 million. In addition, a 34.8% increase in operating revenue from our chemical engineering segment to NT$13,193.0 million (US$433.1 million) from NT$9,786.8 million also contributed to the increase in our operating revenue.

The increase in operating revenue in our cement segment in 2017 compared to 2016 was primarily due to the increased ASP of our cement and clinker to RMB231 per metric ton from RMB180 per metric ton resulting from the continuing supply-side structural reform in China.

The increase in operating revenue generated from our chemical engineering segment was primarily due to higher sales price as a result of strong market demand. The decrease in operating revenue generated from our electricity segment was mainly because a transmission tower operated by Ho-Ping Power was toppled down by Typhoon Nesat in late July 2017, which significantly affected our power supply capacity and resulted in a significant decrease in energy payment in August 2017.

Operating Costs

Our operating costs increased by 10.9% to NT$79,398.9 million (US$2,606.7 million) in 2017 from NT$71,583.3 million in 2016. The increase was principally due to an increase in the cost of raw materials resulting from the increased coal price and the increase in sales volume of our cement and chemical products.

Gross Profit and Gross Margin

As a result of the foregoing, our gross profit increased by 5.2% to NT$18,912.9 million (US$620.9 million) in 2017 from NT$17,981.0 million in 2016, and our gross margin decreased to 19.2% from 20.1% mainly because the coal price in 2017 was higher than that in 2016, which resulted in an increase in the cost of coal in 2017.

Operating Expenses

Our operating expenses slightly increased by 0.1% to NT$4,950.0 million (US$162.5 million) in 2017 from NT$4,946.9 million in 2016. The increase resulted primarily from a 57.1% increase

in the research and development expenses as our chemical engineering segment launched research projects to develop new chemical products for electronics industry, partially offset by a 1.6% decrease in general and administrative expenses resulted from the decrease in expenses associated with depreciation and amortization.

Income from Operations and Operating Margin

As a result of the foregoing, our income from operations increased by 7.1% to NT$13,962.9 million (US$458.4 million) in 2017 from NT$13,034.1 million in the same period in 2017, and our operating margin decreased to 14.2% from 14.6%.

Segment income from operations of our cement segment increased by 88.2% to NT$9,608.8 million (US$315.5 million) in 2017 from NT$5,104.4 million in 2016, and the segment operating margin improved to 13.4% from 7.8%, primarily due to the improved ASP of our cement and clinker in China in 2017.

Segment income from operations of our electricity segment decreased by 45.2% to NT$4,326.4 million (US$142.0 million) in 2017 from NT$7,895.7 million in 2016, primarily due to the continuing increase in coal price and the losses caused by Typhoon Nesat. Segment operating margin decreased to 41.8% from 67.2% because the electricity tariff in 2017 was determined on the relatively low coal price in 2016 and thus the energy payments did increase proportionally to the increase of cost of coal in 2017. The decrease in the segment operating margin was also attributable to the rebuilding expenses incurred after Typhoon Nesat.

Segment operating loss of our chemical engineering segment decreased by 23.4% to NT$162.7 million (US$5.3 million) in 2017 from NT$212.3 million in 2016, primarily due to our effort in optimizing the product mix for our chemical engineering segment and the cessation of certain non-profitable chemical products in 2016. Segment income from operations of our other segments decreased by 15.0% to NT$256.6 million (US$8.4 million) in 2017 from NT$302.0 million in 2016.

Non-Operating Income and Expenses

We recorded net non-operating expenses of NT$138.2 million (US$4.5 million) in 2017, representing a 90.9% decrease from NT$1,518.8 million in 2016. This decrease was primarily attributable to a 29.8% increase in share of profit of associates and joint ventures to NT$1,271.1 million (US$41.7 million) from NT$979.6 million. The decrease was also attributable to a 75.5% decrease in foreign exchange loss to NT$241.4 million (US$7.9 million) in 2017 from NT$985.6 million in 2016 due to the appreciation of Renminbi against U.S. dollar in 2017.

Income Tax Expense

Our income tax expense increased by 31.0% to NT$3,501.9 million (US$115.0 million) in 2017 from NT$2,673.3 million in 2016, primarily as a result of a 20.1% increase in our income before income tax to NT$13,824.7 million (US$453.9 million) from NT$11,515.3 million.

Net Income and Net Income Margin

As a result of the foregoing, our net income was NT$10,322.8 million (US$338.9 million) in 2017, compared to NT$8,842.1 million in 2016. Our net income margin also increased to 10.5% from 9.9%.

Year Ended December 31, 2016 Compared to Year Ended December 31, 2015

Operating revenue

Our operating revenue decreased by 4.4% to NT$89,564.3 million in 2016 from NT$93,679.1 million in 2015, primarily due to a 16.6% decrease in operating revenue from our chemical

engineering segment to NT$9,786.8 million from NT$11,741.6 million, and a 7.1% decrease in operating revenue from our electricity segment to NT$11,752.0 million from NT$12,645.7 million. The decrease in operating revenue from our chemical engineering segment was primarily due to the decreased sales volume of our chemical products resulted from the cessation of certain non-profitable chemical products in 2015. The decrease in operating revenue generated from our electricity segment was primarily due to relatively low coal price in 2015 which resulted in lower electricity tariffs as compared to 2016 pursuant to the terms of the Power Purchase Agreement.

Operating Costs

Our operating costs decreased by 9.6% to NT$71,583.3 million in 2016 from NT$79,151.1 million in 2015. The decrease was principally due to a decrease of cost of coal for our cement segment in China and a decrease in the cost of raw materials as a result of the decreased output of our chemical products.

Gross Profit and Gross Margin

As a result of the foregoing, our gross profit increased by 23.8% to NT$17,981.0 million in 2016 from NT$14,528.0 million in 2015, and our gross margin increased to 20.1% from 15.5%. The increase in our gross profit and gross margin was primarily due to lower cost of coal for our cement segment in China and adjustments in the product mix of our chemical engineering segment. The improvement in gross margin reflected improvements in profitability generally across our cement segment and chemical engineering segment.

Operating Expenses

Our operating expenses increased by 1.9% to NT$4,946.9 million in 2016 from NT$4,854.3 million in 2015. The slight increase resulted primarily from a 5.2% increase in the general and administrative expenses due to expenses incurred associated with the acquisition of Hunan Jindadi Materials Company Limited (currently known as TCC Huaihua Cement Company Limited) and its subsidiaries, which was largely offset by a 14.7% decrease in marketing expenses.

Income from Operations and Operating Margin

As a result of the foregoing, our income from operations increased by 34.7% to NT$13,034.1 million in 2016 from NT$9,673.7 million in 2015. Our operating margin increased to 14.6% from 10.3%.

Segment income from operations of our cement segment increased significantly to NT$5,104.4 million in 2016 from NT$2,487.7 million in 2015, and the segment operating margin increased to 7.8% from 3.8%, primarily due to lower cost of coal in 2016.

Segment loss from operations of our chemical engineering segment decreased by 86.9% to NT$212.3 million in 2016 from NT$1,620.0 million in 2015 primarily because we terminated the production of certain non-profitable products in 2016. Segment operating margin improved to negative 2.2% from negative 13.8%.

Segment income from operations of our electricity segment decreased by 6.8% to NT$7,895.7 million in 2016 from NT$8,468.8 million in 2015, which was in line with the decrease in the segment operating revenue. Segment income from operations of our other segments also decreased by 22.1% to NT$302.0 million in 2016 from NT$387.7 million in 2015.

Non-Operating Income and Expenses

We recorded net non-operating expenses of NT$1,518.8 million in 2016, representing a 50.7% increase from NT$1,007.7 million in 2015. The increase was principally attributable to the

increase in finance costs to NT$1,916.8 million from NT$1,873.7 million and the increase in impairment loss recognized on non-financial assets to NT$508.1 million from NT$13.1 million, which was resulted from the increase in impairment loss in respect of buildings, machinery and equipment and property in construction.

Income Tax Expense

Our income tax expense increased by 53.6% to NT$2,673.3 million in 2016 from NT$1,740.4 million in 2015, primarily as a result of a 32.9% increase in our income before income tax to NT$11,515.3 million from NT$8,666.0 million.

Net Income and Net Income Margin

As a result of the foregoing, our net income was NT$8,842.1 million in 2016, compared to NT$6,925.6 million in 2015. Our net income margin also increased to 9.9% from 7.4%.

Non-IFRS Financial Measures

To supplement our consolidated financial statements, which are prepared and presented in accordance with Taiwan IFRS, we use EBITDA, a non-Taiwan IFRS financial measure, as described below, to understand and evaluate our core operating performance. These non-IFRS financial measures, which may differ from similarly titled measures used by other companies, are presented to enhance investors' overall understanding of our financial performance and should not be considered a substitute for, or superior to, the financial information prepared and presented in accordance with Taiwan IFRS.

EBITDA is defined as income from operations plus depreciation (but excluding non-operating depreciation) and amortization. We believe that EBITDA provides useful information to investors and others in understanding and evaluating our operating results. These non-Taiwan IFRS financial measures eliminate the impact of items that we do not consider indicative of the performance of our business. While we believe that these non-Taiwan IFRS financial measures are useful in evaluating our business, this information should be considered as supplemental in nature and is not meant as a substitute for the related financial information prepared in accordance with Taiwan IFRS.

EBITDA Reconciliations

The following table presents reconciliations of EBITDA to income from operations, the most directly comparable IFRS financial measure, for the periods indicated:

	Year ended December 31,				Nine months ended September 30,		
	2015	2016	2017		2017	2018	
	NT$	NT$	NT$	US$	NT$	NT$	US$
						(unaudited)	
			(in thousands)				
Income from Operations	9,673,699	13,034,136	13,962,885	458,401	9,248,171	20,976,279	688,650
Depreciation	7,021,678	6,587,626	6,080,554	199,624	4,548,698	4,623,774	151,798
Less: Non-operational Depreciation	(6,132)	(3,915)	(3,668)	(120)	(2,763)	(2,133)	(70)
Amortization	397,480	402,921	383,239	12,582	282,984	293,251	9,627
EBITDA	**17,086,725**	**20,020,768**	**20,423,010**	**670,487**	**14,077,090**	**25,891,171**	**850,005**

LIQUIDITY AND CAPITAL RESOURCES

Our principal uses of cash have been to finance our operations and their growth, including working capitals and continuing capital expenditures, and to invest in new opportunities, both in our core business areas and in other industries which have presented attractive opportunities. Our most significant source of cash in recent years has been net cash generated from operating activity. We also fund our capital needs from proceeds from the long-term loans. Long-term loans consist of unsecured borrowings, secured borrowings and earmarked loans. Upon completion of this offering, we also expect to fund part of our capital needs with net proceeds from this offering.

As of December 31, 2015, 2016, 2017 and September 30, 2018, we had cash and cash equivalents of NT$38,997.4 million, NT$28,179.8 million, NT$26,331.2 million (US$864.5 million) and NT$42,980.8 million (US$1,411.1 million). Our cash and cash equivalents primarily consist of cash at banks and on hand. Over 53% of our cash and cash equivalents as of September 30, 2018 were held in Hong Kong and China.

We believe that our current cash and cash equivalents and our anticipated cash flows from operations will be sufficient to meet our anticipated working capital requirements and capital expenditures for the 12 months following this offering. We may, however, need additional capital in the future to fund our further expansion. If we determine that our cash requirements exceed the amount of cash and cash equivalents we have on hand at the time, we may seek to issue equity or debt securities or obtain credit facilities. The issuance and sale of additional equity would result in further dilution to our shareholders.

The following table shows our consolidated cash flows from operating activities, investing activities and financing activities for the periods indicated:

	Year ended December 31,				Nine months ended September 30,		
	2015	2016	2017		2017	2018	
	NT$	NT$	NT$	US$	NT$	NT$	US$
						(unaudited)	
			(in thousands)				
Net cash generated from operating activities	21,763,392	18,750,155	12,310,560	404,155	7,091,678	14,491,475	475,754
Net cash generated from/(used in) investing activities	(7,833,403)	54,767	1,055,604	34,655	1,014,918	(3,116,098)	(102,301)
Net cash generated from (used in) financing activities	(5,046,590)	(28,895,952)	(14,892,479)	(488,919)	(9,119,899)	5,964,273	195,807
Cash and cash equivalents	38,977,360	28,179,758	26,331,218	864,452	26,608,300	42,980,849	1,411,059

Net Cash Generated from Operating Activities

In the nine months ended September 30, 2018, we had net cash generated from operating activities of NT$14,491.5 million (US$475.8 million), which was primarily attributable to income before income tax of NT$22,775.4 million (US$747.7 million), adjusted mainly to reflect (i) an increase of NT$7,488.5 million (US$245.8 million) in notes receivable, which was driven by our increased revenue generated from our cement business in China and (ii) the adding back of non-cash charges relating to depreciation expenses of NT$4,623.8 million (US$151.8 million).

In 2017, we had net cash generated from operating activities of NT$12,310.6 million (US$404.2 million), which was primarily attributable to income before income tax of NT$13,824.7 million (US$453.9 million), adjusted mainly to reflect (i) the adding back of non-cash charges relating to depreciation expenses of NT$6,080.6 million (US$199.6 million), (ii) the adding back

of finance costs of NT$1,923.3 million (US$63.1 million), and (iii) an increase of NT$1,759.5 million (US$57.8 million) in other payables. Such adjustments were partially offset by (i) an increase of NT$8,569.8 million (US$281.3 million) in notes receivable, which was driven by our increased sales in China in 2017 and (ii) a non-cash gain of NT$1,271.1 million (US$41.7 million) in shares of profits of associates and joint ventures.

In 2016, we had net cash generated from operating activities of NT$18,750.2 million, which was primarily attributable to income before income tax of NT$11,515.3 million, adjusted mainly to reflect (i) the adding back of non-cash charges relating to depreciation expenses of NT$6,587.6 million, (ii) the adding back of finance costs of NT$1,916.8 million, (iii) an increase of NT$890.3 million in notes and accounts payable, and (iv) an increase of NT$329.9 million in other payable. Such adjustments were partially offset by (i) a non-cash gain of NT$979.6 million in shares of profits of associates and joint venture, and (ii) an increase of NT$808.8 million in dividend income.

In 2015, we had net cash generated from operating activities of NT$21,763.4 million, which was primarily attributable to income before income tax of NT$8,666.0 million, adjusted mainly to reflect (i) the adding back of non-cash charges relating to depreciation expenses of NT$7,021.7 million, (ii) the adding back of finance costs of NT$1,873.7 million, and (iii) a decrease of NT$5,888.7 million in notes receivable reflecting our efforts in collection of notes receivable in 2015. Such adjustments were partially offset by a decrease of NT$2,701.1 million in notes and accounts payable and a decrease of NT$1,415.8 million in other payables.

Net Cash Generated from/(Used in) Investing Activities

Our cash flows used in investing activities mainly reflect our substantial purchases of property, plant and equipment and acquisition activities.

We had net cash used in investing activities in the nine months ended September 30, 2018 of NT$3,116.1 million (US$102.3 million), primarily consisting of cash used for capital expenditures for our operations and purchase of other financial assets.

We had net cash generated from investing activities in 2017 of NT$1,055.6 million (US$34.7 million), primarily consisting of cash dividends received from our subsidiaries and associates and the decrease of long-term finance lease receivables, partially offset by cash used for capital expenditures for our operations.

We had net cash generated from investing activities in 2016 of NT$54.8 million, primarily consisting of cash dividends received from our subsidiaries and associates and cash generated from other financial assets, partially offset by cash used for capital expenditures for our operations.

We had net cash used in investing activities in 2015 of NT$7,833.4 million, primarily consisting of cash consideration paid for the acquisition of Hunan Jindadi Materials Company (currently known as TCC Huaihua Cement Company Limited) and its subsidiaries and cash used to purchase property, plant and equipment.

Net Cash Generated from/(Used in) Financing Activities

In the nine months ended September 30, 2018, we generated NT$5,964.3 million (US$195.8 million) net cash from financing activities, primarily consisting of (i) cash of NT$16,670.2 million (US$547.3 million) generated from the issuance of 87,500,000 Global Depositary Shares, or the GDSs, representing 437,500,000 new Common Shares, par value NT$10 each in August 2018, (ii)

increase in long-term loans of NT$14,030.0 million (US$460.6 million) and (iii) issuance of corporate bonds of NT$11,976.0 million (US$393.2 million). These were partially offset by repayment of long-term loans of NT$26,925.2 million (US$884.0 million) and cash dividends paid of NT$8,521.8 million (US$279.8 million).

In 2015, 2016 and 2017, we used NT$5,046.6 million, NT$28,896.0 million and NT$14,892.5 million (US$488.9 million) net cash in financing activities, respectively, primarily consisting of (i) repayment of long-term loans of NT$22,574.7 million, NT$34,738.3 million and NT$10,020.1 million (US$329.0 million)and (ii) cash dividends paid of NT$11,963.2 million, NT$7,209.9 million and NT$7,612.6 million (US$249.9 million). These were partially offset by cash received from long-term loans of NT$29,252.5 million, NT$19,433.7 million and NT$9,412.9 million (US$309.0 million), respectively. The increase in borrowings in these periods was primarily for the purpose of financing our expanding cement segment. In addition, we paid an aggregate consideration of HK$1,824 million (US$233.1 million) in cash and 554,333,141 newly issued Shares, representing 13.05% of our total issued share capital at closing, for the privatization of our subsidiary, TCCIH, from the Main Board of The Stock Exchange of Hong Kong Limited in November 2017.

Capital Expenditures

We incurred capital expenditures of NT$2,727.0 million, NT$2,996.0 million, NT$1,523.0 million (US$50.0 million) and NT$2,589.8 million (US$85.0 million) in 2015, 2016, 2017 and the nine months ended September 30, 2018, respectively. In these periods, our capital expenditures were mainly used in the construction, maintain and upgrade of cement and clinker production lines. In the future, we intend to continue to make capital expenditures in similar manners to meet the expected growth of our business.

CONTRACTUAL OBLIGATIONS

The following table sets forth our contractual obligations as of December 31, 2017:

	Less than 1 Year	1-5 Years	More than 5 Years	Total
		(in thousands of NT$)		
Operating lease Obligations[(1)]	713,538	2,207,237	396,563	3,317,338
Purchase obligations[(2)]	2,695,972	3,815,663	12,070	6,523,705
Short-term loans and long-term loans including current portions of long-term loans	35,681,025	45,344,121	—	81,025,146
Total	**39,090,535**	**51,367,021**	**408,633**	**90,866,189**

(1) Operating lease obligations represent our obligations for leasing land, plants, production facilities and office premises.

(2) Purchase obligation represent (i) TCCIH's capital commitments in respect of the construction projects of certain cement subsidiaries in China; (ii) Ta-Ho Maritime Corporation or Ta-Ho's future payments under the construction and sale contracts entered between it and Sumitomo Corporation for purchase of four bulk carriers; (iii) Ta-Ho's future payments under the construction and sale contract entered between it and Cardinal Maritime S.A. for purchase of one cement carrier; and (iv) TCC Green Energy Corporation's future payments for construction and development of renewable energy power plants in Taiwan.

On January 16, 2013, we entered into a syndicated loan agreement with financial institutions of which Mega International Commercial Bank is the agent, for repayment of long-term debts, equity investment and general working capital purpose. Pursuant to this syndicated loan agreement, we are entitled to a term loan facility in an aggregate of NT$8.4 billion (US$275.8 million) and a revolving loan facility in an aggregate of NT$5.6 billion (US$183.8 million). Loans made to us pursuant to this syndicated loan agreement were fully repaid by June 2018.

On March 1, 2018, we entered into another syndicated loan agreement with financial institutions of which Mega International Commercial Bank is the agent, for repayment of existing loans and general working capital purpose. Pursuant to this syndicated loan agreement, we are entitled to a term loan facility in an aggregate of NT$21.5 billion (US$705.8 million) and a revolving loan facility in an aggregate of NT$21.5 billion (US$705.8 million). We drew down NT$13.6 billion (US$446.5 million) at an annual interest rate of 1.7895% in March 2018, which is repayable in March 2023.

Our subsidiaries, TPCC, Ho-Ping Power, TCCI and TCCIH entered into syndicated loan agreements with financial institutions, pursuant to which, these subsidiaries are entitled to NT$ denominated term loan facilities in an aggregate of approximately NT$2.8 billion (US$91.9 million), NT$ denominated revolving loan facilities in an aggregate of NT$2.2 billion (US$72.2 million), US$ denominated term loan facilities in an aggregate of approximately US$0.7 billion and US$ denominated revolving loan facilities in an aggregate of approximately US$0.7 billion. These syndicated loan agreements contain customary covenants for loan agreements, including financial covenants requesting such subsidiaries to maintain specific financial ratios subject to variation depending on the financial condition and size of the subsidiaries. As of September 30, 2018, TPCC, Ho-Ping Power, TCCI and TCCIH were in compliance with those ratio requirements.

Under the syndicated loan agreements entered into by TPCC and Ho-Ping Power, unless otherwise consented by the majority of the lenders, before the loans are fully repaid, TPCC and Ho-Ping Power shall not, among others, repurchase or redeem their respective shares, or make any capital decrease or return cash or assets back to their respective shareholders.

On June 21, 2018, we issued NT$12,000,000,000 aggregate principal amount of 1.7% corporate bonds due on June 21, 2033. Proceeds of this issuance were to be used (i) to invest in our wholly-owned subsidiary, TCC Green Energy Corporation, for construction and development of renewable energy power plants and (ii) for general working capital purpose.

Other than as shown above, we did not have any significant capital and other commitments, long-term obligations or guarantees as of September 30, 2018.

In addition, we completed the investment in Oyak in November 2018. We financed the consideration of such investment mainly through drawing down of existing syndicated loan we signed in March 2018, which has increased our financial indebtedness.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

We have not entered into any off-balance sheet financial guarantees or other off-balance sheet commitments to guarantee the payment obligations of any third parties. We have not entered into any derivative contracts that are indexed to our shares and classified as shareholder's equity or that are not reflected in our consolidated financial statements. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or product development services with us.

TAXATION

We had income tax expense of NT$1,740.4 million, NT$2,673.3 million, NT$3,501.9 million (US$115.0 million), NT$2,305.0 million and NT$5,740.4 million (US$188.5 million) in 2015, 2016, 2017 and nine months ended September 30, 2017 and 2018, respectively. We are subject to various rates of income tax under different jurisdictions. The following summarizes major factors affecting our applicable tax rates in the ROC, Hong Kong and the PRC.

ROC

The statutory income tax rate currently applicable to us in the ROC is 20%. Prior to January 1, 2018, the statutory income tax rate applicable to us was 17%. The income of our foreign subsidiaries is not subject to ROC income tax unless remitted to the ROC as dividends paid to us.

We are entitled to a number of different types of income tax benefits in the ROC, including both tax holidays and tax credits. We recognize tax benefits, upon receipt, as deferred tax assets. To the extent that we are able to utilize tax benefits by offsetting them against taxable income or taxes payable, we reduce our deferred tax assets account accordingly. If and when deferred tax assets expire or otherwise become unavailable for our use, we reverse the applicable amount from our deferred tax assets, and recognize it on our statement of income as income tax expense. As a result, our income tax expenses comprise substantial amounts of unrealizable income tax assets, as well as income tax payments.

Hong Kong

Prior to April 1, 2018, our subsidiaries in Hong Kong were subject to Hong Kong profits tax on their activities conducted in Hong Kong at a uniform tax rate of 16.5%. For assessment year commencing on or after April 1, 2018, a two-tiered profits tax rates regime applies: profits tax rate for the first HK$2 million of profits of corporations is lowered to 8.25% and profits above that amount remains subject to the tax rate of 16.5%. Payments of dividends by our subsidiaries to us are not subject to withholding tax in Hong Kong.

PRC

Our subsidiaries in the PRC are subject to PRC income tax. The statutory income tax rate applicable to us in the PRC is 25%. TCC Anshun Cement Co., Ltd., one of our subsidiaries in the PRC, currently enjoys preferential enterprise income tax for enterprises in Western China areas at the reduced tax rate of 15%.

INFLATION

We do not believe that inflation in Taiwan has had a material impact on our results.

MARKET RISK

The Group's financial instruments were mainly comprised of mutual funds and listed shares, and these investments were subject to fluctuations in market prices. The Group has periodically evaluated the investment's performance, and no significant market risk was anticipated.

The Group entered into foreign exchange forward contracts to manage exposure to exchange rate fluctuations, including foreign currency risks of foreign-currency assets and liabilities and price fluctuation risks of forecasted transactions. Since the gain or loss generated from exchange rate fluctuations was mostly offset by the gains or losses of hedged items, the market price risk is expected to be insignificant.

Foreign currency risk

The foreign financial assets and liabilities were exposed to risk of foreign currency fluctuations. To lower foreign currency risk, the Group has established control mechanisms to immediately monitor it foreign currency position and exchange rate fluctuations. To maximize the hedging effectiveness, the Group matched up the conditions of derivative instruments with those in the contracts of hedged items.

The following table details the Group's sensitivity to a 1% increase and decrease in the functional currency against the relevant foreign currencies. The sensitivity analysis included only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. A positive number below indicates an increase in after-tax profit or equity associated with the NT$/RMB/HK$ strengthening 1% against the relevant currency.

	US Dollar Impact					HK Dollar Impact				
	For the Year Ended December 31			For the Nine Months Ended September 30,		For the Year Ended December 31			For the Nine Months Ended September 30,	
	2015	2016	2017	2017	2018	2015	2016	2017	2017	2018
	(in thousands)									
NT$	(3,106)	(2,068)	1,370	(305)	(21,727)	—	—	—	—	—
RMB	204,774	(19,098)	(9,741)	(12,765)	(11,446)	5,708	7,931	(3,864)	3,287	42
HK$	204,754	348,772	366,295	331,835	239,265	—	—	—	—	—

Interest rate risk

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

	As of December 31,				As of September 30,		
	2015	2016	2017		2017	2018	
	NT$	NT$	NT$	US$	NT$	NT$	US$
	(in thousands)						
Cash flow interest rate risk							
Financial assets	29,098,037	17,730,116	15,092,905	495,499	14,560,153	20,528,984	673,965
Financial liabilities	99,445,199	82,141,333	77,719,322	2,551,521	76,768,842	67,829,303	2,226,832

The interest risk was evaluated based on the position of financial assets and liabilities. The sensitivity analysis below was determined based on the Group's floating interest rate financial assets and liabilities at the end of the reporting period, and a 50-basis point increase or decrease was used, representing management's assessment of reasonably possible change in interest rates. The fair values of fixed interest rate financial assets and liabilities will change due to variances in market interest rates; the future cash flows of floating interest rate financial assets and financial liabilities will change due to variances in effective interest rates, which vary with market interest rates.

For the Group's position of floating interest rate financial assets, if interest rates had been 50 basis points higher/lower, the cash inflows from floating interest rate financial assets for the years ended December 31, 2015, 2016 and 2017 and the nine months ended September 30, 2017 and 2018 would increase/decrease by NT$120.8 million, NT$73.6 million, NT$62.6 million, NT$45.3 million and NT$61.6 million, respectively.

For the Group's position of floating interest rate financial liabilities, if interest rates had been 50 basis points higher/lower, the cash outflows from floating interest rate financial liabilities for the years ended December 31, 2015, 2016 and 2017 and the nine months ended September 30, 2017 and 2018 would increase/decrease by NT$412.7 million, NT$340.9 million, NT$322.5 million, NT$238.9 million and NT$203.5 million, respectively.

Other price risk

The Group was exposed to equity price risk through its investments in listed shares and emerging market shares. Equity investments are held for strategic rather than trading purposes. The Group does not actively trade these investments. Sensitivity analyses were used for evaluating the exposure to equity price risks.

The sensitivity analyses were based on the exposure of listed shares and emerging market shares at the end of the reporting period. If equity prices had been 5% higher/lower, other comprehensive income for the years ended December 31, 2015, 2016 and 2017 would increase/decrease by NT$960.2 million, NT$985.4 million and NT$1,423.6 million, respectively. If equity prices of available-for-sale financial assets had been 5% higher/lower, other comprehensive income (loss) for the nine months ended September 30, 2017 would increase/decrease by NT$1,278.2 million. If equity prices of financial assets at fair value through profit or loss had been 5% higher/lower, profit or loss for the nine months ended September 30, 2018 would increase/decrease by NT$17.9 million. If equity prices of financial assets at fair value through other comprehensive income had been 5% higher/lower, other comprehensive income (loss) for the nine months ended September 30, 2018 would increase/decrease by NT$2,054.1 million.

RECENT ISSUED ACCOUNTING PRONOUNCEMENTS

See Note 3 to our consolidated financial statements included elsewhere in this offering memorandum for a detailed discussion.

CEMENT INDUSTRY

Introduction

Cement is a basic and essential material for building and civil engineering construction. The most important use of cement is the production of mortar and concrete, the bonding of natural or artificial aggregates to form a strong and durable building material. There are two basic types of cement: non-hydraulic cement that is unstable in wet environments and will not harden in water; and hydraulic cement that is stable in water, and can harden and set in wet environments. Portland cement is the most commonly used type of hydraulic cement for construction.

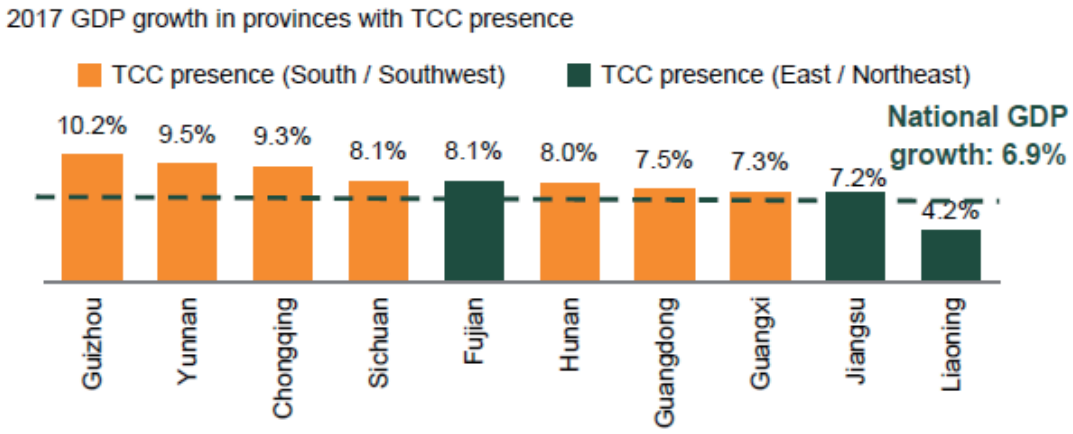
Various types of Portland cement are produced by blending different proportions of gypsum, blast furnace slag or other additives with clinker, a semi-finished product that determines the ultimate quality of cement. Portland cement is graded and categorized on the basis of its compressive strength. Different grades of cement are used in different applications. Large buildings and structures that carry a heavy weight load require cement of higher compressive strength.

Production and sale of cement is a regionalized business. Cement prices are significantly affected by the transportation costs for both raw materials and finished products due to their low value-to-weight ratio. In order to minimize costs and to offer competitive prices, cement plants are usually situated in close proximity to limestone reserves and to target markets. Therefore, cement products are generally sold within a radius of up to 300 kilometers from the relevant plants depending on transportation costs in China, while due to the high concentration of cement and RMC plants in Taiwan, a facility's geographical sales market is generally divisible into an area of no more than 100 kilometers in radius.

Cement Demand in China

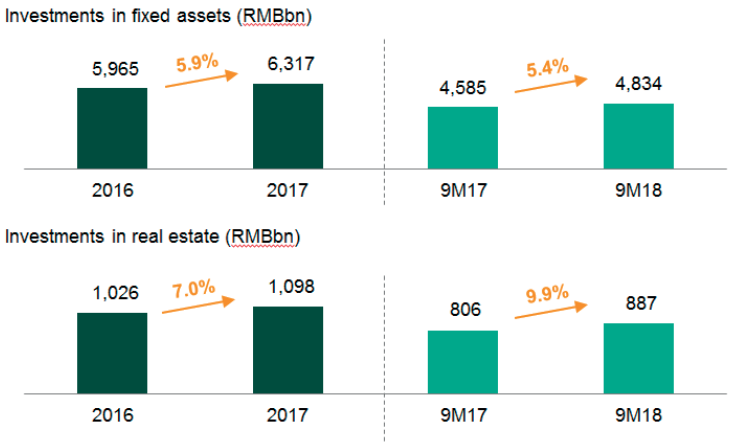
The cement industry in China developed rapidly after China adopted and implemented its reform and opening-up policies in the late 1980s. During 1986 and 2017, the annual output volume of cement in China increased from 166 million metric tons to 2,316 million metric tons, representing a CAGR of 8.9% from 1986 to 2017. China's gross output volume of cement has been the largest globally for many years. In 2017, the output volume of cement in China was approximately 2,316 million metric tons, representing a negative 3.6% year-on-year growth rate compared to 2016. The growth rate of China's economy slightly decreased in recent years, but it maintained a leading position in terms of economic growth in the global context. The economic growth and in particular the development of both property and infrastructure markets in China continue to increase demand for cement in China. The provinces, in particular in South and

Southwest China, where our company has presence have seen particularly strong GDP growth which supports regional cement consumption:



Source: National Bureau of Statistics of China

The demand for cement rises with the development of the construction industry, which drives the cement price. Overall, both the infrastructure and property development sectors continued to show very robust growth in China. The following chart sets forth the growth of the investments in the infrastructure and property development sectors for the periods indicated:



Source: National Bureau of Statistics of China

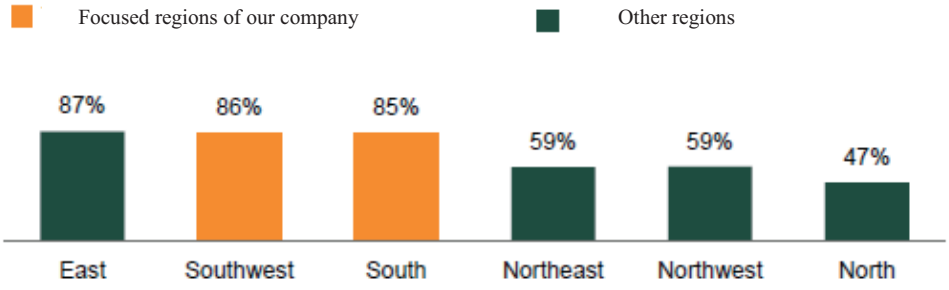
In terms of infrastructure construction, according to China's Railway Development Plan announced in 2017, by 2020, the fixed asset investment of China's railway will reach RMB3.5 trillion to RMB3.8 trillion and 30,000-kilometer railway is expected to be newly built. The national railway mileage is expected to reach 150,000 kilometers by 2020, of which the high-speed railway is expected to be 30,000 kilometers and the intercity railway mileage is expected to reach 2,000 kilometers. The national railway network will cover almost all cities with a resident population of 200,000 or above by 2020. The increased scale of infrastructure construction is expected to substantially benefit the development of China's cement industry. In addition, with the development of the Greater Bay Area project, the Yangtze River Economic Belt and International integrated transportation hubs in Hubei and Sichuan provinces, the market demand for cement products is expected to increase substantially in these regions in China.

The Supply-Side Structural Reform in China's Cement Industry

The cement industry has traditionally been subject to government control at the policy level in terms of production method and volume, product mix and environmental protection. While the PRC Government's current policies in respect of the domestic cement industry are generally market oriented, the PRC government still closely monitors the development of the cement industry and may from time to time regulate the industry by issuing and implementing new regulations and policies. For example, according to the Notice of the State Council and Ministry of Industry and Information Technology on Absolute Restrain on Blind Expansion of Serious Overcapacity Industry (國家發展和改革委員會及工業和信息化部關於堅決遏制產能嚴重過剩行業盲目擴張的通知), jointly issued by the State Council and Ministry of Industry and Information Technology on May 10, 2013, the approval of new production projects in industries with serious overcapacity issue is absolutely forbidden, and any illegal projects under construction shall be shut down. In addition, according to the Guidelines on Resolving the Excessive Overcapacity Issue (國務院關於化解產能嚴重過剩矛盾的指導意見) issued by the State Council on October 6, 2013, excess capacity will be eliminated through the absolute restraint of blind expansion of capacity, cessation of illegal capacity and closure of outdated capacity. The constraints on the discharge of major pollutants, such as nitrogen oxide, and the energy and resource consumption indices will be strengthened; the product line that fails to meet these standards will be shut down.

In August 2016, the PRC government announced China's thirteenth five-year plan for the cement industry which targets at (i) reducing production plants with overcapacity; (ii) encouraging technology innovations and industry upgrades; (iii) encouraging further energy saving and emission reduction in the industry; (iv) promoting application of Internet and high technologies in the industry; and (v) advocating international cooperation. According to Capacity Elimination Action Plan (2018-2020), during 2018 and 2020, there will be clinker capacity shutdown of 393 million metric ton and closing of 540 cement grinding stations, which represent around 25% of the current capacity. In addition, according to the Notice on Further Promotion of Peak Shifting Production of Cement (關於進一步做好水泥錯峰生產的通知) jointly published by the Ministry of Industry and Information Technology and the Ministry of Environmental Protection in October 2016, all cement and clinker producers are required to adopt off-peak production and voluntary product halts during winter season with a few exceptions. Restrictions on production activities are generally significantly higher in North China than in South China. This results in structurally lower utilization rates and lower level of production efficiencies in North China. According to China Cement and Digital Cement, South and Southwest China enjoyed high average utilization rates, which were 85% and 86%, respectively, in 2017, outpacing North, Northeast and Northwest China ranging from 47% to 59% in 2017.

The following chart sets forth the utilization rates of cement production capacity in various regions of China in 2017:



Source: China Cement1 and Digital Cement2

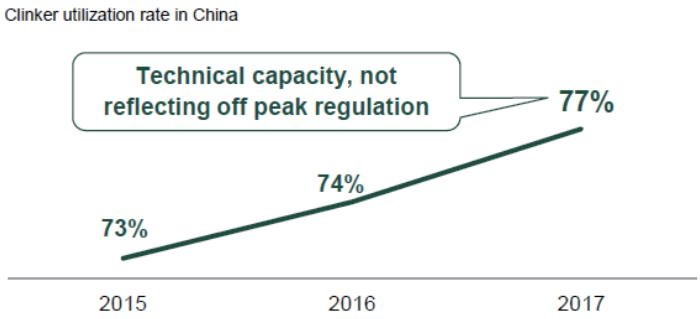
Notes:

(1) China Cement (ccement.com) is a website and information center with a large number of corporate members, which are companies in the cement industry in China.

(2) Digital Cement (dcement.com) is a website maintained by China Cement Association. China Cement Association is authorized by the Chinese government to stipulate the strategies and policies of the cement industry.

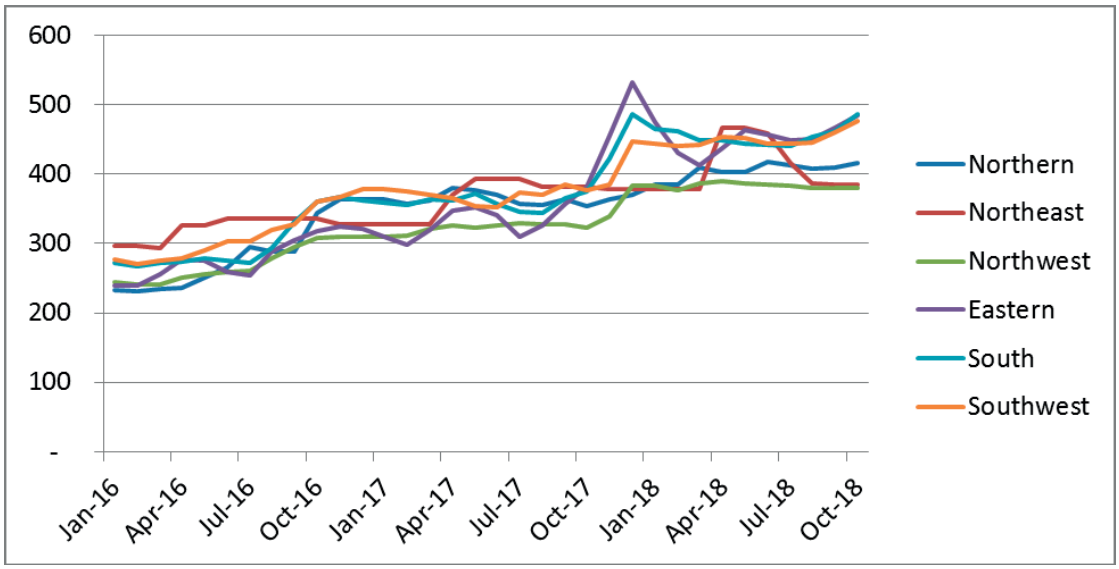
As a result of both the supply-side structural reform which reduced the supply of cement products in China, and the robust growth in the property and infrastructure development sectors, the clinker supply-demand balance has improved significantly: Utilization rates have increased as demonstrated below and the market prices of cement products rebounded in 2017 compared to previous years. It is expected that cement prices in China will generally continue to achieve year-on-year growth on the back of the abovementioned drivers, as they did in the third quarter of 2018.

The following chart shows the improved clinker supply and demand balance with enhanced utilization rates of clinker production capacity in China. These utilization rates are based on technical capacity and do not reflect the impact of off-peak production policies which effectively reduce capacity:



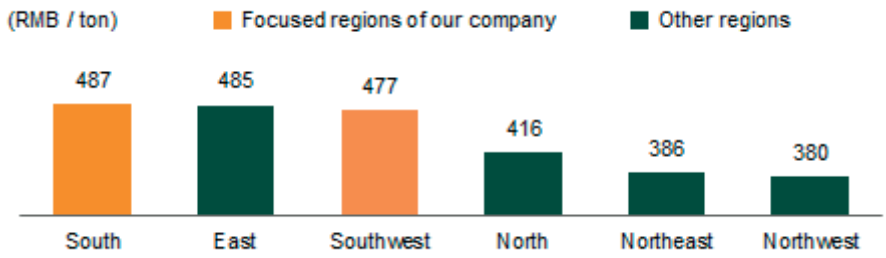
Source: China Cement, Digital Cement

The following chart shows the cement price trends in China by region for the period indicated:



Source: Digital Cement

The following chart sets forth the prices of cement in October 2018 in various regions of China:



Source: China Cement and Digital Cement. Calculated based on the monthly cement price in October 2018, in RMB per metric ton.

According to the Guidance of Measures for the Implementation of Capacity Replacement in Steel, Cement and Glass Industry (鋼鐵水泥玻璃行業常能置換實施辦法) issued by the Ministry of Industry and Information Technology in January 2018, de-capacity would be the dominant theme in cement industry in China. In addition, on June 24, 2018, the PRC State Council issued a notice regarding further strengthening of environmental protection initiatives in China. The notice provides various environmental protection targets by 2020, including the reduction in particulate matter 2.5 (PM2.5) and other air pollutants, as well as enhancing protection of water, soil and forestation. This notice also provides that the PRC government shall continue to contain the oversupply of various industries, including the cement industry, and restrict the expansion of cement production capacity unless newly constructed production facilities replace or reduce the existing production capacity. Such notice, together with the implementation of other supply-side structural reform and stricter environmental protection initiatives, is expected to substantially affect the cement segment in China, and prompt cement manufacturers to enhance production efficiency and environmental protection efforts. See "Risk Factors — Risks Relating to our Business — Our operations are subject to all relevant environmental laws and regulations" for more information.

Other than the strengthened environmental protection initiatives, waste management has also been a focus of Chinese authorities and communities, which require viable waste disposal solutions. For example, the Chinese government has set a target for co-processing in cement operations to reach 15% by 2020 according to Construction Materials Development Plans (2016-2020) issued by the Ministry of Industry and Information Technology of China.

Competition of the Cement Industry in China

The regional nature of the cement segment implies local competition. High transportation costs are a significant barrier to entry for any outside competitors to compete with local producers in any region. Similarly, it is difficult for overseas cement companies to export their products into China due to high transportation costs. However, since China entered the World Trade Organization, an increasing number of international cement players have set up production facilities in China through establishing joint ventures or acquiring local cement manufacturers, which intensified competition in the cement market in China. The key trends and competitive landscape of China's cement industry are affected by a wide range of factors, including

- technology and equipment upgrade with higher production efficiency;
- accelerated consolidation in a highly fragmented industry; and
- increasing emphasis on environmental protection

Despite increasing consolidation, the cement industry in China still features a large number of smaller producers and a low market concentration rate. The ten largest producers together account for 55.5% of the total clinker production capacity in China in 2017.

The following table sets forth the ten largest cement producers in China in terms of clinker production capacity in 2017:

Ranking	Cement Producer in China	Production Capacity[1] (in millions metric tons)	Market share (%)
1	China National Building Material Group Co., Ltd.	375.6	20.5%
2	Anhui Conch Cement Co., Ltd.	201.1	11.0%
3	BBMG Corporation	101.2	5.5%
4	China Resources Cement Holdings Ltd.	65.8	3.6%
5	Huaxin Cement Co., Ltd. & LafargeHolcim	58.9	3.2%
6	**Taiwan Cement Corporation**	**54.5**	**3.0%**
7	Shandong Shanshui Cement Group Ltd. (Sunnsy)	51.5	2.8%
8	Hongshi Holding Group Co., Ltd.	45.7	2.5%
9	Tianrui Cement Group Co., Ltd.	35.2	1.9%
10	Asia Cement (China) Holdings Corporation	26.6	1.5%

Source: China Cement

Note:

(1) Based on clinker production capacity in 2017, excluding capacity of non-rotary kilns and grinding stations, and calculated as daily capacity multiplied by 310.

The following tables set forth the five largest cement producers in each of Guangdong, Guangxi, Jiangsu and Guizhou provinces in China, in terms of clinker production capacity in 2017:

Ranking	Cement Producer in Guangdong Province	Production Capacity[1] (in millions metric tons)	Market share (%)
1	China Resources Cement Holdings Ltd.	20.5	20.0%
2	Anhui Conch Cement Co., Ltd.	14.7	14.4%
3	**Taiwan Cement Corporation**	**12.1**	**11.8%**
4	Ta Pai Cement Corporation	8.5	8.3%
5	Sinoma Cement Co., Ltd.	6.8	6.7%

Ranking	Cement Producer in Guangxi Province	Production Capacity[1] (in millions metric tons)	Market share (%)
1	China Resources Cement Holdings Ltd.	25.0	33.8%
2	Anhui Conch Cement Co., Ltd.	16.0	21.5%
3	**Taiwan Cement Corporation**	**7.4**	**10.0%**
4	South Cement Company Limited	6.2	8.4%
5	Yu Feng Cement Corporation	5.8	7.8%

Ranking	Cement Producer in Jiangsu Province	Production Capacity[1] (in millions metric tons)	Market share (%)
1	China National Building Material Group Co., Ltd.[2]	23.1	35.3%
2	Jin Feng Cement Group	13.2	20.1%
3	**Taiwan Cement Corporation**	**3.9**	**6.0%**
4	Anhui Conch Cement Co., Ltd.	3.7	5.7%
5	Jiangsu Helin Cement Co., Ltd.	3.7	5.7%

Ranking	Cement Producer in Guizhou Province	Production Capacity[1] (in millions metric tons)	Market share (%)
1	South-west Cement Co., Ltd.[3]	27.8	31.5%
2	Anhui Conch Cement Co., Ltd.	18.0	20.4%
3	**Taiwan Cement Corporation**	**5.7**	**6.4%**
4	Hongshi Holding Group Co., Ltd.	5.0	5.6%
5	Yu Feng Cement Corporation	3.7	4.2%
5	Guizhou Haolong Cement Co., Ltd.	3.7	4.2%

Source: China Cement

Notes:

(1) Based on clinker production capacity in 2017, excluding capacity of non-rotary kilns and grinding stations, and calculated as daily capacity multiplied by 310.

(2) China National Building Material Group Co., Ltd. operates through three subsidiaries in Jiangsu, namely, China United Cement Corporation Limited, South Cement Company Limited and Tian Shan Cement Company Limited, and the capacity of these three subsidiaries are consolidated in the above table.

(3) Controlled by China National Building Material Group Co., Ltd.

The Cement Industry in Taiwan

As Taiwan has a developed economy with well-established infrastructure, its cement industry has reached a relatively mature stage. The Taiwan cement market has experienced a full cycle of demand and price changes in the past three decades, with the per capital consumption ranging from 432 kilograms to 1,332 kilograms. The demand for cement products in Taiwan has generally been stable in the past few years with slight decrease in consumption volume, and is expected to remain fairly stable. Near-term growth potential is largely driven by government-backed infrastructure projects, including those in the "Forward-Looking Infrastructure Development Program" announced by the Taiwanese government in July 2017. The Program contemplates

infrastructure spending by the Taiwanese government with a ceiling amount of NT$420 billion over the four-year period between 2017 and 2021 in accordance with the Special Act for Forward-Looking Infrastructure (前瞻基礎建設特別條例). The Taiwanese government has also implemented certain anti-dumping tariffs on Portland cement (Type I and Type II) and its clinker from the PRC that effectively protect domestic cement manufacturers in the Taiwanese market.

The following table sets forth the number of population, cement consumption volume and per capita consumption of cement products in Taiwan in the past ten years:

Year	Population	Cement Consumption	Per Capita Consumption
	(in millions)	(in millions of metric tons)	(in kilograms)
2008	23.0	11.8	512.0
2009	23.1	10.4	449.0
2010	23.2	11.7	505.0
2011	23.2	12.3	531.0
2012	23.2	12.0	516.0
2013	23.4	12.2	524.0
2014	23.4	12.6	536.0
2015	23.5	11.7	496.0
2016	23.5	10.2	435.0
2017	23.6	10.2	432.0

Source: Taiwan Cement Manufacturers' Association

Taiwan Cement Corporation has been the largest cement company in Taiwan since inception. Its 2017 domestic sales volume reached 3.8 million metric tons, which is significantly higher than that of the second largest company Asia Cement Corporation at 2.5 million metric tons. Other market players have much smaller production capacities and sales volumes. The sales volume of the two largest companies represented 61.6% of the overall consumption in Taiwan in 2017, creating a very concentrated and stable market environment in Taiwan.

The following table sets forth the five largest cement producers in Taiwan in terms of domestic sales volume in 2017:

Ranking	Cement Producer in China	Domestic sales volume	Market share
		(in millions metric tons)	(%)
1	**Taiwan Cement Corporation**	**3.8**	**37.1%**
2	Asia Cement Corporation	2.5	24.5%
3	Ruentex Materials Co., Ltd.	0.7	7.0%
4	Lucky Cement Corporation	0.7	6.5%
5	Hsing Ta Cement Company Limited	0.6	6.3%

Source: Taiwan Cement Manufacturers' Association

POWER AND RENEWABLE ENERGY INDUSTRY

Power Generation Industry in Taiwan

Traditionally, the electricity sector in Taiwan has been regulated by its state-owned electric power utility company Taipower, which was established in 1946. With the liberalization of Taiwan's power market since 1995, independent power producers, or IPPs, are entering into the

power market. IPPs in Taiwan include Ever Power IPP Co., Ltd., Ho-Ping Power, Hsin Tao Power Corporation, Mai-Liao Power Corporation, Star Energy Power Corporation, Sun Ba Power Corporation, Chiahui Power Corporation, Kuo Kuang Power Corporation and Hsing Yuan Power Corporation. However, according to the relevant provisions of the Electricity Act, electricity produced by IPPs still needs to be coordinated by Taipower, which subsequently transmits electricity to industrial or household end users. IPPs are not permitted to directly sell electricity to the end-users.

According to Bureau of Energy, Ministry of Economic Affairs of Taiwan, in 2017, approximately 74% of total installed power capacity comes from thermal power, and approximately 86% of total electricity comes from thermal power. According to Taipower, the total installed capacity in Taiwan was 41.9GW in 2017, in which 7.7GW, or 18.4%, was attributable to IPPs. In 2017, the total power generation was 231.1TWh, in which 40.5TWh, or 17.5%, was generated by IPPs. The power generated by Ho-Ping Power Plant accounted for approximately 21.0% among private thermal plants in Taiwan, and approximately 3.7% of total power sales in Taiwan in 2017.

Renewable Energy Industry in Taiwan

Due to a lack of indigenous energy resources, Taiwan relies on imported energy resources, in particular fossil fuels, for 97.53% of its needs in 2015. In June 2016, the Taiwan government launched the Energy Transition and Power Market reform. The key goal of the reform is to establish a low-carbon, sustainable, stable, high-quality and economically efficient energy system with higher grade of independency from imports. It targets to achieve the "Nuclear-Free Homeland" vision by 2025. At the same time, the share of electricity generation from renewable energy sources in Taiwan is targeted to reach 20% by 2025, with the remainder coming from coal (30%) and gas (50%).



Taiwan is geographically well positioned for both solar and wind power generation. To incentivize and support the construction of renewable energy generation, the Taiwan government is providing attractive incentives to renewable energy producers and investors including feed-in tariffs, tax breaks and tradable energy certificates, all of which are expected to boost the development of the renewable energy sector in the coming years.

On the back of the strong government support, Taiwan's renewable power capacity and renewable power generation are expected to grow at a CAGR at 21.6% and 16.7%, respectively, from 2016 to 2025.

The following table sets forth the targets of power generation from renewable energy by 2025:

		Power Capacity (MW)			Electricity Generation (TWh)		
		2016	2020(f)	2025(f)	2016	2020(f)	2025(f)
Solar PV		1,210	6,500	20,000	1.1	8.1	25.0
Wind	onshore	682	800	1,200	1.4	1.8	2.6
	offshore	—	520	3,000	—	1.9	10.8
Geothermal		—	150	200	—	1.0	1.3
Biomass		741	768	813	3.6	5.6	5.9
Hydro Power		2,089	2,100	2,150	6.6	4.7	4.8
Fuel Cell		—	22.5	60	—	0.2	0.5
Total		**4,722**	**10,861**	**27,423**	**12.7**	**23.3**	**50.9**

Source: Bureau of Energy, Ministry of Economic Affairs of Taiwan

CHEMICAL INDUSTRY

TPCC is the first specialized phenol chemical producer in Taiwan. Its major products include phenol, acetone, cyclohexanone and certain other chemical products.

Phenol

The global market demand of phenol products is expected to grow moderately and the demand in the Asian market is expected to experience stable positive growth. The total production capacity of phenol in Taiwan generally exceeds the local market demand but other Asia countries and regions also have stable import demands.

Acetone

Acetone is a downstream product of phenol production, and its market supply has been increasing towards saturation with increasing number of producers. The market price is significantly affected by its market supply.

Cyclohexanone

The market demand for cyclohexanone generally remained stable in recent years. TPCC is one of only two cyclohexanone producers in Taiwan. The other producer only produced cyclohexanone for internal use in 2017 and hence TPCC enjoyed a 100% market share of cyclohexanone available for sale in the Taiwan market in 2017.

OVERVIEW

We have been the largest cement manufacturer in Taiwan since our inception. We are the sixth largest cement manufacturer in China and a top three cement manufacturer in each of Guangdong, Guangxi, Jiangsu and Guizhou provinces of China, in terms of clinker production capacity in 2017. In addition, we entered into the cement industry of Europe as a result of the joint venture with OYAK pursuant to the subscription agreement in October 2018. See "Summary — Recent Developments" for more information. We also engage in certain non-cement segments, including chemical engineering segment, electricity segment and other segments. "Environment, energy and ecology" have been our future focus and we strive to become an eco-solution provider utilizing advanced technology and innovative initiatives. An Overview of our four business segments is as follows:

- **Cement segment**: We manufacture and sell cement and clinker, RMC, and other cement products;

- **Chemical engineering segment**: Our subsidiary listed on the TWSE, TPCC, manufactures and sells chemical products, primarily including cumene, phenol, acetone, bisphenol-A, cyclohexanone and maleic anhydride;

- **Electricity segment**: We, through our thermal power plant, Ho-Ping Power Plant, engage in electricity segment and sell electricity generated to Taipower, and are also expanding into the renewable energy business by developing certain solar and wind farms for power generation from renewable energy; and

- **Others**: We also engage in maritime transportation with a fleet of nine ships as of September 30, 2018, and waste management which provides services to close to 30% of the population and handles over 30% of the household and general waste in Taiwan.

COMPETITIVE STRENGTHS

We believe our success is primarily attributable to the following competitive strengths:

Undisputed market leader in Taiwan's cement market with decades-long experiences dealing with maturing and international markets

Founded in 1946, we have been the undisputed cement market leader in Taiwan, with a consistent leadership position since our inception. In 2017, we had a market share of 37.1% in terms of domestic sales of cement and clinker in a very concentrated and stable market, in which we and Asia Cement Corporation, the two largest companies, together jointly held market share of 61.6% in Taiwan in 2017, according to Taiwan Cement Manufacturers' Association.

The demand for cement products in Taiwan has generally been stable for the past few years with slight decrease in the consumption volume, and is expected to remain stable. Despite the maturity of the market, there remains near-term growth potential, largely driven by government-backed infrastructure projects, including the "Forward-Looking Infrastructure Development Program" announced by the Taiwanese government in July 2017. The Program contemplates infrastructure spending by the Taiwanese government of NT$420 billion over the four-year period between 2017 and 2021, and therefore demand for cement is expected to grow.

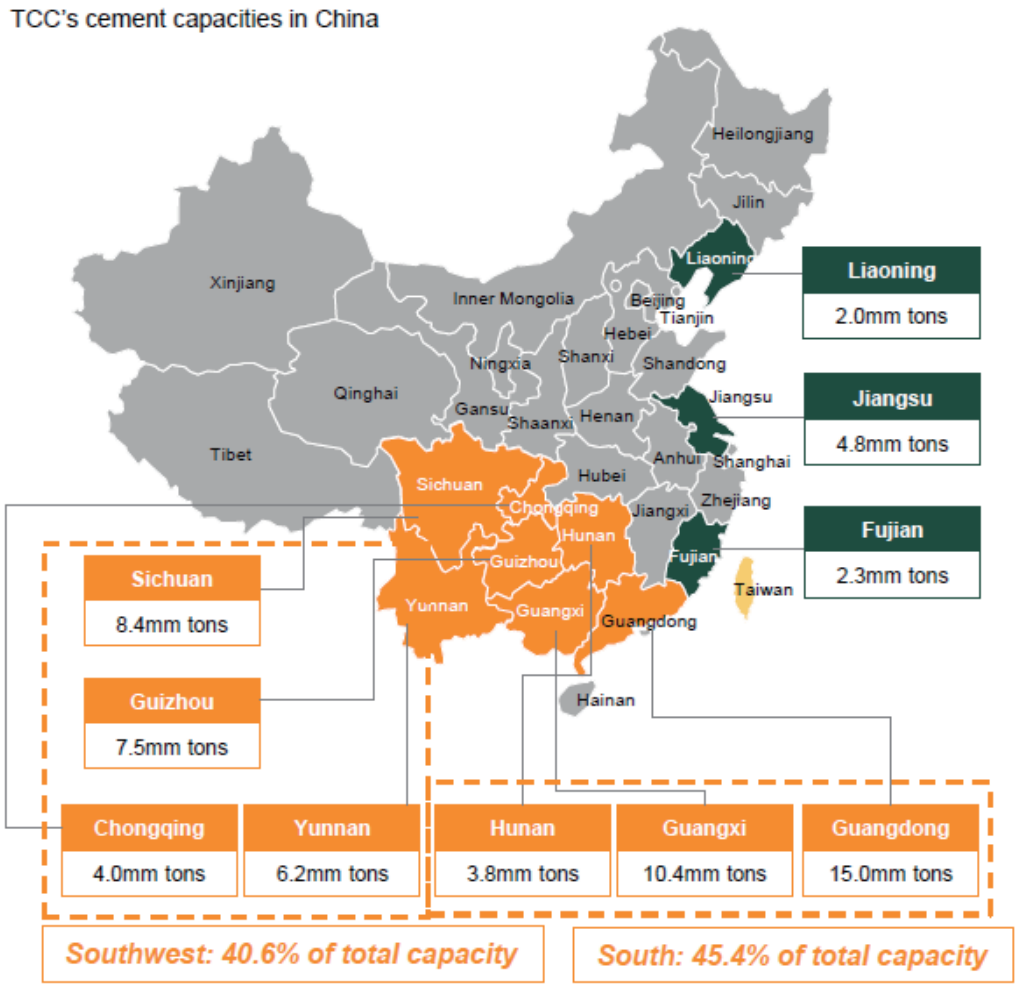
Our leading position and over half-century of operating history in Taiwan cement market not only avail us to a steady profit and cash flow source, but also provide us with competitive edge for our operations in China in many ways. First, with our decades of experience in operating in a

more mature cement market that has experienced numerous industry cycles, we believe we are well positioned to strategically manage changes in China's cement market as it matures. In addition, thanks to our operations in Taiwan, where imports and exports play a more important role than China, we have developed a significantly deeper understanding of the dynamics of international cement markets, the major international operators, as well as respective strategic management.

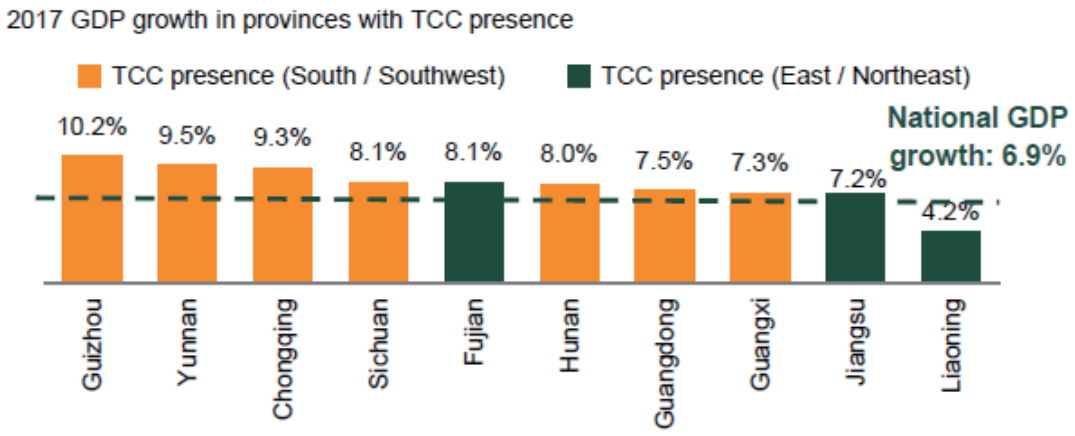
Our reputation and presence across Taiwan also make us a partner of choice for international players, such as CLP, Mitsubishi and Veolia, all of which sought the path into Taiwan's market. These international partners help us gain technical expertise outside of the cement segment, form mutually beneficial partnerships, and shape our reputation for co-investment or co-development opportunities with other international partners.

Strong performance based on strategically focused presence in attractive South and Southwest China cement markets

We are the sixth largest cement producer in China in terms of clinker production capacity in 2017. Our plants are strategically located in South and Southwest China. Currently, approximately 86% of our total cement production capacity comes from our facilities in South and Southwest China including Guangdong, Guangxi, Hunan, Sichuan, Guizhou and Yunnan provinces and Chongqing municipality. In addition, we hold top three positions in Guangdong, Guangxi, Jiangsu and Guizhou provinces in China in 2017. Our capacity in these four provinces accounts for approximately 59% of our total capacity. Our leading position in the strategically selected markets largely strengthens our relative importance and pricing power in these markets. Below shows our cement capacities in China as of September 30, 2018:

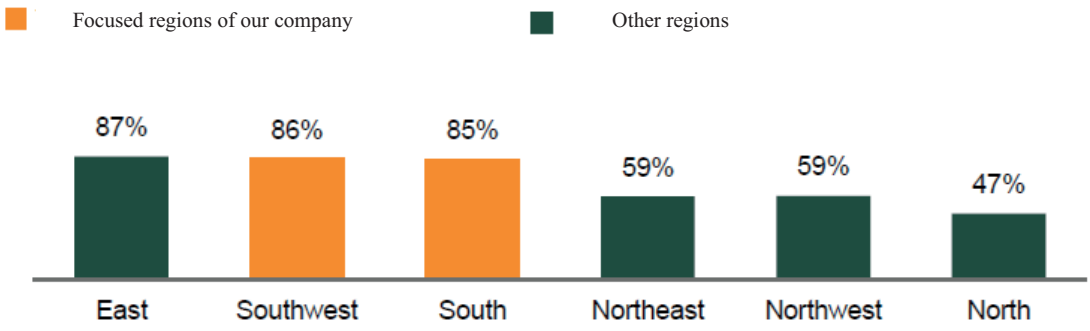


South and Southwest China are attractive cement markets in China, and enjoy GDP growth rates above the national GDP average. In 2017, GDP growth rates of Guizhou, Yunnan, Chongqing, Sichuan, Hunan, Guangdong and Guangxi ranged between 7.3% and 10.2%, surpassing the national nominal GDP growth rate of 6.9%:



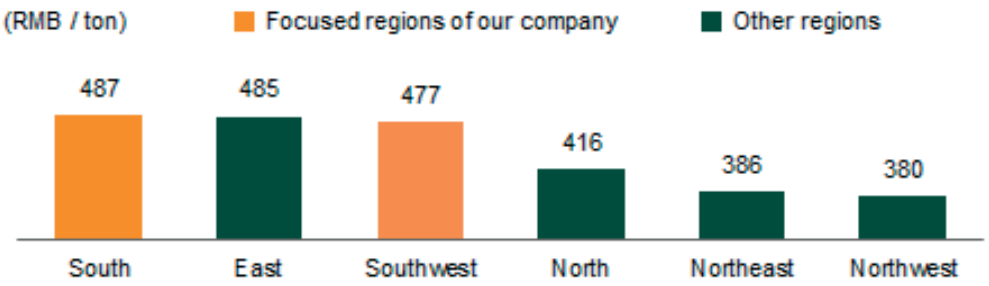
Source: National Bureau of Statistics of China

In addition to the healthy demand drivers, South and Southwest China markets are also much less impacted than the Northern ones with regards to restrictive off-peak productions policies, which result in structurally lower utilization rates and lower levels of production efficiency in those provinces. According to China Cement and Digital Cement, both of which are specialized cement industry websites in China, South and Southwest China enjoyed high average utilization rates of 85% and 86%, respectively, in 2017, only behind East China with a utilization rate of 87% and outpacing North, Northeast and Northwest China ranging from 47% to 59% in 2017. 2017 utilization rates for different regions in China are shown below:



Source: China Cement, Digital Cement

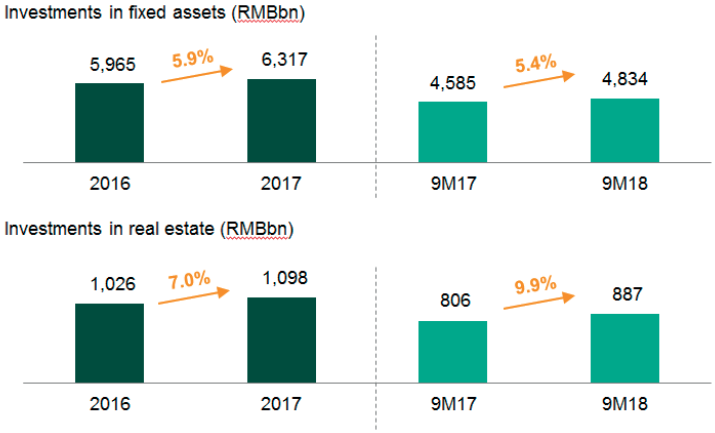
Higher utilization rates are critical in ensuring efficient and profitable operations. On the back of the more favorable supply-demand dynamics in South and Southwest China mentioned above, cement producers in these markets also benefit from higher cement prices, which provides a basis for profitable operations. Below shows China's cement prices by region as of October 2018:



Source: China Cement and Digital Cement. Calculated based on monthly cement price in October 2018, in RMB per metric ton.

Well-positioned to benefit from the supply-side structural reform in China

Since 2016, the State Council of China has been implementing a supply-side structural reform on the construction material sector, including the cement industry, with an aim to, among others, reduce oversupply and enhance environmental protection. These policies favor large-scale, efficient producers of high quality cement which, at the same time, comply with the increasingly stringent environmental protection standards. The policies lead to a significant supply decline, while the real estate and construction markets continue to show robust growth. The following chart sets forth the growth of the investment in the infrastructure and property development sectors for the periods indicated:

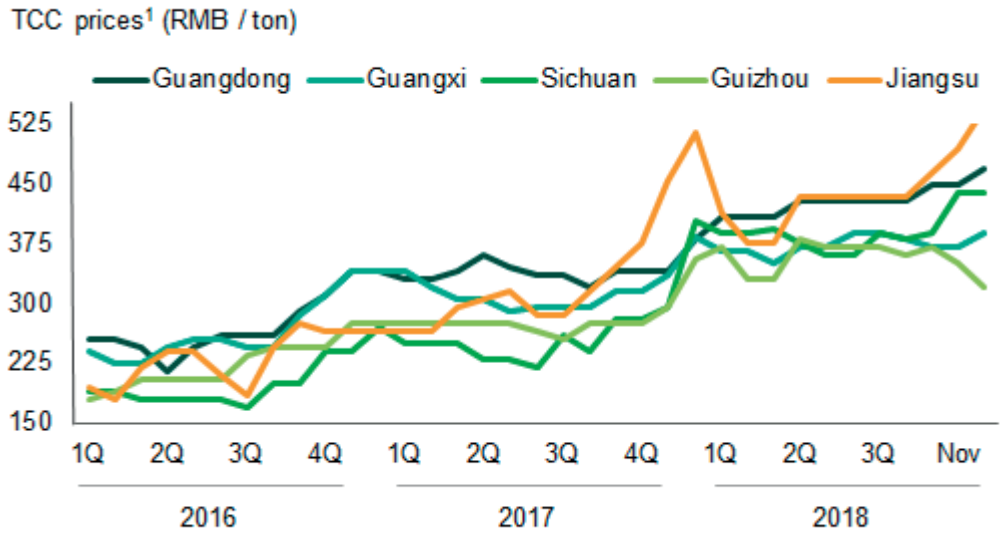


Source: National Bureau of Statistics of China.

Consequently, the cement manufacturers which comply with these policies are set to benefit from the market recovery on the back of improved supply-demand dynamics in the Chinese cement market, as evidenced by the steady cement price increase since 2016. See "Our Industry — The Supply-Side Structural Reform in China's Cement Industry" for more information.

We believe that we are particularly well-positioned to benefit from the reform due to our scale of operation, market leading positions, high production efficiency, dedicated R&D efforts, and the application of environmental-friendly production technology.

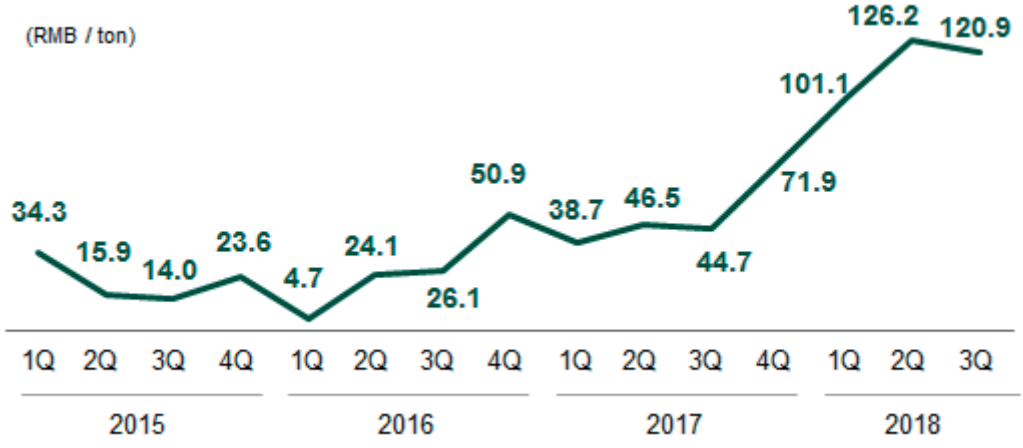
We are equipped with large-scale clinker lines providing greater efficiency. We operate 19 cement plants, two RMC plants, three grinding mills in China, and 22 of our 31 clinker lines in China have a production capacity of at least 5,000 ton per day. These account for 73.6% of our total capacity in China. As the sixth largest cement manufacturer in China and a top three manufacturer in Guangdong, Guangxi, Jiangsu and Guizhou provinces, unlike smaller and less efficient cement manufacturers, we are well-positioned to maintain our current production capacity while enjoying the rebound in cement products price brought by the reform. Consequently, our ASP for cement and clinker in China has increased substantially since 2016, as illustrated below:



Note:

(1) Prices for Portland 42.5 cement, tax inclusive.

Along with the improvement in prices, we have been experiencing strong momentum in the profitability of our Chinese cement operations as evidenced by our gross profit/ton performance below:

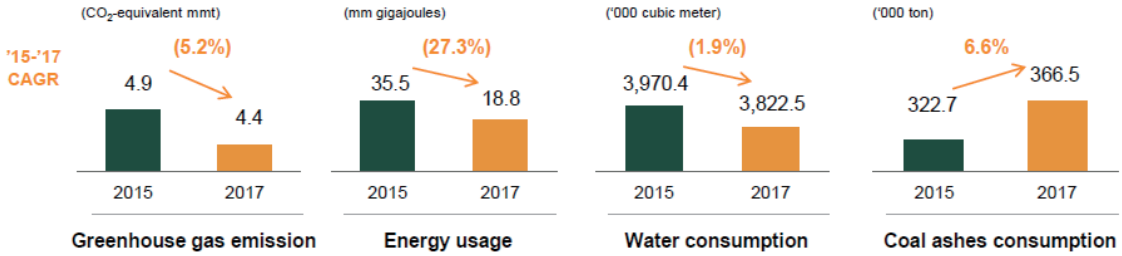


Front running the green revolution in the Chinese cement industry with direct economic benefits

Chinese authorities have been putting a strong focus on improving environmental standards including those for cement producers. The respective policies favor those who comply with the environmental requirements and are able to make the necessary investments going forward.

We have been working hard on reducing environmental impact, increasing efficiencies and pioneering environmentally friendly technology, in order to proactively address more stringent regulatory requirements in China and ensure our competitiveness in the long-run. Furthermore, we have built and utilized waste heat power generation systems since 1992 and have been using green fuels (RDF) since 2015. We have been applying co-processing for industrial waste and domestic waste since 2001 and 2015, respectively. We have also consistently contributed to the development and application of new award-winning technologies including carbon capture utilization and storage (CCUS). Our ability to both develop and implement new technology is the result of dedicated in-house research and development (R&D) and the endeavor of our engineering teams.

We have made significant improvements in our operations with regards to a number of relevant metrics. The following charts show certain information relating to the greenhouse gas emission, energy usage, water consumption and coal ashes consumption of our cement facilities in Taiwan in 2015 and 2017 respectively:



In addition to reducing environmental impact, the improvements and achievements of environmentally friendly technologies also bring us economic benefits through lower raw material and energy costs, more efficient operations, improved competitiveness, minimized regulatory risks of potential shutdowns or fines, and improved chances to license approvals.

Diversified earnings supported by synergistic, stable and complimentary non-cement segments

Within cement business, we have diversified our geographical presence by expanding into cement industry of Europe through joint venture with OYAK pursuant to the subscription agreement in October 2018. On the other hand, we have established a portfolio of businesses that are complementary to our cement segment, including chemical engineering, electricity, transportation, environmental services and other businesses. These business segments provide a great level of diversification, some of which are highly synergetic with our cement segment.

Our electricity segment is primarily operated through our Ho-Ping Power Plant located in Hualien, Taiwan. In 2017, our power plant represented approximately 21.0% of the total power sales among private thermal plants in Taiwan. Under the Power Purchase Agreement, the electricity tariff rate at which we charge Taipower is based on a set pricing formula which removes energy merchant risk and improves earnings stability. Given Taiwan's constant power shortage and the guaranteed off-take by Taipower pursuant to the Power Purchase Agreement, we believe we are not subject to demand-side offtake risk in the foreseeable future. In addition, the location of Ho-Ping Power Plant is strategically located close to our cement plant and our

industrial port. The proximity to our cement plant enables us to co-process residual ashes from the power plant in our cement manufacturing processes. The short distance to the port leads to lower transportation costs for the imported coal and creates captive demand in terms of cargo volumes for our shipping and port operations.

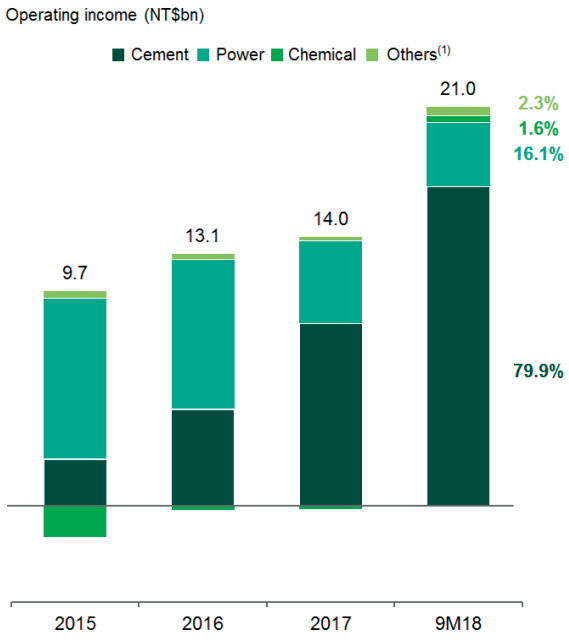
In addition to our thermal power plant, we have also been investing in renewable energy assets in Taiwan. We continue to develop our pipeline of solar and wind farms for power generation and currently have 2MW in operation and another 91 MW in progress. Renewable energy generation has been a focus of the Taiwan government which has set high targets for renewable energy generation and provided support and incentives for renewable investments in order to achieve these targets. We believe we are well positioned to grow our pipeline of renewable energy projects as we have developed profound R&D, engineering and project management expertise through our cement, power and chemical operations. Furthermore, thanks to our thermal power operations, we have a deep understanding of the power generation market in Taiwan. Our wide presence in Taiwan gives us better access to secure land parcels and improves our chances to complete projects.

Our chemical engineering segment is operated through our subsidiary TPCC which is listed on TWSE. TPCC has strong market shares of certain chemical products in Taiwan, such as phenol, acetone and cyclohexanone, and has a balanced mix of domestic and export sales. TPCC had a production capacity of 1,420 thousand metric tons as of December 31, 2017. TPCC is not only the leading phenol manufacturer in Taiwan, but also one of the only two producers of cyclohexanone in the region, while the other cyclohexanone manufacturer mainly produces it for its internal use and not for external sales. In 2017, our phenol, acetone and cyclohexanone enjoyed market shares of 32%, 46% and 100% respectively in Taiwan in terms of the volume available for sale in the market. In addition, given the slowdown in new capacity additions of competitors in the chemical industry, and the increasing demand in phenol-end markets, we are re-opening a previously mothballed production line in the fourth quarter of 2018.

We have also established a well-organized transportation business that serves our cement and electricity segments as well as third parties. Our transportation business is operated primarily through Ta-Ho, a bulk-focused shipping company which had, as of September 30, 2018, a fleet of nine ships in operation with a total capacity of 417,746 deadweight tons. There are another four ships under construction with a planned capacity of approximately 209,640 deadweight tons. The four new ships are expected to be delivered for use in 2019. Ta-Ho is carrying out a plan of fleet renewal and expansion, including fleet replacement with two energy efficient and eco-friendly bulkers and addition of two cement carriers to its fleet. We utilize part of Ta-Ho's shipping capacity to transport coal to Ho-Ping industrial port from where it is transported to the nearby Ho-Ping Power Plant. We also utilize part of Ta-Ho's shipping capacity to export our cement products. Ho-Ping Industrial Port adds to our comprehensive transport and shipping system.

As the biggest waste collector in Taipei through our joint venture with Veolia Environment, we take pride in our significant effort in environmental protection. So far, we have established eight waste water treatment plants and eight incineration plants. Leveraging our ample cement and waste management business experience, we plan adjacent waste treatment facilities when we establish or expand our cement production lines, which are expected to create synergistic effects by diversifying our revenue streams and enhancing energy utilization efficiency. For example, when we developed the cement and clinker production plant in Shaoguan, Guangdong province, China, we also planned the establishment of its waste management plant in the initial design. Our waste processing facility in Anshun which we completed in 2015 has the capacity to handle up to 200 metric tons of household garbage daily. As part of our waste management business we have been operating in close partnership with the global expert and leader in waste management Veolia Environment in Taiwan since 1992. More recently, we have formed a strategic partnership with Beijing Orient Landscape & Environment Co., Ltd. for our Chinese waste management operations.

These non-cement segments have been providing us with stable earnings and cash flows, and mitigating earnings volatility when our cement operations were affected by a cyclical downturn. In 2015, 2016, 2017 and the nine months ended September, 2018, these other business segments contributed 29.5%, 27.0%, 26.9% and 26.4% of our total operating revenue and 74.4%, 61.0%, 31.5%, and 20.1% of our income from operations, respectively. The following chart shows a breakdown of our operating income contribution by segment in 2015, 2016, 2017 and the nine months ended September 30, 2018:



Note:

(1) Others include transportation segment, environment segment and production and sale of refractory materials.

OUR BUSINESS STRATEGIES

Cement Segment

With respect to Taiwan and China, we strive primarily to maintain our leading market positions. We plan to seek consolidation opportunities to expand our existing cement plants and RMC plants in those provinces in China we currently operate to further improve vertical integration and market access. We will continue to utilize our R&D teams and invest into technology to improve production processes and cement quality, create efficiencies, and reduce production costs. These R&D efforts include new generation technologies, such as calcium loop CO2 capturing and microalgae cultivation technology. By doing so we aim to set and maintain the highest standards which will allow us to stay ahead of regulatory environmental requirements and ensure long-term competitiveness.

We also closely explore potential inorganic growth opportunities in China to consolidate the cement market and to further improve our position. While we plan to remain our regional focus on Taiwan and China, we may also prudently expand our overseas footprint and evaluate strategic cooperation and M&A opportunities beyond East Asia, which could potentially add another geographic pillar and growth to our current cement portfolio and improve diversification. In October 2018, we entered into a subscription agreement with OYAK, pursuant to which we shall invest an amount up to US$1.1 billion in OYAK by way of forming a joint venture with OYAK. We and OYAK formed a Dutch joint venture entity into which we injected cash and OYAK injected its interest in all its cement subsidiaries, including five Istanbul-listed and two private

subsidiaries. We and OYAK hold 40% and 60% interests in the joint venture, respectively. The completion of the investment took place on November 26, 2018. Leveraging our leading market position and in-depth industry experience, we believe we are able to replicate our success in expanding new markets.

Chemical Engineering Segment

We aim to expand market share in domestic sales through elastic price adjustment, and further develop markets in China, Japan, Korea and Thailand. We intend to establish a comprehensive and consolidated precision petrochemical production and sales system, and expand downstream product offering to increase diversification as well as self-consumption of upstream chemicals. In addition, we will continue to focus on investments in equipment, production upgrades, capacity expansions and unit cost reductions, and make further efforts on new product development in areas of high-value chemicals and chemicals for electronic-purpose including optoelectronics, electronic acetone, cyclohexanone and alpha-Methylstyrene.

Electricity Segment

We will continue to focus on operational stability and efficiency as well as environmental protection, including preventing pollution, reducing waste, strengthening recycling work and monitoring air quality. We aim to improve our self-maintenance ability.

We have also been investing into renewable energy assets in Taiwan as a critical and strategic move. We continue to develop our pipeline of solar and wind assets and currently have 2MW in operation and another 91 MW in progress. We follow a stringent project screening process and apply a high return threshold to ensure value creation.

Renewable energy generation has been a focus of the ROC government which has set high targets for renewable energy generation and provided support and incentives for renewable investments in order to achieve these targets. See "Our Industry e Renewable Energy Industry in Taiwan" for more information. The following table sets forth our projects in Taiwan with a total capacity of 93 MW that are operating or under construction and development:

Assets in Pipeline	**Capacity**
Wind Power	
Changbin Phase I	7.2 MW
Changbin Phase II	14.4 MW
Central	14.4 MW
Solar Photovoltaic	
Headquarter	43.2 KW
Changbin Phase I	2.0 MW
Changbin Phase II	10.1 MW
Tainan E-one Moli Energy	300.0 KW
Chiayi fishing and electricity	43.9 MW
Kaohsiung CSRC Warehouse	700.0 KW
Total	**93.0 MW**

We believe we are well positioned to grow our pipeline of renewable energy projects and to successfully complete these projects for a number of reasons. Based on our cement, power and chemical operations we have developed profound R&D, engineering and project management expertise. Our wide presence in Taiwan gives us better access to secure land parcels and improves our chances to complete projects. Furthermore, thanks to our thermal power operations, we have a deep understanding of the power generation market in Taiwan.

Waste Management Business

We plan to increase investments in waste treatment and disposal operations. As the leading cement player in Taiwan and the biggest waste collector in Taipei, we are well positioned to capitalize on the opportunity based on our scale, experience and track record. Leveraging our experience in waste management through our associate ONYX Ta-Ho Environmental Services Co., Ltd., we believe we are in a good position to further expand our waste treatment operations in Taiwan and China. We have been applying co-processing for industrial waste and domestic waste in our cement operations since 2001 and 2015, respectively. We are currently constructing our first cement plant equipped with dedicated waste disposal facilities in Shaoguan, Guangzhou Province. We have been working with Veolia Environment in Taiwan since 1992 and have recently formed a strategic cooperation with Beijing Orient Landscape & Environment Co., Ltd. for Chinese waste treatment projects. In pursuing our efforts of integrating cement production facilities and waste management capacities, we will continue to explore opportunities to work with international strategic partners, which contribute complimentary expertise and operations.

CEMENT SEGMENT

Overview

Our history can be traced to our cement business in Taiwan. The ROC government originally controlled the cement manufacturing industry in Taiwan. Our company was originally incorporated in May 1946 under the ownership of the ROC government. The former Resources Committee, a division of the Ministry of Economic Affairs, managed the Company together with the Taiwan Provincial Government until 1952 during which the Resources Committee was abolished and replaced by the National Finance Department. The ROC government privatized the Company by issuing shares in the Company to several large landholders in Taiwan including members of the Koo family in 1954. Our shares were listed on the TWSE on February 9, 1962, making us the first company listed on the TWSE. We have been the largest cement producer in Taiwan in terms of domestic sales since our inception.

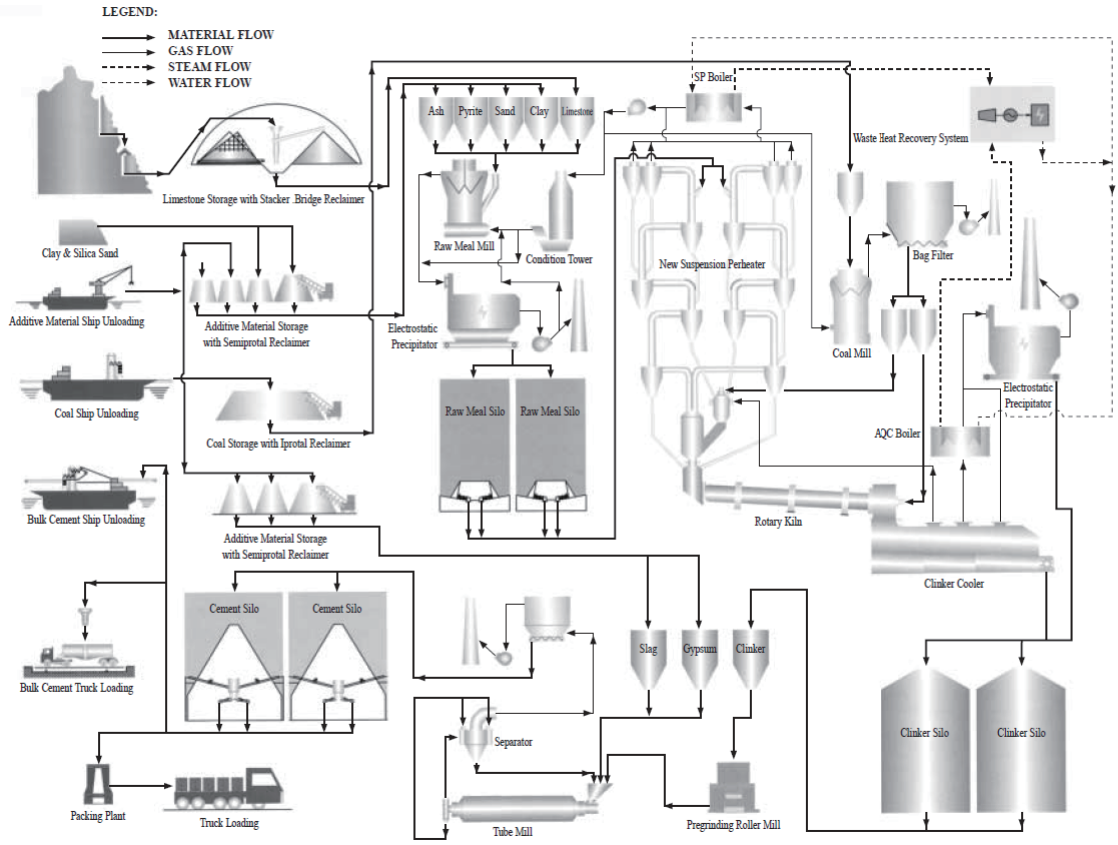
We entered into the cement market in China in 2004. We are the sixth largest cement manufacturer in China and a top three cement manufacturer in each of Guangdong, Guangxi, Jiangsu and Guizhou provinces, in terms of clinker production capacity in 2017. We manufacture and sell a wide range of high quality cement products, including ordinary and specialized cement, clinker and RMC. In 2017, we manufactured a total of 57.5 million metric tons of cement and clinker, and 4.3 million cubic meters of RMC.

We are entering into the cement industry of Europe as a result of the joint venture with OYAK pursuant to the subscription agreement in October 2018. See “Summary — Recent Developments” for more information.

Our Cement Products

Cement is produced primarily utilizing limestone, clay and certain additives. The raw materials are dried and ground into powder known as raw meal and then homogenized in a blending silo. X-ray fluorescent analyzing equipment monitors the quality of the raw meal continuously. The raw meal is then conveyed to a preheater for calcination and preheating by heat exchange before entering a kiln. The rotary kiln further heats the raw meal up to 1,500 degrees Celsius, which cause a chemical reaction and turn the raw meal into small modular particles called clinker. After being air cooled, the clinker is then mixed with gypsum and ground into cement. The finished product is then stored in cement tanks and silos for further transportation by truck, rail or ship in bulk or packed bags.

The general production process of cement is illustrated as follows:



Cement is graded on the basis of several characteristics, such as compressive strength, stress tolerance, soundness, speed of setting and other specifications. Different grades can be produced by adding varying amounts of additives, such as fly-ash, produced by power stations, and gypsum. Specialized cement is used for certain specific applications. For example, the constructions of oil wells and dams require cement with certain properties, such as heat resistance, quick bonding or special adhesive characteristics. Higher grade cement is required for certain applications, such as the construction of skyscrapers, infrastructure projects and airports.

The following table sets forth the major types of cement we manufacture and their applications:

Types of Cement	Application
Portland Type I cement	It is also known as ordinary cement and one of main products of the cement companies in Taiwan. As it does not have the characteristics which the other types of cements have, it is merely suitable for general engineering and construction purposes, and it is not suitable for special projects such as dams, breakwaters, sea caissons and emergency repair works.
Portland Type II cement	It is also called flat hot cement. Its chemical composition is more limited than the type I cement. Its hydration reaction is relatively slow, and its hydration heat is also low. It has moderate anti-sulfate erosion characteristics, suitable for reservoirs, dams, massive concrete, harbors, docks, coastal buildings, reefs, sewers, factory drainage, chimneys and other structures. Shimen Reservoir, Deji Reservoir, Minghu Reservoir, Emerald Reservoir, Jinshan, Guosheng and the third nuclear power plant, Keelung Port Terminal, Taipei City Health Sewer, Chung Yeung Bridge and the western coastal highway bridge and other projects adopted this type of cement.
Portland Type III cement	It is generally called early strength cement. It is suitable for emergency repair of buildings and highways, and is able to shorten the construction period.
Portland Type V cement	It is featured by high degree of resistance to sulfate erosion. The calcium tricalcium (C3A) content in its mineral composition specified is lower than other cements with max rating of 5%, and the sum of C4AF plus 2 times C3A is specified to be within 25%. Applicable to areas containing large amounts of sulfate in water or soil, such as harbors, oceans, tunnels, bridges, sanitary sewers, chemical plants, spa structures and coastal constructions
Portland Type I low temperature alkali cement	It is produced to fulfill the requirements from the high-speed rail project, the Taipei mass rapid transit (MRT) and Kaohsiung MRT projects. Its low temperature and low alkali characteristics can avoid cracking due to high concrete temperature and alkali reaction, and can increase the structure durability.
Portland Type II/V high strength cement	This type of cement was originally developed for export to the United States market with characteristics of high resistance to sulfate erosion and both of its early and latter strengths are high.

Clinker is a semi-finished product that can be used to produce different types of cement products by mixing in different additives during the grinding process. Most of the clinker output that we produce is used for our cement manufacturing and we also sell clinkers to certain customers.

RMC is a downstream cement product produced by blending and mixing cement with aggregates, paste and water in appropriate proportions. RMC are used in construction projects for commercial, industrial and residential buildings, civil engineering works and infrastructure projects.

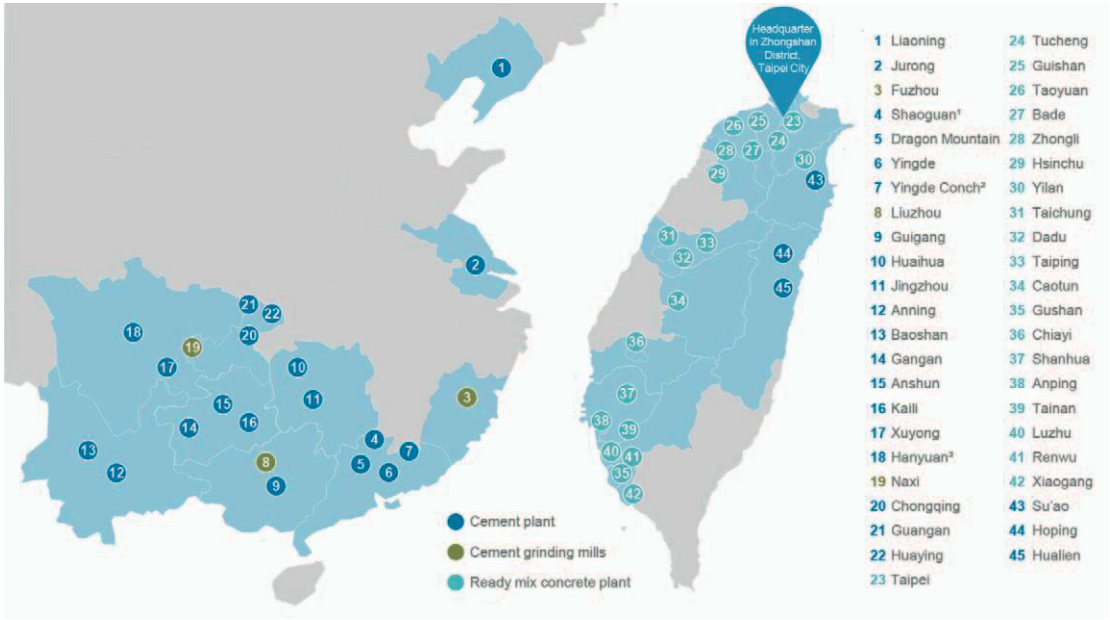
Our Production Facilities

We currently operate three cement plants and 21 RMC plants in Taiwan, as well as 19 cement plants, two RMC plants and three grinding mills in China, with a total annual production capacity of 64.3 million and 10.4 million metric tons of cement (including grinding mills capacity) in the PRC and Taiwan, respectively, and 12.0 million cubic meters of RMC, as of September 30, 2018. In 2017, we sold 52.3 million metric tons of cement and clinker in China and 3.0 million metric tons in Taiwan, and exported 1.7 million metric tons to other countries and regions.

The following table sets forth a breakdown of our operating revenue from cement business by geographic market for the periods indicated:

	Year ended December 31,							Nine months ended September 30,				
	2015		2016		2017			2017		2018		
	NT$	% of Total	NT$	% of Total	NT$	US$	% of Total	NT$	% of Total	NT$	US$	% of Total
										(unaudited)		
	(in thousands, except percentages)											
Taiwan	19,020,952	28.8	15,676,034	24.0	15,407,791	505,837	21.4	11,387,845	22.8	11,581,714	380,227	17.6
China	44,692,713	67.7	47,489,225	72.6	54,991,518	1,805,368	76.5	37,245,727	74.6	53,240,399	1,747,879	80.7
Other	2,302,281	3.5	2,208,655	3.4	1,505,967	49,441	2.1	1,270,636	2.6	1,144,349	37,569	1.7
Total	**66,015,946**	**100.0**	**65,373,914**	**100.0**	**71,905,276**	**2,360,646**	**100.0**	**49,904,208**	**100.0**	**65,966,462**	**2,165,675**	**100.0**

The following map shows the geographic locations of our cement plants, grinding mills and RMC plants in Taiwan and China as of September 30, 2018:



Notes:

(1) The Shaoguan plant is currently under construction.

(2) We own non-controlling interests in Prosperity Conch Cement Co., Ltd. which operates the Yingde Conch plant.

(3) We own non-controlling interests in Sichuan Taichang Building Material Group Company Limited which operates the Hanyuan plant.

The following table sets forth the production capacity, production volume and equipment utilization of our cement plants for the periods indicated:

	Year ended December 31,								
	2015			2016			2017		
	Production capacity	Production volume	Utilization rate (%)	Production capacity	Production volume	Utilization rate (%)	Production capacity	Production volume	Utilization rate (%)
Cement and clinker (thousand metric tons)	75,000	53,040	70.07%	75,700	58,570	77.37%	74,700	57,469	76.9%

Taiwan

We operate three cement plants and 21 RMC plants and affiliated factories in Taiwan, with a total annual production capacity of approximately 10.4 million metric tons of cement and approximately 11.7 million cubic meters of RMC as of September 30, 2018. We own 10 of out of the 21 RMC plants and affiliated factories and lease the facilities for the remaining 11 ones. Our new cement plant in Taipei is currently under construction and is expected to complete and put into operation in late 2019.

The following table sets forth the number of kilns and annual production capacity of our cement plants in Taiwan as of September 30, 2018:

Cement Plants	Number of Kilns	Annual Production Capacity (metric tons)
Ho-Ping cement plant	2	6.2 million
Suao cement plant	2	2.5 million
Hualien cement plant	1	1.7 million
Total	**5**	**10.4 million**

The following table sets forth the annual production capacity of our RMC plants in Taiwan as of September 30, 2018:

RMC Plants	Annual Production Capacity (cubic meters)
Taipei RMC Plant (eight affiliated factories in total)	5.4 million
Kushan RMC Plant (eight affiliated factories in total)	2.0 million
Taichung RMC Plant (four affiliated factories in total)	3.9 million
Hualien RMC Plant	0.4 million
Total	**11.7 million**

Our cement production facilities feature high technical performance and the ability to produce a diverse product range. We use technologically-advanced rotary kilns for cement production. Our cement plants in Taiwan produce various types of cement products, including Portland Cement Type I, Portland Cement Type II, low temperature and low alkali cement (including Types I and II), Portland Cement Type III, Portland Cement Type V, high strength cement, high performance cement and sludge treatment agents. In 2017, our cement plants in Taiwan produced a total of 10.4 million metric tons of cement, of which 13.9% was exported.

China

We operate 19 cement plants, two RMC plants and three grinding mills located in ten provinces or municipalities in China through our various subsidiaries or affiliates in China, with a total annual production capacity of approximately 64.3 million metric tons of cement (including grinding mills capacity) and 0.3 million cubic meters of RMC as of September 30, 2018. One of the cement plants located in Shaoguan, Guangdong province is under construction. This Shaoguan cement plant is owned by our Group and is expected to commence operation at the end of 2019 with a total annual production capacity of up to 2 million metric tons of cement.

The following table sets forth our aggregate shareholding percentage in our cement plants in China, their major products and their annual production capacity as of September 30, 2018:

Plants[1]	Locations	Our Aggregate Shareholding Percentage	Number of Kilns	Annual Production Capacity (metric tons)
Guangdong Province				
TCC Yingde Cement Co., Ltd	Qingyuan city	100%	4	9.0 million
Yingde Dragon Mountain Cement Co., Ltd	Qingyuan city	100%	3	6.0 million
Guangxi Province				
TCC (Guigang) Cement Limited	Guigang city	100%	4	9.0 million
Jiangsu Province				
Jurong TCC Cement Co., Ltd	Jurong city	100%	2	4.8 million
Liaoning Province				
TCC Liaoning Cement Co., Ltd	Liaoyang city	100%	1	2.0 million
Chongqing Municipality				
TCC Chongqing Cement Co., Ltd.	Hechuan district	100%	2	4.0 million
Guizhou Province				
TCC Anshun Cement Co., Ltd	Anshun city	100%	2	4.0 million
Guizhou Kaili Rui An Jian Cai Co., Ltd.	Kaili city	100%	2	2.3 million
Guizhou Kong On Cement Co., Limited	Anshun city	65%	1	1.2 million
Sichuan Province				
TCC Guangan Cement Co., Ltd.	Guangan city	100%	1	2.0 million
Scitus Luzhou Cement Co., Ltd.	Luzhou city	100%	1	2.0 million
TCC Huaying Cement Company Limited	Guangan city	100%	1	2.4 million
Hunan Province				
TCC Huaihua Cement Company Limited	Huaihua city	100%	2	2.5 million
TCC Jingzhou Cement Company Limited	Huaihua city	100%	1	1.4 million
Yunnan Province				
Yunnan Kungang & K. Wah Cement Construction Materials Co., Ltd.	Anning city	30%	2	2.6 million
Baoshan Kungang & K. Wah Cement Construction Materials Co., Ltd.	Baoshan city	30%	2	3.5 million
Total			**31**	**58.6 million**

Note:

(1) The table does not include (i) the cement plant in Shaoguan, Guangdong province which is under construction; and (ii) two cement plants operated by Prosperity Conch Cement Co., Ltd in Guangdong province and Sichuan Taichang Building Material Group Company Limited in Sichuan province, respectively, in which we own a non-controlling interest, as the production capacity of these two plants are not included in our calculation of production capacity of our cement plants in China.

We also operate three cement or slag powder grinding mills through our subsidiaries or affiliates in China. The following table sets forth the annual production capacity of our cement or slag powder grinding mills in China as of September 30, 2018:

Mills	Locations	Our Aggregate Shareholding Percentage	Annual Production Capacity
			(metric tons)
TCC Fuzhou Cement Co., Ltd.	Fuzhou city	100%	2.3 million
Scitus Naxi Cement Co., Ltd.	Luzhou city	100%	2.0 million
TCC Liuzhou Construction Materials Company Limited	Liuzhou city	60%	1.4 million
Total			**5.7 million**

The following table sets forth the annual production capacity of our wholly owned RMC plants in China as of September 30, 2018:

RMC Plants	Annual Production Capacity
	(cubic meters)
Scitus Luzhou Concrete Co., Ltd.	0.135 million
TCC Huaihua Concrete Co., Ltd.	0.135 million
Total	**0.27 million**

We are equipped with large-scale clinker lines providing greater production efficiency. In China, 22 of the 31 clinker lines we operate have capacities of at least 5,000 ton per day, which account for 73.6% of the whole capacity. With the Chinese economy continues to grow and the expected pipeline of a series of complex infrastructure projects throughout China and its neighboring countries and regions, we believe the demand for higher grade cement and RMC will continue to grow and benefit our cement business in China. In addition, the Chinese government has undergone a supply-side structural reform since 2016 to reduce over supply in China's cement market. As the supply-side structural reform is aim to eliminate obsolete capacity and inefficient cement manufacturers failing to comply with the Chinese government's environmental requirements, we believe we are well-positioned to benefit from such reform due to our large scale, high production efficiency, application of environmental-friendly production technology and long experience operating in a mature market like Taiwan.

Europe

We are entering into the cement industry of Europe as a result of the joint venture with OYAK pursuant to the subscription agreement in October 2018. See "Summary — Recent Developments" for more information.

Raw Materials

The raw materials for cement production primarily include limestone, clay, silica sand, iron slag and gypsum, and coal as fuel.

Limestone is the main raw material for manufacturing cement. We produce limestone from our quarrying facilities adjacent to our cement plants for our own use, and we also have long-term contract supply from domestic manufacturers. We have adopted the safe and environmental friendly approaches for mining and shipping limestones. The exploded limestone is shipped from the mining area to the vertical shaft for discharge first, roughly crushed by the crusher at the bottom of the shaft, and then transported with conveyer to the sub-crushers for secondary crushing before transported to pre-mixing chamber for mixing evenly. The exploded limestone may also be loaded to the crusher for crushing, carried through over-head ropeway to the transit stone chamber at downhill, transported through conveyor to the pre-mixing chamber for mixing evenly, and then withdrawing the limestone with even quality from the re-taking machine.

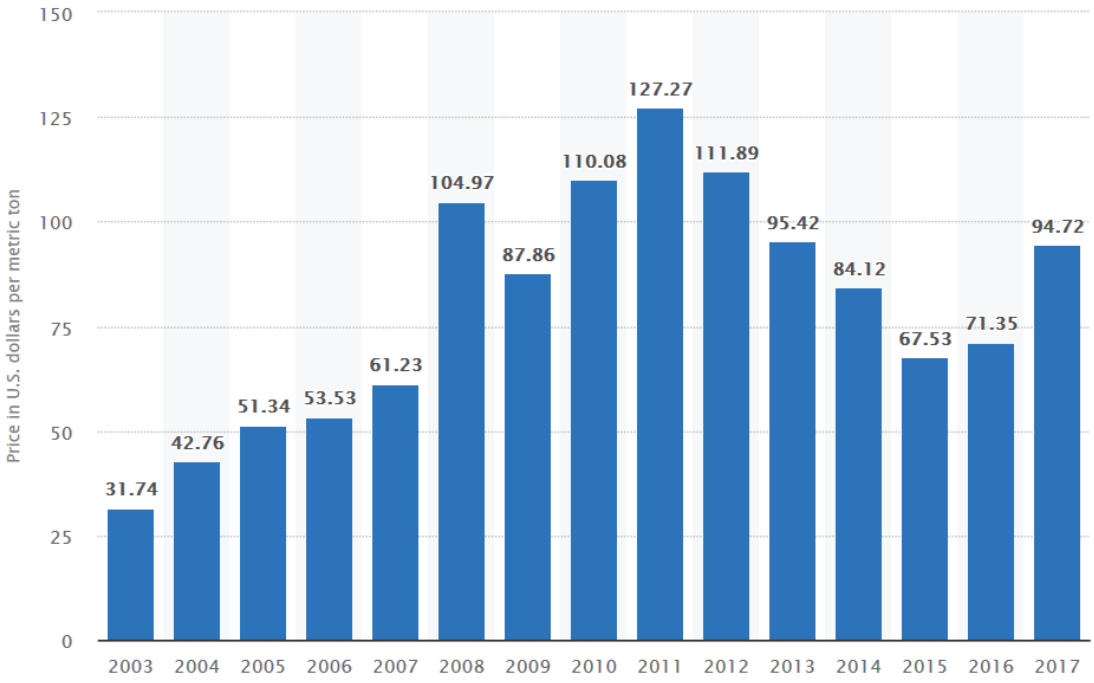
We generally source clay and silica sand on a long-term contract basis from third-party manufacturers. We purchase gypsum and iron sand from domestic and foreign suppliers. The coals we use in Taiwan are mainly imported from Australia and Russia through short- or long-term contracts, and the coals we use in China are mainly supplied by local suppliers through short-term contracts. The coal prices have generally increased since 2015 and are currently viewed to be on a cyclical high.

The following chart shows the average market prices of thermal coal (f.o.b. piers, Newcastle/Port Kembla, 6,300 kcal/kg) in Australia for the periods indicated:



Source: www.indemundi.com

The following chart shows the China Qinhuangdao coal average weekly spot price for the periods indicated:



Source: www.statista.com

As of December 31, 2017, we did not depend on any of our suppliers of raw materials to conduct our business.

Energy

The production of cement is an energy intensive process. We primarily rely on coal and electricity to meet our energy needs. For our cement business, our cost of coal accounted for 15.0% to 20.5% of the operating costs incurred in Taiwan and 31.4% to 42.8% of the operating costs incurred in China between 2015 and 2017 and the nine months ended September 30, 2018. Our electricity costs accounted for 11.4% to 13.1% of the operating costs incurred by our cement business in Taiwan and 16.4% to 22.2% of the operating costs in our cement business in China during the same period. We have not experienced any shortage or delays in our supply of coal, and have not experienced any stoppage or reduction in production due to an interruption in our electricity supply.

Customers

Our end customers of cement products primarily include government construction and infrastructure projects, real estate development projects and certain rural construction projects. In addition to customers in Taiwan and China, we also sell our cements products to customers in Philippines, Mauritius, Australia, Malaysia, Singapore and other countries and regions. In China, the key construction and infrastructure project companies involve certain government-backed entities that are responsible for government infrastructure projects, for which we bid to provide cement. The general distributors are primarily companies engaged principally in the distribution of cement products or construction materials.

Pricing

We consider various factors in pricing our cement products, including the costs of raw materials, operating expenses, market demand, market competition, government policy, and seasonality. We also apply different pricing methods depending on types of customers, their location, their financial strength and creditworthiness, changes to the market conditions, among other factors. Our pricing policies are approved by our Head of Sales and reviewed on a regular basis.

Terms and Sales and Credit Policy

Our sales of cement products are generally settled through bank transfer or bank draft. We accept pre-payments for sales within China and standby letter of credit or telegraphic transfer within 30 days for sales outside of China. Taking into account various factors, including the transaction amount, the financial conditions of our customers and past transactions, we may grant credit terms to certain of our customers. We maintain a strict credit control policy under which the credit terms are only granted following an appraisal of the customer's creditworthiness and credit history. We believe our credit policies are generally consistent with the industry practice.

Distribution

We maintain sales and marketing offices in Taiwan, Hong Kong and China and we also engage third-party distributors to distribute our cement products in Taiwan and China. We estimate that, in recent years, approximately 90% of our cement products in Taiwan were sold through distributors in Taiwan, and 80% to 85% of our cement products in China were sold through distributors. We believe adopting such a sales model could enhance our sales performance and leverage our distributors' established sales network and local experience. We generally enter into distribution agreements with these distributors with one-year term. In selecting the distributors, we consider a wide range of factors, including their operating track record, financial condition, the width and depth of their sales network, their marketing capacities. In our distributorship agreements, we have agreed with our distributors on detailed arrangements on the geographical coverage of each distributor so as to minimize competition among the distributors. We believe we have maintained a good working relationship with all of our distributors.

Seasonality

Demand for our products is subject to seasonal fluctuations. We usually record our lowest quarterly sales in the first quarter due to the Chinese New Year's holidays and cold weather in certain provinces in China where we operate. Certain climatic conditions, such as snow, storms and heavy or sustained rainfall, also negatively affect our sales because the level of activity in the construction industry is relatively low under those conditions. Our cement sales generally recover in the second and third quarters because of the improved weather conditions. The fourth quarter is our peak season and we generally increase the prices of our products due to higher demand as a result of the higher level of construction activities. Typically, construction projects are preferred to be completed before the Chinese New Year and before the cold season arrives.

Logistics

The development of logistical and transportation-related services to deliver our products within Taiwan, China and other markets in which we operate is critical to our business. We maintain sufficient capacity at our loading ports, adjacent to each of our major cement production facilities in Ho-Ping, Suao and Hualien, Taiwan. Each wharf supporting the cement production facilities is located in deep water ports and features berths wide enough to accommodate most

large commercial vessels. Due to the high concentration of cement and RMC plants in Taiwan, a facility's geographical sales market is generally divisible into an area of no more than 100 km in radius; whereas, in China, sales markets are as large as 300 km or more. Our cement plants in China generally transport cement products by sea or rail.

R&D, Patents and Licenses, etc.

We have established a professional cement and concrete research laboratory in Taiwan with 23 full-time employees as of May 31, 2018. Our research laboratory has been focusing on research relating to cement, concrete and resource recycling. In the past few years, we had successful R&D on the optimal ratio of high performance concrete, the technology of conductive concrete applications, among other projects. It has assisted our cement plants in Taiwan to obtain certifications from SGS, global leader in the inspection, verification, testing and certification, and became the first cement manufacturer certificated with ISO 50001 Energy Management System in Taiwan and enabled our cement plants in Ho-Ping, Suao and Hualien to optimize cement quality and resource recycling. In addition, it has assisted a variety of our cement plants in China in obtaining low-carbon cement product certifications.

Our research laboratory will continue its R&D with an aim to optimizing the quality, reducing the cost of cement, enhancing resource recycling and efficiency. It will also conduct further research in the combined treatment of living wastes and burning garbage in cement kiln together with flying ashes of the power plants. In addition, it will continue efforts relating to the energy conservation and carbon reduction plan with calcium loop CO_2 capturing system, carbon capture storage and utilization (CCSU) and microalgae cultivation technology.

As of September 30, 2018, we had filed ten applications for 22 patents in respect of our CO_2 capturing system, of which 15 patents have been granted with 7 patents under review.

Quality Control

Our quality control departments in Taiwan and China perform quality control functions throughout the entire production process, from the excavation of raw materials to the transportation of the products, in order to ensure that the cement products and clinker can meet their respective industry standards. In addition, we have also implemented a comprehensive quality control and production tracking system with respect to the raw materials we source and at every stage of the production process. Every stage of the production process is automated and constantly monitored by engineers. Our production lines are regularly inspected and maintained by engineers to ensure that they are in proper working condition.

Environmental Protection

The main environmental concerns in the cement industry are (i) the air pollution from dust generated by the crushing, grinding and production processes and (ii) the destruction of the environment through the process of extracting limestone. We have adopted safe and environmental friendly approaches for mining and shipping limestones, which substantially mitigated the risks we may impose on the environment for extracting limestone. For air pollution prevention, we have set up a continuous emission monitoring system to monitor the pollutant opacity of nitrogen oxides (NO_X), sulfur oxides (SO_X) and other pollutants. We purchase advanced equipment to reduce the emissions of total suspended particles (TSP), NO_X, SO_X and other pollutants, and we successfully managed to manage or reduce the emissions of such pollutants.

The following table sets forth the emissions of NOX and SOX for the periods indicated:

	Year ended December 31,		
	2015	2016	2017
		(metric tons)	
NO_X	7,896	7,331	7,035
SO_X	117	111	82

We place significant emphasis on environmental protection and have been contributing substantive efforts to enhance energy efficiency, reduce emissions and improve resource recycling. To reduce CO_2 emissions, we invested approximately NT$60 million during 2010 to 2016 and developed CCSU. Up to 2017, our CCSU technology has operated for 2,600 hours and captured 200 metric tons of CO_2 on a culmulative basis, and was able to neutralize emissions from 230 metric tons of cement produced by our Ho-Ping cement plant. Our CCSU technology was awarded 2014 Global R&D top 100 Awards in The Chicago Tribune Award in the industry. We have also been collaborating with Taiwan Industrial Technology Research Institute to design an outdoor microalgae cultivation field with a gross floor area of 20 hectare, which is expected to reduce our carbon footprint by 4,800 metric tons. We also established waste management facilities in certain of our cement and RMC production plants, which creates synergies for our operations and enhance our environmental protection performance. See the section "— Others — Waste Management" in this section for more information.

We have also adopted the necessary measures to prevent all types of industrial risks, which measures include fire prevention, explosion prevention, industrial safety and construction safety for our production facilities in Taiwan and China. On January 8, 2016, a fire accident occurred in our cement plant in Hualien, Taiwan. No injuries were caused and the accident did not have a material adverse impact on our business and financial conditions. On September 10, 2017, the main voltage step-down substantion equipment at our cement plant operated by TCC Yingde Cement Co., Ltd. in Guangdong province caught fire which resulted in power interruption in the plant and temporary suspension of production. Production was fully resumed after approximately two months. Other than the aforementioned fire accidents, we have not encountered any material fire and industrial accidents, serious injury or death to personnel, and have not received claims for material damages resulting from occupational hazards or injuries relating to our operations. We have been in compliance with all material environmental regulations in Taiwan and China and enjoy good relationships with environmental groups who monitor the impact of cement factories on the environment.

We are planning to carry out the following environmental protection initiatives in the future:

- reinforcing and ensuring the normal operation of our environmental facilities;
- continuing our R&D in pollutant reduction and resource recycling rates;
- utilizing wastes as resources and enhance resource utilization efficiency; and
- enhancing environmentally-friendly measures and techniques on an on-going basis.

Competition in the cement industry

The cement industry is generally a localized industry. For example, in Taiwan and China, the sales market for a cement plant is generally within a 100- and 300-kilometer radius for Taiwan

and China, respectively. Common distribution problems include high land transportation costs, low bulk sales rates, storage problems and short shelf life of products. Competition is primarily driven by the location of our cement and RMC operations, as well as the quality of our products, which tend to be priced at the higher end of the market.

The cement and RMC industries are highly competitive. In Taiwan, our principal competitor is Asia Cement. In China, there are a large number of competitors in both markets, including both local and foreign-based entities, and our major competitor include Anhui Conch, although we also own a strategic interest in that company, and other large cement manufacturers such as BBMG, China National Building Material Group, China Resources Cement Holdings, and Huaxin Cement. See "Our Industry" for more information.

CHEMICAL ENGINEERING SEGMENT

Our chemical engineering segment is operated through our subsidiary TPCC which is listed on TWSE. The production facilities of TPCC are located in Kaohsiung Industrial Park with a gross area of 13 hectares. TPCC is the first specialized phenol chemical producer in Taiwan. TPCC manufactures and sells a range of chemical products, primarily including:

- **Cumene**: Cumene is mainly used for the production of phenol and acetone, and a small amount is used for producing chemical such as bridging agent.

- **Phenol**: Phenol products are mainly used in the production of phenolic resin and propanediol. They are used for the production of cyclohexanone, and alkyl phenols such as nonyl phenol, 2,6-xylenol (and 2,4 -xylenol) Aniline, salicylic acid.

- **Acetone**: Acetone is an important industrial solvent and raw material for the manufacturing of acrylic resin (methyl methacrylate), polyurethane and epoxy resin. It is a deodorant for oil refining, and can be used for producing propanediol and acetone cyanohydrin. It is also a kind of extraction agent for pharmaceutical industry.

- **Bisphenol-A**: Bisphenol-A is mainly used for the production of epoxy resin and polycarbonate resin (PC). Epoxy resin is used for soft packaging materials, adhesives, laminated boards, and packaging materials of electronic components. Polycarbonate resin (PC) is used for purposes of substrstes of CD, DVD disks and automotive headlamps, etc. We have suspended its production since August 2015 due to a lack of profitability resulting from the declines in its market price. As market price of bisphenol-A picked up in 2018, we expect to resume production in the fourth quarter of 2018.

- **Cyclohexanone**: Cyclohexanone is primarily used as raw material of caprolactam, and is secondarily used as a solvent. Caprolactam is the raw material of textile nylon, while China Petrochemical Development Corporation ("CPDC") is now the only caprolactam producer in Taiwan, and its cyclohexanone produced is for its own use only. 70% of the cyclohexanone produced by Taiwan Prosperity Chemical Corp. is for exporting to overseas caprolactam markets, and the rest is for special solvent purposes.

- **Maleic Anhydride**: Maleic Anhydride is the third largest anhydride used in terms of volume, only behind phthalic anhydride and acetic anhydride and it has a variety of usages. In particular, its application in the unsaturated resin, alkyd resin, 1,4-butanediol / TIIF/r-butyrolactone and other derivatives, polymer synthesis and adhesives has been experiencing a stable growth.

The following table sets forth the production capacity, production volume and equipment utilization of our chemical production for the periods indicated:

	Year ended December 31,								
	2015			2016			2017		
	Production capacity	Production volume	Utilization rate (%)	Production capacity	Production volume	Utilization rate (%)	Production capacity	Production volume	Utilization rate (%)
	(metric tons, except for percentages)								
Chemical raw materials — Phenol series products[1]	866,468	455,461	52.57%	866,468	427,954	49.39%	866,468	525,243	60.62%
Chemical raw materials — Other products[2]	553,551	369,556	66.76%	553,551	327,190	59.11%	553,551	338,649	61.18%

Notes:

(1) Phenol series products primarily include phenol, acetone, bisphenol-A and cyclohexanone.

(2) Other products primarily include cumene, AMS, maleic anhydride and other chemical products.

We sell our chemical products in Taiwan and other countries and regions such as China, Japan, Korea and Thailand. The following table sets forth the operating revenue of our chemical products by region for the periods indicated:

	Year ended December 31,					
	2015		2016		2017	
	NT$	%	NT$	%	NT$	%
	(in millions, except for percentages)					
Taiwan	5,603	47.7	5,052	51.6	5,646	42.8
Other	6,139	52.3	4,735	48.4	7,547	57.2
Total	**11,742**	**100**	**9,787**	**100**	**13,193**	**100**

We enjoy a high market share of certain chemical products in Taiwan. The following table sets forth the market share for certain of our chemical products in Taiwan for the periods indicated:

	Year ended December 31,		
	2015	2016	2017[1]
Phenol	41%	37%	32%
Acetone	30%	21%	46%
Cyclohexanone	60%	16%	100%

Source: Statistics by the Taiwan Customs and our Group

Note:

(1) The market share is calculated based on the total amounts distributed or available for sale in the Taiwan market, excluding the amounts produced for internal use by relevant chemical manufacturers in Taiwan.

In order to maintain our market competitiveness, we have developed poly-a-methyl styrene as a modifier for shoe materials in addition to continually increasing the production capacity of bisphenol-A and cyclohexanone for increasing the values that could be added by our products and reducing reliance in phenol. In addition, we will continue to strengthen our efforts in the development of new products such as high-value chemicals and chemicals for electronic purpose.

ELECTRICITY SEGMENT

Thermal Power Plant

We conduct the power generation business in Taiwan through Ho-Ping Power Plant, which is owned by our subsidiary Ho-Ping Power, a joint venture we established with Power Infrastructure Holdings (Malaysia) Sdn Bhd, a subsidiary of CLP Holdings Limited, in March 1995. Ho-Ping Power constructed the Ho-Ping Power Plant on the eastern seaboard of Taiwan in the Ho-Ping Industrial Park, located north of Hualien. Ho-Ping power station is interconnected to the Tong-Shan substation operated by Taipower, the national power company of Taiwan. Ho-Ping Power's emissions fall within Taiwan's environmental laws and regulations. Fly ash and gypsum produced by the power station boilers are transferred to the nearby Ho-Ping cement plant and recycled as raw materials, decreasing our requirements for clay in the production of cement. The power generated by Ho-Ping Power Plant accounted for approximately 21.0% among private thermal plants in Taiwan, and approximately 3.7% of total power sales in Taiwan in 2017.

We currently hold 60% equity interest on a consolidated basis in Ho-Ping Power Co., Ltd. with the remaining interest being held by Power Infrastructures Holding corporate (Malaysia), which is 100% indirectly held by OneEnergy Taiwan Limited, a 50:50 joint venture of CLP Holdings Limited and Mitsubishi Corporation.

The following table sets forth the production capacity and production volume of our Ho-Ping power plant for the periods indicated:

	Year ended December 31,					
	2015		2016		2017	
	Production capacity	Production volume	Production capacity	Production volume	Production capacity	Production volume
Power[1]	1,297.1	8,543.5	1,297.1	8,778.8	1,297.1	8,501.9

Note:

(1) Production capacity: thousand kW; production volume: million degrees.

In Taiwan, Ho-Ping Power Plant is an IPP. With the liberalization of Taiwan's power market, IPPs are entering into the power market. However, according to the relevant provisions of the Electricity Act, electricity produced by IPP is still required to be coordinated by Taipower which further allocates to people's livelihood or for industrial use. As such, electricity generated by IPP is not permitted to be directly sold to the end-users.

Ho-Ping Power entered into the current Power Purchase Agreement with Taipower in 1998, which has a duration from August 4, 1998 to June 29, 2027, and is renewable for five years each time upon mutual agreement. Under the Power Purchase Agreement, the electricity tariff rate at which Ho-Ping Power Plant charges Taipower is based on the average coal costs and other variable operation and maintenance costs during the year preceding the relevant year. The set pricing formula for tariff rate removes energy merchant risk and improves earnings stability. In addition, Ho-Ping Power Plant is strategically located close to our cement plants, which enable us to co-process residual ashes from the power plant in our nearby cement plant, creating significant synergies.

The key raw material for our power generation is coal and we primarily import coal from Australia, Russia and Indonesia under long- and short-term supply contracts. Our power generation is subject to seasonal fluctuations as summertime is the peak season for electricity demand.

Complying with the ISO 14001 environmental policy, our Ho-Ping Power Plant has been committed to complying with the environmental laws and regulations, improving the performance of our pollution prevention equipment, reducing waste and enhancing recycling. We have also established a robust environmental management system and we regularly review and assess our pollution prevention measures to ensure their effectiveness and adequacy. We provide relevant environmental awareness trainings for our employees and we also promote transparent disclosure of our performance of environmental protection by publishing periodic reports to the public. We also implemented ISO 9001 quality management system to enhance our quality control and maintain the stability of our power generation services. In addition, we adopted the NOSA Integrated Five Star System Standard for safety, health and environment to further improve our production environment and safety.

Renewable Energy Business

We are also expanding into the renewable energy business to establish solar and wind farms to generate power from renewable energy. The renewable energy generation has been one key target of the ROC government which receives continuous support. Taiwan government has projected several targets of renewable growth by 2025, including reaching 27,363 MW renewable power capacity from 4,708 MW in 2016, achieving 20% of power generation from renewables, and phasing out nuclear at that time. Supported by government initiatives, incentivized by feed-in tariffs, tax breaks, as well as tradable energy certificates, and driven by the need to reduce dependency on fossil fuel imports, we plan to capitalize on attractive growth opportunities in the renewable energy market in Taiwan. See "Our Industry — Renewable Energy Industry in Taiwan" for more information.

We are currently developing a portfolio of renewable assets to capture the opportunity. We continue to develop our pipeline of solar and wind assets and currently have 2MW in operation and another 91 MW in progress. See "— Our Business Strategies — Electricity Segment" in this section for more information.

OTHERS

We also engage in maritime transportation with a fleet of nine ships as of September 30, 2018 and waste management which provides services to close to 30% of the population and handles over 30% of the household and general waste in Taiwan.

Transportation

In 2003, to facilitate the importation of raw materials to and product export from the Ho-Ping cement plant, we constructed the Ho-Ping port in Hualien, Taiwan and established Ho-Ping Industrial Port Corp. to serve the manufacturers in the Ho-Ping Industrial Park. We own 99.99% of the port operation. The 158.8 hectare port comprises six wharves which are able to handle loading and uploading by ships with capacity of no more than 800,000 deadweight tons, with a total handling capacity of 23 million deadweight tons. The navigation channel has a length of 1,200 meters, a width of 200 meters and a water depth of 15 to 20 meters. Loading, unloading and transport facilities include a coal unloader, a belt conveyor and a loader for cement, clinker and limestone. Ancillary facilities and equipment include tugboats, a garbage removal boat, lighthouses, a port administration building and a police station.

We have also established a well-organized transportation business that serves our cement and electricity segments as well as third parties. Our transportation business is operated primarily through Ta-Ho, a bulk-focused shipping company which had, as of September 30, 2018, a fleet of

nine ships in operation with a total capacity of approximately 417,746 deadweight tons and another four ships under construction with a planned capacity of approximately 209,640 deadweight tons. Ta-Ho has been carrying out a plan of fleet renewal and expansion, including fleet replacement with two energy efficient and eco-friendly bulkers and two cement carriers. The five new ships are expected to be delivered for use in 2019. We utilize the Ta-Ho's shipping capacity to transport coal to Ho-Ping industrial port to meet the demands by Ho-Ping Power Plant, and support the export of our cement products.

Waste Management

In Taiwan, we operate waste management business through Ta-Ho Environmental Services Company Limited, or Ta-Ho Environmental, a joint venture organized in 1992 by us in association with the world's top waste management expert CGEA- ONYX of France, a division of Veolia Environment. Through its subsidiaries, Ta-Ho Energy Recovery and Ta-Ho Waste Clearance, Ta-Ho Environmental also handles liquid industrial waste treatment and waste collection. Currently, Ta-Ho Environmental has been authorized to operate and manage the Taichung Waste-to-Energy Plant and the Chiayi City Incineration Plant. As the biggest waste collector in Taipei, with 55,000 metric tons household waste collection per annual, we take pride in our significant effort in environmental protection. So far, we have operated eight waste water treatment plants and eight incineration plants in Taiwan. These plants have a total capacity of approximately 1.4 million cubic meter waste water per day and 7,200 metric tons waste per day.

As we continue our efforts in providing integrated eco-solutions and improving our environmental protection performance, we have also established waste management facilities in China in addition to our cement production plants. We established waste management operations utilizing the heat generated from high temperature kilns when manufacturing cement products to generate electricity and incinerate urban and industrial wastes. For example, our waste treatment plant in Anshun, Guizhou province, China, which commenced operations in late 2015, has a daily capacity of handling 200 metric tons of household waste. Leveraging our past experience, we also start to include the plan for constructing waste treatment facilities when we establish or expand our cement production lines. For example, when we developed new cement production plant in Shaoguan, Guangdong province, China, we also planned the establishment of its waste management plant in the initial design. We also benefit from the synergies through the integration of our cement production operations and waste management operations. The high temperature generated by our cement kilns can also incinerate sludge from waste water treatment plants, fly ash and bottom ash from waste incineration plants, thereby minimizing harmful emission to the environment.

CUSTOMERS

Our Group's operating revenue from the ten largest customers were NT$23,965.1 million, NT$22,712.2 million and NT$24,055.0 million, respectively, in 2015, 2016 and 2017, accounting for 25.6%, 25.4% and 24.5% of our total operating revenue during the same periods, respectively. Our operating revenue from our largest customer, Taipower, were NT$12,645.7 million, NT$12,243.5 million and NT$10,950.1 million, respectively, in 2015, 2016 and 2017, accounting for 13.5%, 13.7% and 11.1% of our total operating revenue during the same periods, respectively.

EMPLOYEES

We had 10,080, 9,620, 9,356 and 9,325 employees as of December 31, 2015, 2016, 2017 and as of May 31, 2018, respectively. The following table sets forth a breakdown of the number of our employees by geography as of May 31, 2018:

Country/Region	Number
Taiwan	1,021
China	8,304
Total	**9,325**

The following table sets forth a breakdown of the number of our employees by our four business segments as of May 31, 2018:

Business Segment	Number
Cement segment and others	9,114
Chemical engineering segment	190
Electricity segment	21
Total	**9,325**

REGULATIONS

Our business activities are subject to various governmental regulations in Taiwan and China, including regulations relating to operations of our cement segment, chemical engineering segment, electricity segment, and other segments; investment approvals; consumer protection including product liability and safety; export regulations including tariffs, antitrust and competition laws; intellectual property; taxation; foreign exchange controls; and environmental and recycling requirements. We believe we are in compliance in material respects with all these material laws and regulations in Taiwan and China.

Since 2016, in order to contain oversupply in the cement industry and enhance environmental protections, the Chinese government has implemented the supply-side structural reform by adopting various measures, including phasing out obsolete capacity and inefficient cement manufacturers failing to comply with the PRC government's environmental requirements and implementing off-peak season production for the cement industry. As we have been focused on high production efficiency and application of environmental-friendly production technology for our cement production, we embrace such Chinese government's industry reform as an opportunity. See "Our Industry — The Supply-Side Structural Reform in China's Cement Industry" and "— Competitive Strengths — Well-positioned to benefit from the supply-side structural reform in China" in this section for more information.

PROPERTIES

As of March 31, 2018, we owned properties of a total of approximately 2.9 million square meters and leased properties of a total of approximately 3.1 million square meters in Taiwan, which are mainly used for our cement production facilities, power plant, chemical production plant, waste management facilities, R&D facilities and offices. As of the same date, we owned properties of a total of approximately 14 million square meters in China, which are mainly used for our cement production facilities and offices.

INSURANCE

We maintain a range of insurance policies which cover certain liability risks including commercial general liabilities, employer's liability, public liability, and fire and property liabilities. We believe such coverage is consistent with the customary practices in the markets in which we operate. We review the sufficiency and adequacy of our insurance coverage regularly. We also maintain insurance for our employees as required by the applicable laws and regulations of Taiwan and China.

LEGAL PROCEEDINGS

Ho-Ping Power Company

Our subsidiary Ho-Ping Power is involved in the following pending proceedings:

Litigation with the Fair Trade Commission of Taiwan

Nine IPPs including Ho-Ping Power were investigated by the Fair Trade Commission, or FTC in October 2012, for collectively refusing to adjust the electricity tariff rates set forth in their respective power purchase agreements with Taipower. The FTC alleged that the nine IPPs had contacted each other and had held meetings to reach an agreement for the purpose of refusing to adjust the electricity tariff rates, which had impact on the supply and demand in the electricity market and violated the Fair Trade Act. The FTC thus imposed penalties on the nine IPPs in the total amount of about NT$6,300 million in March 2013. In the said case, Ho-Ping Power was fined NT$1,350 million which was later reduced to NT$1,320 million in November 2013. The nine IPPs appealed against the FTC's decision because there was no concerted action among them and they are not competitor of one another since all of the electricity generated by them was sold to Taipower, and accordingly there was no violation of the Fair Trade Act. Taipei High Administrative Court ruled in favor of Ho-Ping Power Plant in October 2014 and dismissed the FTC's decision but the FTC appealed. The Supreme Administrative Court overturned the judgment of Taipei High Administrative Court in June 2015 and ordered a retrial by the Taipei High Administrative Court. Taipei High Administrative Court made its judgment in May 2017 which again dismissed the decision of the FTC. Both the FTC and Taipower appealed again and the Supreme Administrative Court on September 6, 2018 overturned again the judgment of Taipei High Administrative Court rendered in May 2017 and ordered another retrial by the Taipei High Administrative Court. This litigation is pending before Taipei High Administrative Court for retrial again.

As of September 30, 2018. Ho-Ping Power has paid NT$1,122 million in fine to the FTC and set aside NT$198 million under other payables to cover the outstanding fine balance.

Litigation with Taipower

Based on the alleged concerted action of the nine IPPs stated above, Taipower filed an administrative lawsuit with the Taipei High Administrative Court in September 2015 against the nine IPPs (including Ho-Ping Power Plant) respectively for damages and compensation for the losses it suffered due to violation of the Fair Trade Act and fault in contractual negotiations, torts, change of circumstances and breach of contract by the nine IPPs. Taipower initially claimed NT$5,500 million against Ho-Ping Power Plant (the claim amount was later increased to NT$10,760 million). Taipower also filed another claim with the Taipei District Court against the nine IPPs (including Ho-Ping Power Plant) for damages and compensation for losses based on the same facts and claims in November 2015 and the claim amount against Ho-Ping Power Plant is NT$5,268 million. The litigation at the Taipei High Administrative Court was transferred in

February 2017 to the Taipei District Court for judgment given that the nature of the claims was based on private law contract instead of public law contract and Taipei High Administrative Court lacks jurisdiction over this case. Currently both litigations are pending before Taipei District Court.

As of the date of this offering memorandum, Ho-Ping Power Plant believes that Taipower's claims lack reasonable legal grounds and considers Taipower's odds of winning this case to be low and thus has not set aside reserves in this case.

Litigation with Hualien County Government

Hualien County Government imposed a NT$440 million fine on Ho-Ping Power Plant for unjust enrichment in 2012, alleging that its use of coal exceeded the permitted ceiling during 2009 and 2010 and thus violated the Air Pollution Prevention Act. This litigation was finalized in June 2017 and the fine was reduced to around NT$436 million. Ho-Ping Power Plant has paid the penalty to Hualien County Government in 2014.

Ta-Ho RSEA Environment Co., Ltd

Our subsidiary, Ta-Ho RSEA Environment Co., Ltd (達榮環保股份有限公司) is involved in the following proceedings:

Arbitration with Yunlin County Government

Ta-Ho RSEA Environment Co., Ltd. ("Ta-Ho RSEA") had a contract dispute with Yunlin County Government over the YunLin BOO (build, operation and own) Incineration Plant agreement. The dispute was subject to arbitration. Based on the arbitration award dated October 1, 2008, Yunlin County Government shall make the first payment of NT$1,500 million by November 30, 2008 and the second payment of about NT$1,440 million by June 30, 2009 to Ta-Ho RSEA and Ta-Ho RSEA shall transfer the assets to Yunlin County Government. However, Yunlin County Government failed to make the payments. Ta-Ho RSEA filed an application with Yunlin District Court for compulsory execution of its claim against Yunlin County Government for payment. As of the date of this offering memorandum, Ta-Ho RSEA has received NT$2,900 million (tax included) and continues the compulsory execution procedure against Yunlin County Government while negotiating with Yunlin County Government for payment.

Litigation with Yunlin County Government

Yunlin County Government filed a debtor objection lawsuit with Yunlin District Court in February 2016 against Ta-Ho RSEA's compulsory execution of the second payment by claiming the circumstances which should prevent Ta-Ho RSEA from executing its claim. Yunlin District Court rejected Yunlin County Government's claim. The appeal made by Yunlin County Government was also rejected by Taiwan High Court, Tainan Branch on June 20, 2017 and this litigation is finalized.

In addition to the matters described above, we or our subsidiaries are also a party to other litigations or proceedings that arise during our ordinary course of business. Except as mentioned above, we are not involved in any material litigation or proceedings which, if adversely determined, could be expected to have a material adverse effect on our business or operations.

LISTING OF SIGNIFICANT SUBSIDIARIES

The following table sets forth a list of our significant consolidated subsidiaries as of the date of this offering memorandum:

Name	Place of Incorporation	Proportion of Ownership Interest
TCC International Limited	British Virgin Islands	100%
TCC International Holdings Ltd.	Cayman Islands	100%
TCC Hong Kong Cement (BVI) Holdings Ltd.	British Virgin Islands	100%
Ho-Ping Power Company	Taiwan	60%
TCC Hong Kong Cement (International) Ltd.	Hong Kong	100%
TCC International (Hong Kong) Co., Ltd.	Hong Kong	100%
Upper Value Investments Limited.	British Virgin Islands	100%
TCC (Guigang) Cement Limited.	China	100%
TCC Yingde Cement Co., Ltd.	China	100%
Yingde Dragon Mountain Cement Co., Ltd.	China	100%
Taiwan Prosperity Chemical Corporation	Taiwan	42.5%
Taiwan Cement (Dutch) Holdings B.V.	Netherland	100%

Directors

Our board of directors has ultimate responsibility for the management of our business and affairs. Our Articles of Incorporation permits our board of directors to consist of no less than 15 persons and no more than 19 persons. We currently have 19 directors. The following tables contain certain information about each of our directors and senior executive officers. Each of our directors and senior executive officers listed below can be reached at our representative office located at No. 113, Sec. 2, Zhongshan N. Rd., Zhongshan District, Taipei, Taiwan, ROC. Our directors serve for a term of three years once (re-)appointed.

Name	Representative	Position	Since	Expiration Date of the Current Term
Chia Hsin R.M.C Corp.	Chang An-Ping, Nelson	Chairman of the Board	April 21, 1994	June 21, 2021
Tai Ho Farming Co., Ltd.	Koo Jason Kung-Yi	Vice Chairman of the Board	April 18, 1988	June 21, 2021
China Synthetic Rubber Corporation	Kenneth C.M. Lo	Director	February 24, 2005	June 21, 2021
Chung Cheng Development Investment Corporation	Yu Tzun-Yen	Director	October 30, 2002	June 21, 2021
Fu Pin Investment Co., Ltd.	Wang Por-Yuan	Director	June 19, 2009	June 21, 2021
Chinatrust Investment Co., Ltd.	Chun-Ying, Liu	Director	June 22, 2018	June 21, 2021
Heng Qiang Investment Co., Ltd.	Chien, Wen	Director	June 22, 2018	June 21, 2021
Shinkong Synthetic Fibers Corporation	Eric T. Wu	Director	April 18, 1985	June 21, 2021
Chia Hsin Cement Corp.	Chang Kang-Lung, Jason	Director	June 21, 2012	June 21, 2021
Heng Qiang Investment Co., Ltd.	Chih-Chung, Tsai	Director	June 22, 2018	June 21, 2021
Xin Hope Investment Co., Ltd.	Chi-Wen Chang[(1)]	Director	February 1, 2016	June 21, 2021
Sishan Investment Co., Ltd.	Lin Nan-Chou	Director	December 15, 1998	June 21, 2021
Fu Pin Investment Co., Ltd.	Hsieh Chi-Chia	Director	April 21, 1994	June 21, 2021
Chia Hsin Cement Corp.	Chen Chi-Te	Director	October 30, 2002	June 21, 2021
C. F. Koo Foundation	Li Jong-Peir	Director	June 22, 2018	June 21, 2021
Yu-Cheng Chiao		Independent Director	June 21, 2012	June 21, 2021
Victor Wang		Independent Director	June 21, 2012	June 21, 2021
Lynette Ling-Tai, Chou		Independent Director	June 22, 2018	June 21, 2021
Sheng Chih-Jen		Independent Director	June 28, 2017	June 21, 2021

Note:

(1) Re-appointed by the institution.

Chang An-Ping, Nelson, aged 67, is the chairman of our board of directors. He is also the chairman of each of Ho-Ping Power, Ta-Ho and TCCIH, vice chairman of TPCC and China Synthetic Rubber Corporation, an independent director of Synnex Technology International Corporation, an executive director of O-Bank Co., Ltd., and a director of TWSE. Before becoming the chairman of our company, he was the chairman of Chia Hsin Cement Corporation. Mr. Chang received a master's degree in business administration from New York University in 1976. Mr. Chang is the uncle of Mr. Chang Kang-Lung and Mr. Koo Jason Kung-Yi.

Koo Jason Kung-Yi, aged 36, is the vice chairman of our board of directors. Prior to joining our company, Mr. Koo was a vice president at the Investment Banking Department of Morgan Stanley. He is also the chairman of TPCC, China Synthetic Rubber Corporation and E-ONE Moli Energy Corp., managing director of TCCIH and director of Ho-Ping Power. Mr. Koo received a bachelor's degree in economics from the National Central University and a master's degree in business administration from Wharton School of the University of Pennsylvania. Mr. Koo is the nephew of Mr. Chang An-Ping, Nelson.

Kenneth C.M. Lo, aged 77, is a member of our board of directors. He is also the chairman of O-Bank Co., Ltd., and a director of Industrial Bank of Taiwan II VC Corp. He received a bachelor's degree in business from the University of Alabama.

Yu Tzun-Yen, aged 71, is a member of our board of directors. He is also the chairman of CTCI Corporation and Hsin Li Development Corp., a director of each of CTCI Overseas Corp., Ltd., Gintech Energy Corporation, TSRC Corporation and Utech Solar Corporation, a supervisor of China Steel Chemical Corporation, and an executive director of CTCI Foundation. Mr. Yu has a bachelor's degree in electrical engineering from National Taiwan University and graduated from the EMBA program of Harvard Business School.

Wang Por-Yuan, aged 77, is a member of our board of directors. He is also the chairman of SerComm Corporation, a director of Prosperity Dielectrics Corporation, independent director of UPC Technology Corporation and Taishin Holdings. He was the chairman of Pacific Venture Partners and Monte Jade Association. Mr. Wang received a doctor's degree from Carnegie-Mellon University.

Chun-Ying, Liu, aged 43, is a member of our board of directors. She is a partner at Tsar & Tsai Law Firm. Ms. Liu graduated from the EMBA program of National Taiwan University.

Chien, Wen, aged 68, is a member of our board of directors. Prior to joining our company, Mr. Wen was the CFO of Winbond Electronics Corp. He also worked as a supervisor of Winbond Electronics Corp. and a general manager of Cathay Securities Investment Trust. Currently, Mr. Wen is also a director of Jiantan Temple Foundation and a supervisor of Chi Cheng Investment Corp., Chinatrust Investment Co., Ltd, and Ta-Ho. He received a master's degree in business administration from Wharton School of the University of Pennsylvania.

Eric T. Wu, aged 66, is a member of our board of directors. He is also the chairman of Shinkong Synthetic Fibers Corp., Shinkong Materials Technology Co., Ltd., Ubright Optronics Corporation, and TacBright Optronics Corp. Mr. Wu received a doctor's degree from Harvard Law School.

Chang Kang-Lung, Jason, aged 48, is a member of our board of directors. He is also the chairman of Chia Hsin Cement Corporation and Chia Hsin International Corp. He received a master's degree in management of technology from Massachusetts Institute of Technology.

Chih-Chung, Tsai, aged 51, is a member of our board of directors. Prior to joining our company, Mr. Tsai was a senior consultant of Natixis Taipei Branch. He also worked as a director of Barclays Capital Securities Taiwan Limited. and as CFO of Barclays Taipei Branch. Currently, he is also a consultant of Chinatrust Investment Co., Ltd., and a director of Falcon Investment Co., Ltd., TCC Investment Corporation, and Sheng Kai Investment Corp. He received a master's degree in finance from Baruch College, The City University of New York.

Chi-Wen Chang, aged 61, is a member of our board of directors. He is the director and also president of Xin Hope Investment Co., Ltd. He received a master's degree in both accountancy and administration in California State University.

Lin Nan-Chou, aged 48, is a member of our board of directors. He is also the chairman of Sishan Investment Co., Ltd. Mr. Lin has a master's degree in business administration from La Trobe University.

Hsieh Chi-Chia, aged 75, is a member of our board of directors. He is also the chairman of Microelectronics Technology Inc. and IQE Taiwan Corporation, a director of China Synthetic Rubber Corporation, Advanced Wireless Semiconductor Company, Bright Led Electronics Corp. and KOPIN CORP., an independent director of AcBel Polytech Inc. and InnoLux Corporation. He received a doctor's degree from University of Santa Clara.

Chen Chi-Te, aged 61, is a member of our board of directors. He is also the chairman of Chien Kuo Construction Co., Ltd. and Chien Huei Investment Corp., and a director of Chia Hsin Cement Corporation. Mr. Chen received a master's degree in business administration from the Santa Clara University of California.

Li Jong-Peir, aged 55, is a member of our board of directors. Prior to joining our company, he was the president and CEO of HSBC Taiwan. He is also a director of E-ONE Moli Energy Corp. He received a master's degree in information technology from Johns Hopkins University.

Yu-Cheng Chiao, aged 63, is an independent director of our company. He is also the chairman and CEO of Winbond Electronics Corporation, chairman of Golden Tower Investment Limited and Nuvoton Technology Corporation. Before joining our company, he was the chairman of Walsin Lihwa Corp. Mr. Chiao has a bachelor's degree in telecommunication engineering from National Chiao Tung University and a master's degree in electronic engineering from University of Washington.

Victor Wang, aged 69, is an independent director of our company. Before joining our company, he was the vice chairman of Deloitte Taiwan. He is also a director of Chilisin Electronics Corp. and YAGEO Corporation, a supervisor of DIVA Laboratories, Ltd., and independent director of Taiwan Navigation Co., Ltd. Mr. Wang has a bachelor's degree in accounting from Soochow University and was graduated from the EMBA program in National Taiwan University.

Lynette Ling-Tai, Chou, aged 64, is an independent director of our company. Before joining the company, she was the dean of student affairs and vice dean of College of Commerce, National Chengchi University. She also worked as a supervisor in the Department of Accounting of National Chengchi University. Currently, she is also a professor of accounting at National Chengchi University. She received a doctor's degree in accounting from the University of Houston.

Sheng Chih-Jen, aged 51, is an independent director of our company. He is also an independent director of TPCC, the CEO of LDC Hotels & Resorts Group and the chairman of FDC International Hotels Corporation. Prior to joining our company, he was the chairperson of Council

for Cultural Affairs, CEO of Republic of China (Taiwan) Centenary Foundation, the chairperson of Research, Development and Evaluation Commission of Taipei City Government, and the CEO of Deaflympics Taipei 2009. He received a doctor's degree in political science from US Northwestern University.

Save as disclosed above, there is no family relationship among the directors listed above and the senior management listed below.

We have not entered into service contract with our directors. No compensation are payable to our directors upon termination of their services with us, except that pursuant to the ROC Company Act, a director discharged by the shareholders' meeting during his or her term of office without justifiable reason may claim indemnification against the company.

Board Practices

Audit Committee

Yu-Cheng Chiao, Victor Wang, Sheng Chih-Jen and Lynette Ling-Tai, Chou are the members of the audit committee. Victor Wang is also the convener of the audit committee.

The primary responsibilities of our audit committee include:

1. drafting or modifying our company's internal control system, and examining the effectiveness of the internal control system;

2. determining the proceedings of significant financial matters, including but not limited to derivative transactions, acquisition of assets and provision of loans or guarantees;

3. reviewing the documents of our company's financial matters, including but not limited to annual and semi-annual financial statements, transaction documents related to our company's material assets or derivatives, and important loan agreements and guarantees;

4. reviewing the appointment and dismissal of managers of finance, accounting or internal auditing; and

5. supervising our company's compliance with relevant statutes and regulations and our company's control of existing or potential risks.

The audit committee holds at least one meeting every quarter. The recommendations made by the audit committee will be submitted to the board of directors for final decision.

Remuneration Committee

Yu-Cheng Chiao, Victor Wang, Sheng Chih-Jen and Lynette Ling-Tai, Chou are the members of the remuneration committee. Yu-Cheng Chiao is also the convener of the remuneration committee.

The primary responsibilities of our remuneration committee include:

1. determining and making recommendations with respect to the compensation granted to the board of directors and executives officers; and

2. drafting and reviewing the policies, systems, standards and structure of performance and compensation evaluation for the board of directors and executives officers.

The remuneration committee holds at least two meetings every year. The recommendations made by the remuneration committee will be submitted to the board of directors for final decision.

Senior Management

The following table contains certain information about each of our senior executive officers.

Name	Position	Position held since
Li Jong-Peir	CEO	July 31, 2017
Huang Chien-Chiang	Senior Vice President	January 1, 2006
Lu Ker-Fu	Vice President	June 30, 2008
Tsai Li-Wen	Vice President	January 5, 2015

Li Jong-Peir, aged 55, has served as our president since 2017. He was the president and CEO of HSBC Taiwan. He received a master's degree in information technology from Johns Hopkins University.

Huang Chien-Chiang, aged 70, has been our senior vice president since 2006. He has also been the chairman of E.G.C. Cement Corp. and Feng Sheng Enterprise Company, and a director of each of Ho-Ping Power, Ta-Ho and Taiwan Transport & Storage Corporation. He graduated from the Department of Transportation & Communication Management Science of National Cheng Kung University.

Lu Ker-Fu, aged 65, has been our vice president since 2008. He has also been the chairman of Tung Chen Mineral Corporation and Jin Chang Minerals Corporation, and a director of Ho-Ping Power and Ta-Ho. He graduated from the Department of Mechanical Engineering in Tamkang University.

Tsai Li-Wen, aged 48, has been our vice president since 2015. He is also a director of Ta-Ho. He holds a master's degree in law from the National Taiwan University.

PRINCIPAL SHAREHOLDERS

As of April 24, 2018, being the latest date for which information is available on MOPS, we did not have any major shareholder who beneficially owned 5% or more of our Shares. The following table sets forth our ten largest shareholders as of April 24, 2018:

Ranking	Company	Number of Shares	Percentage of Shares
1	Cathay Life Insurance Co., Ltd.	182,367,065	4.29%
2	Chia Hsin Cement Corporation	176,262,460	4.15%
3	Nan Shan Life Insurance Co., Ltd.	156,115,000	3.68%
4	Shin Kong Life Insurance Co., Ltd.	137,381,780	3.24%
5	Chinatrust Investment Co., Ltd.	125,098,870	2.95%
6	Fubon Financial Life Insurance Co., Ltd.	89,100,000	2.10%
7	Chia Hsin International Corp.	87,925,019	2.07%
8	China Synthetic Rubber Corporation	83,777,716	1.97%
9	Heng Qiang Investment Co., Ltd.	82,719,582	1.95%
10	China Life Insurance Co., Ltd.	79,132,196	1.86%

There was no significant change in the percentage ownership by any major shareholders during the past three years. Each of our Shares has one vote, and none of our shareholders have any different voting rights. As of April 24, 2018, 72.71% of our Shares, being 3,087,779,524 Shares, were held by shareholders in Taiwan, with the remaining 27.29% of our Shares, being 1,158,729,486 Shares were held by foreign entities or individuals.

As of September 30, 2018, our directors and executive officers, together with members of their immediate families, owned of record 655,902 Shares, or 12.8% of our total issued Shares. As of September 30, 2018, none of our directors or executive officers held any outstanding options.

CHANGES IN ISSUED SHARE CAPITAL

According to our Articles of Incorporation, as amended at the shareholders' meeting held on June 22, 2018, we can have Common Shares and preferred shares. As of the date of this offering memorandum, our authorized share capital registered with the MOEA was NT$60,000,000,000, and our paid-in share capital was NT$51,080,599,110, divided into 5,108,059,911 Common Shares with a par value of NT$10 per share. There are no Shares issuable upon exercise of options within 60 days of this offering memorandum. All issued Shares are in registered form. As of the date of this offering memorandum, we did not have any preferred shares in issue. On July 9, 2018, we submitted an application to the FSC for the issuance of 200,000,000 preferred shares of par value NT$10 each in our company and such issuance was approved on July 25, 2018 and is expected to be completed by January 24, 2019. On November 13, 2018, the offering price of such preferred shares was resolved by our board of directors to be NT$50 per preferred share. See "Summary — Recent Developments" for details.

In November 2017, we issued a total of 554,333,141 Common Shares with a par value of NT$10 each in exchange for part of the ordinary shares of TCCIH held by its then shareholders in connection with our privatization of TCCIH. On August 3, 2018, we completed the offering of 87,500,000 Global Depositary Shares, or the GDSs, representing 437,500,000 new Common Shares, par value NT$10 each at the offering price of US$6.27 per GDS. On August 24, 2018, we issued a total of 424,050,901 Common Shares with a par value of NT$10 each as stock dividends for the 2017 financial year. Immediately upon completion of the foregoing, our total paid-in share capital was NT$51,080,599,110. Other than the foregoing, there has been no change in our issued share capital during the past three years.

TRANSACTIONS WITH RELATED PARTIES

From time to time we have engaged in a variety of transactions with our affiliates. Our internal policy on transactions with affiliates is that they must be conducted on terms that are substantially the same as those for comparable transactions with non-affiliates on an arm's-length basis. For a list of all of our related party transactions presented on a consolidated basis, see note 30 to the consolidated financial statements for the three years ended December 31, 2015, 2016 and 2017 and note 30 to the unaudited consolidated financial statements for the nine months ended September 30, 2017 and 2018. The transactions among us and our subsidiaries were eliminated during the consolidation process.

As of the end of 2015, we had outstanding unsecured loans in the aggregate principal amount of NT$524.5 million to Dongguan Jinli Cement Company Limited, whose senior management overlapped with ours, with an interest rate of 4.65%. As of the end of 2015, we also had outstanding unsecured loans in the aggregate principal amount of NT$26.7 million to Guangan Xin Tai Construction Materials Company Limited, a joint venture in which we held 50% equity interest, with an interest rate of 0%. On August 9, 2018, the board of directors of our wholly-owned subsidiary TCC (Gui Gang) Cement Ltd. resolved to grant a loan in the aggregate principal amount of RMB190 million to Guigang TCC Donyuan Environmental Technology Limited, a company engaged in waste collection and treatment business. We through TCC (Gui Gang) Cement Ltd. held 40% equity interest of Guigang TCC Donyuan Environmental Technology Limited. On October 22, 2018, the board of directors of TCC (Gui Gang) Cement Ltd. further resolved to convert the then outstanding loan of RMB116.0 million, equivalent to approximately NT$511.4 million, into share capital contribution to Guigang TCC Donyuan Environmental Technology Limited. As a result, our equity interest in Guigang TCC Donyuan Environmental Technology Limited increased from 40.0% to 95.0% and Guigang TCC Donyuan Environmental Technology Limited became our subsidiary.

In September 2016, we, through our wholly-owned subsidiary TCCI, acquired from Chia Hsin Pacific Limited 303,000,000 shares of TCCIH, our subsidiary then listed on the Main Board of The Stock Exchange of Hong Kong Limited, for a cash consideration of HK$666,600,000, or HK$2.2 per share. Chia Hsin Pacific Limited was a subsidiary of Chia Hsin Cement Corporation, one of our largest shareholders

DESCRIPTION OF OUR SHARE CAPITAL

Set forth below is a summary of information relating to our share capital including brief summaries of the relevant provisions of our Articles of Incorporation, the ROC Securities and Exchange Act and the ROC Company Act, all as currently in effect.

General

As of the date of this offering memorandum, our authorized share capital registered with the MOEA was NT$60,000,000,000, and our paid-in share capital was NT$51,080,599,110, divided into 5,108,059,911 Common Shares with a par value of NT$10 per share. Any change in the authorized share capital of a public company limited by shares, such as us, requires an amendment to our Articles of Incorporation (which requires approval at a shareholders' meeting).

Our Articles of Incorporation authorize that we may issue preferred shares within the scope of the authorized capital. The preferred shares which are not convertible into common shares and have no maturity date may have interest each year up to 8% per annum subject to the determination of our board of directors. Our board of directors has decided the interest rate is 3.5% (five-year IRS rate (currently 0.9375%) plus fix margin rate of 2.5625%) per annum at the issuance. The five-year IRS rate will be reset every five years. The interest of preferred shares is non-cumulative. The holders of preferred shares have priority over our remaining assets ahead of the holders of Common Shares but have no voting rights in the shareholders meeting of Common Shares. The holders of preferred shares cannot request us to redeem the preferred shares but we may redeem the preferred shares in whole or in part after five years of issuance at the actual issue price. As of the date of this offering memorandum, we did not have any preferred shares in issue. On July 9, 2018, we submitted an application to the FSC for the issuance of 200,000,000 preferred shares of par value NT$10 each in our company and such issuance was approved on July 25, 2018 and is expected to be completed by January 24, 2019. On November 13, 2018, the offering price of such preferred shares was resolved by our board of directors to be NT$50 per preferred share. See "Summary — Recent Developments" for details.

Authorized but unissued shares may also be issued at such times and, subject to the provisions of the applicable laws and the approval of, or registration with, the MOEA and the FSC, upon terms that our board of directors may determine.

Dividends and Distributions

Dividend payments and distributions are generally governed by the ROC Company Act as well as our Articles of Incorporation.

Except in limited circumstances, we are not permitted to distribute dividends or make other distributions to shareholders for any year in which we do not have current or retained earnings (excluding reserves). Pursuant to our Articles of Incorporation, as amended at the shareholders' meeting held on June 22, 2018, before we can distribute a dividend or make any distribution to shareholders from profits, we must pay all outstanding taxes, apply our profits to losses incurred in previous years, and set aside 10% of our annual net income as legal reserve, unless the legal reserve amounts to our paid-in capital. In addition, we may set aside a special reserve in accordance with applicable laws and regulations. Any remaining profits plus accumulated retained earnings, unless special reserve is made pursuant to relevant laws and regulations, shall be distributed, first, as special dividends to the holders of preferred shares at up to 8% per annum on a non-cumulative basis, and after that, as dividends to the shareholders, taking into consideration financial, business and operational factors.

In addition to permitting dividends to be paid out of net income, if we do not have losses, the ROC Company Act permits that we can make distributions in cash or in the form of additional common shares to our shareholders from the legal reserve and capital surplus of premium from issuing shares and earnings from gifts received. However, the portion payable out of our legal reserve is limited to the portion that the accumulated legal reserve exceeds 25% of our paid-in capital.

Our Articles of Incorporation provide that upon the final settlement of accounts, if there is any surplus profit (meaning the net profit before tax), we shall set aside no more than 1% of the earnings as the directors' remuneration and 0.01% to 3% of the earnings as employees' remuneration; provided that, if we have accumulated losses, we shall reserve an amount thereof for making up the losses. Employees' remuneration may be in the form of cash or shares. Employees (including those of our subsidiaries) entitled to such remuneration shall meet certain requirements, where such requirements shall be determined by our board of directors.

Our Articles of Incorporation further provide that our net profit after tax shall be distributed in the following manner:

(i) making up accumulated losses;

(ii) setting aside a 10% legal reserve; and

(iii) setting aside the special reserve in accordance with ROC laws and regulations.

The remaining earnings along with the undistributed earnings at the beginning of the period are considered as accumulated distributable earnings. In accordance with our dividend policy, the proposal of earnings appropriation is prepared by our board of directors and resolved by the shareholders.

Apart from engaging in a capital-intensive cement and cement product manufacture and sale industry at the steady growth stage, we also actively expand into different segments of the market. In order to satisfy the demand of diverse investment or major capital planning, the cash dividend payout ratio for common stock dividend is set at over 20%. Rest of the dividend shall be paid as stock dividend.

Preemptive Rights

According to the ROC Company Act, when a company issues new common shares for cash, 10% to 15% of the issue must be offered to its employees. In addition, the ROC Securities and Exchange Act and the relevant securities regulations require that, if a public company listed on the TWSE or whose shares are traded on the Taipei Exchange (formerly known as GreTai Securities Market) intends to offer new shares for cash, at least 10% of the issue must be offered to the public, except under certain circumstances or when exempted by the FSC. This percentage can be increased by a resolution passed at a shareholders' meeting, thereby reducing the number of new shares subject to the preemptive rights of existing shareholders. Unless the percentage of shares to be offered to the public is increased by the shareholders, existing shareholders who are listed on the shareholders' register as of the record date have a preemptive right to acquire the remaining 75% to 80% of the issue. The shares not subscribed for by the employees and shareholders at the expiration of the period for the exercise of their rights may be sold to the public or specified persons at the direction of our board of directors. The preemptive rights provisions will not apply to offering of new shares through a private placement approved at a shareholders' meeting.

Meetings of Shareholders

Meetings of our shareholders may be ordinary or extraordinary. Ordinary meetings of our shareholders will generally be held within six months following the end of each fiscal year.

In contrast, extraordinary shareholders' meetings may be convened by resolution of our board of directors or, under certain circumstances, by the shareholders.

Notice in writing of our shareholders' meeting, stating the place, time, date and agenda must be dispatched to each shareholder at least 30 days, in the case of ordinary meetings and at least 15 days, in the case of extraordinary meetings, before the date set for each meeting.

Voting Rights

Our Articles of Incorporation provide that holders of Common Shares have one vote for each Share. Except as otherwise provided by applicable laws or our Articles of Incorporation, a resolution can be adopted by holders of a majority of the Common Shares represented at a shareholders' meeting at which the holders of a majority of all issued and outstanding Common Shares are present. The election of directors (including independent directors) is by means of cumulative voting. Ballots for the election of directors are cast separately from those for the election of independent directors. Our Articles of Incorporation provide that the directors (including independent directors) shall be nominated by adopting the candidate nomination system specified in the ROC Company Act. In an election of directors, the holders of Common Shares shall elect directors from the list of nominated candidates.

In order for us to approve certain major corporate actions, including any amendment to our Articles of Incorporation, entering into, modification or termination of any contracts regarding leasing of all business, outsourcing of operations or joint operations, the dissolution or amalgamation or spin-off, the transfer of the whole or a substantial part of our business or our property, the taking over of a whole of the business or property of any other entity which would have a significant impact on our operations, removal of directors or the distribution of any stock dividend, a meeting of the shareholders must be convened with a quorum of holders of at least two-thirds of all issued and outstanding Common Shares at which the holders of at least a majority of the shares represented at the meeting vote in favor of the resolution.

Alternatively, in the case of a public company, such as us, such a resolution may be adopted by the shareholders' meeting convened with a quorum of holders of at least a majority of all issued and outstanding Common Shares at which the holder of at least two-thirds of the shares represented at the meeting vote in favor of the resolution.

A shareholder may be represented at an ordinary or extraordinary meeting by proxy if a valid proxy form is delivered to us five days before such meeting.

Shareholders Record Dates

We shall, by giving advance public notice, set a record date and close the register of shareholders for a specified period (60 days, 30 days and 5 days immediately before each ordinary meeting of the shareholders, extraordinary meeting of shareholders and relevant record date, respectively) in order for us to determine the shareholders and pledgees that are entitled to rights pertaining to the Shares.

Annual Financial Statements

At least ten days before an annual shareholders' meeting, our annual financial statements will be made available at our principal office in Taipei, Taiwan and our share registrar for inspection by the shareholders. According to the regulations of the FSC, we are required to publish our annual and quarterly financial statements on a consolidated basis.

Transfer of Shares

The transfer of shares in registered form is effected by endorsement and delivery of the related share certificates. However, settlement of trading of share of a listed company, such as our company, is generally carried out on the book-entry system maintain by TDCC. In order to assert shareholder's rights against us, the transferee must have its name and address registered on our register of shareholders. Shareholders are required to file their respective specimen seals, also known as chops, with our share registrar.

Repurchase of Shares by Us

With minor exceptions, we cannot acquire our own Shares under the ROC Company Act.

Under the ROC Securities and Exchange Act, we may, by resolution adopted by a majority of our board of directors at a meeting where more than two-thirds of the directors are present, repurchase the Shares on the TWSE or by a tender offer in accordance with the procedures prescribed by the FSC for the following purposes:

- for delivery upon conversion of bonds with warrants, preferred shares with warrants, convertible bonds and convertible preferred shares or certificates of warrants issued by us into capital stock;
- to transfer to our employees, or
- if necessary, to maintain our credit and shareholders' equity, provided that the Shares so repurchased shall be canceled thereafter.

The total Shares repurchased by us may not exceed 10% of our total issued and outstanding Shares. In addition, the total cost of the purchased Shares may not exceed the aggregate amount of our retained earnings, any premium from share issuance and the realized portion of our capital reserve. Shares repurchased in the first two instances mentioned above are to be transferred to the intended transferees within three years from the repurchase, failing which they will be canceled and we are required to complete an amended registration for the cancelation. In the third instance mentioned above, the Shares repurchased by us must be canceled, and we shall complete an amended registration for such cancelation within six months after the repurchase. The Shares repurchased by us may not be pledged or hypothecated. In addition, we may not exercise any of the shareholder's rights attached to these Shares. Our affiliates, as defined in Article 369-1 of the ROC Company Act, directors, managers and their respective spouses and minor children and nominees, are prohibited from selling the Shares until our repurchase period has lapsed.

Liquidation Rights

In the event of our liquidation, the remaining assets after payment of all debts, liquidation expenses and taxes and distribution to holders of preferred shares (if any) will be distributed pro rata to the holders of common shares in accordance with the relevant provisions of applicable laws and our Articles of Incorporation.

Substantial Shareholders and Transfer Restrictions

Our directors, managers and shareholders (each together with his or her spouse, minor children or nominees) holding more than 10% of our Shares are required to report to us, on a monthly basis, any changes in their shareholding in our company. The number of Shares that they may sell or transfer on the TWSE on any given day is limited by ROC laws. In addition, they may only sell or transfer such Shares on the TWSE at least three days after they have filed a notification with the FSC in connection with such sale or transfer, provided that such notification is not required if the number of Shares to be sold or transferred does not exceed 10,000. A person

who individually or together with other persons (as defined under the FSC regulations) acquires more than 10% of our issued and outstanding shares shall report to the FSC, within ten days from the acquisition date, the acquisition purpose, funding sources and other information required by the FSC.

Rights to Bring Shareholder Suits

Under the ROC Company Act, a shareholder may bring a suit against us in the following events:

- Within 30 days after the date of the shareholders' meeting, any shareholder has the right to annul any resolution adopted at a shareholders' meeting where the procedures or the method of resolution were or was legally defective. However, if the court is of the opinion that such violation is not material and does not affect the result of the resolution, the court may reject or dismiss the shareholder's lawsuit.

- If the substance of a resolution adopted at a shareholders' meeting contradicts any applicable law or regulation or our Articles of Incorporation, a shareholder may bring a suit to determine the validity of such resolution.

Shareholders may bring suit against our directors under the following circumstances:

- Shareholders who have continuously held 1% or more of the total number of issued and outstanding shares for a period of six months or longer may request in writing that an audit committee member institute an action against a director on our behalf. In case the audit committee member fails to institute an action within 30 days after receiving such request, the shareholders may institute an action on our behalf. In the event that shareholders institute an action, a court may, upon application of the defendant, order such shareholders to furnish appropriate security.

- Shareholders holding 3% or more of the total number of issued and outstanding shares may institute an action with a court to remove a director who has materially violated the applicable laws or our Articles of Incorporation or has materially damaged our interests if a resolution for removal on such grounds has first been voted on and rejected by the shareholders and such suit is filed within 30 days of such shareholders' vote.

- In the event that any director, officer or shareholder holding more than 10% of the issued and outstanding shares and their respective spouse and minor children and/or nominees sells shares within six months after the acquisition of such shares, or repurchases the shares within six months after the sale, we may make a claim for recovery of any profits realized from the sale and purchase. If our board of directors fails or fail to make a claim for recovery, any shareholder may request our board of directors to make such claim within 30 days. After such 30-day period, the requesting shareholder will have the right to make a claim for such recovery, and our directors will be jointly and severally liable for damages suffered by us as a result of their failure to exercise the right of claim.

Other Rights of Shareholders

Under the ROC Company Act, dissenting shareholders are entitled to appraisal rights in the event of merger, spin-off and various other major corporate actions. A dissenting shareholder may request us to redeem all of the shares owned by such shareholder at a fair price to be determined by mutual agreement. If an agreement cannot be reached, the valuation will be determined by a court order.

In addition, one or more shareholders who have held more than 3% of our issued and outstanding shares for over a year may require our board of directors to convene an extraordinary shareholders' meeting by sending a written request to our board of directors. Further, according to the new amendments to the ROC Company Act taking effect on November 1, 2018, shareholders holding over 50% of our issued shares for continuously three months may convene our extraordinary shareholders' meeting by themselves.

The ROC Company Act allows shareholders holding 1% or more of the total issued shares of a company to submit, during the period of time prescribed by the company, one proposal in writing or in electronic form for discussion at the ordinary meeting of shareholders. The ROC Company Act also provides that a company may adopt a nomination procedure for election of directors or supervisors. If a company wishes to adopt the nomination procedure, it must be stipulated in its articles of incorporation. With such provision in the articles of incorporation of a company, shareholders representing 1% or more of the total issued shares of such company may submit a candidate list along with relevant information and supporting documents to the company within the period prescribed by the company. Our Articles of Incorporation currently offer such nomination procedure.

Share Registrar

With respect to shareholders who have opened book-entry accounts at TDCC, our register of such shareholders is maintained by the database of TDCC. With respect to shareholders who have not opened TDCC book-entry accounts, our share registrar, CTBC Bank Co., Ltd., maintains the register of our shareholders at its offices located at 5th Floor, No. 83, Sec 1, Chongqing South Road, Taipei, Taiwan, and enters transfers of shares in such register upon presentation of, among other documents, certificates representing the shares transferred.

DESCRIPTION OF THE BONDS

The Bonds are to be issued under an indenture, to be dated as of December 10, 2018 (the "Indenture"), between Taiwan Cement Corporation (the "Issuer" or the "Company") and Citicorp International Limited, in its capacity as trustee (the "Trustee"). The following summary of certain provisions of the Bonds and the Indenture does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the provisions of the Bonds and Indenture, including the definitions of certain terms therein. Whenever particular Sections or defined terms of the Indenture not otherwise defined herein are referred to, such Sections or defined terms are incorporated herein by reference. Copies of the Indenture will be available for inspection by any Holder (as defined below) on or after the Closing Date (as defined below) at the office of the Trustee.

General

Except in certain limited circumstances, the Bonds will only be issued in book-entry form.

The Bonds will be issued on or about December 10, 2018 (the date on which the Bonds are issued under the Indenture being referred to herein as the "Closing Date") as direct, unconditional, unsecured and unsubordinated obligations of the Issuer limited in aggregate principal amount to US$400,000,000 and will be redeemed on December 10, 2023 (the "Maturity Date") unless earlier redeemed, repurchased and canceled or converted pursuant to the terms thereof and of the Indenture.

The Bonds will not bear interest.

Each Bond will be convertible into the Common Shares (as defined below), subject to compliance with certain conditions and procedures (see "— Conversion — Procedures; Conversion Notice; Taxes and Duties" below), at the Holder's election on any Business Day (as defined below) during the period (the "Conversion Period") commencing on March 11, 2019 (the next day immediately after the end of a three-month period following the Closing Date) and ending at the close of business in the location of the applicable Paying Agent (as defined below) on (i) November 30, 2023 (the 10th day prior to the Maturity Date or (ii) the fifth (5th) Business Day prior to the applicable Purchase Date of such Bonds or date fixed for redemption (other than the Maturity Date) of such Bond pursuant to a notice of redemption given by the Issuer in accordance with the provisions of the Indenture. The Conversion Period shall not include any Closed Period (as defined below).

The principal of and other amounts on the Bonds will be payable in US Dollars by the Issuer pursuant to the Indenture, and the Bonds may be presented for registration of transfer, exchange or conversion, at the office or agency of the Issuer maintained for such purpose (the "Paying Agent") located in c/o Citibank, N.A., Dublin Branch, 1 North Wall Quay, Dublin 1, Ireland.

The Issuer reserves the right, subject to the provisions of the Indenture and the applicable Paying Agent and Registrar Appointment Letter, at any time to vary or terminate the appointment of any Paying Agent and to appoint further or other Paying Agents, provided that the Issuer will at all times maintain a Paying Agent having offices in a European Union member state that will not be obliged to withhold or deduct tax pursuant to any law implementing the Savings Directive (2003/48/EC) or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000. Notice of any such termination or appointment and of any changes in the specified offices of the Paying Agents will be given promptly by the Issuer to the Holders (and other applicable parties) in accordance with the notice provisions of the Indenture as described below under "— Notices".

The Bonds will be issued only in fully registered form, without interest coupons, in denominations of US$200,000 and any integral multiples of US$100,000 in excess thereof. See

"— Book Entry; Delivery and Form" below. No service charge will be payable for any registration of transfer or exchange of the Bonds, for the conversion thereof or for the charges of the Paying Agents in connection therewith, but the Issuer may require payment by a Holder of a sum sufficient to cover any transfer or stamp tax or other similar governmental charge payable in connection therewith.

The Issuer and its Affiliates (as defined below) may at any time, subject to applicable law, purchase the Bonds in the open market, or otherwise, at any price. The Bonds which are purchased by the Issuer (including purchase in the open market), early redeemed, repurchased and repaid when due, converted or sold back by the Holders will be canceled and will not be re-issued. A Bond does not cease to be outstanding because any of the Issuer's Affiliates holds such Bond; *provided, however,* any Bonds owned by any Affiliate of the Issuer will be deemed not to be outstanding in determining whether the Holders of the requisite principal amount of Bonds have given or concurred in any request, demand, authorization, direction, notice, consent or waiver under the Indenture.

Further Issues

To the extent permitted by applicable laws of the ROC, the Issuer may from time to time, without the consent of the Holders, create and issue, pursuant to the Indenture, additional bonds, having the same terms and conditions under the Indenture as the previously outstanding Bonds in all respects, except for issue date, issue price, and amount of the applicable first payment of interest thereon. Additional bonds may be consolidated with and form a single series with the previously outstanding Bonds; *provided, however,* that such additional bonds will not be issued under the same CUSIP, ISIN or other identifying number as the outstanding Bonds unless such additional bonds are fungible with the outstanding Bonds for U.S. federal income tax purposes.

Book Entry; Delivery and Form

The Bonds will only be represented by a permanent global certificate in fully registered book-entry form (the "Global Bond") and will be deposited with a common depositary (the "Common Depositary") for Euroclear Bank S.A./N.V. ("Euroclear") and Clearstream Banking, *société anonyme* ("Clearstream") and registered in the name of a nominee of the Common Depositary. If (i) at any time, the Common Depositary advises the Issuer in writing that it is unwilling or unable to continue as a depository for the Global Bond and a successor depository is not appointed by the Issuer within 90 days, (ii) either Euroclear or Clearstream or any alternative clearing system on behalf of which the Bonds evidenced by the Global Bond may be held is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so, or (iii) an Event of Default has occurred with respect to the Bonds and the Trustee notifies the Issuer in writing that any of the Bonds have become immediately due and payable pursuant to the Indenture, the Issuer shall issue individual certificated bonds in registered form in exchange for the Global Bond in any authorized denominations and in an aggregate principal amount equal to the principal amount of the Global Bond. The Bonds will have minimum denominations of US$200,000 and any integral multiples of US$100,000 in excess thereof.

The Bonds are not issuable in bearer form.

Transfers of interests in the Bonds evidenced by the Global Bond will be effected in accordance with the rules of the relevant clearing systems. In addition, transfers of the Bonds and Common Shares are subject to certain restrictions. See "Transfer Restrictions".

Ranking

The Bonds will (i) be direct, unconditional, unsecured and unsubordinated obligations of the Issuer, (ii) rank *pari passu* without any preference or priority among themselves and with all other

direct, unconditional, unsecured and unsubordinated Debt (as defined below) of the Issuer now or hereafter outstanding (except to the extent that such other Debt (x) ranks above such obligation solely by reason of Liens (as defined below) permitted under the Indenture or (y) is preferred by mandatory provisions of law), and (iii) be senior in right of payment to all Debts of the Issuer that is expressed to be subordinated in right of payment to the Bonds.

The Bonds will be effectively subordinated to all secured obligations but subject to the negative pledge as described in "Certain Covenants — Negative Pledge" of the Issuer with respect to claims against the assets securing such obligations ("Secured Debt"). As of September 30, 2018, the Issuer had outstanding Secured Debt of approximately NT$3,047 million (US$100 million).

Sinking Fund

The Bonds will not be entitled to the benefit of a sinking fund.

Transfer of Certificated Bonds and Delivery of New Certificated Bonds

In the event Certificated Bonds are issued, the following provisions will apply:

(i) ***Transfer of Certificated Bonds***

A Certificated Bond may be transferred upon the surrender at the specified office of any Paying Agent of the Certificated Bonds to be transferred, together with the form of transfer endorsed thereon (the "Form of Transfer") duly completed and executed and any other evidence that such Paying Agent may reasonably require. In the case of a transfer of only part of a holding of Certificated Bonds, a new Certificated Bond shall be issued to the transferee in respect of the part transferred and a further new Certificated Bond in respect of the balance of the holding not transferred shall be issued to the transferor. The Form of Transfer will be available at the specified office of the Paying Agent.

(ii) ***Delivery of New Certificated Bonds***

Each new Certificated Bond shall be available for delivery upon receipt by the Paying Agent at its specified office of the relevant Certificated Bond and the Form of Transfer. Delivery of the new Certificated Bonds shall be made at the specified office of such Paying Agent to whom the relevant Certificated Bond and the Form of Transfer shall have been surrendered or delivered or, at the option of the Holder making such delivery or surrender as aforesaid and as specified in the relevant Form of Transfer or otherwise in writing, be mailed by uninsured post at the risk of the Holder entitled to the new Certificated Bond to such address as may be so specified, unless such Holder requests otherwise and pays in advance to the relevant Paying Agent the costs of such other method of delivery and/or such insurance as it may specify.

(iii) ***Formalities Free from Charge***

Transfers of the Certificated Bonds will be effected without charge by or on behalf of the Issuer or any Paying Agent, but only upon confirmation of payment (or the giving of such indemnity as such Paying Agent may require in respect) of any tax or other governmental charges which may be imposed in relation thereto.

(iv) ***Restricted Transfer Periods***

No Holder may require the transfer of a Certificated Bond to be registered (i) during the period of 15 days ending on (and including) a Redemption Date, (ii) after such Bond has been selected by the Issuer or the Holder for redemption, pursuant to the terms of the Indenture or (iii) after such Holder has exercised its Conversion Right (as defined below).

Payments

All amounts due under, and all claims arising out of or pursuant to, the Bonds and/or the Indenture or the Agency Agreement from or against the Issuer shall be payable and settled in US Dollars only.

The definitions of certain terms used in this section and the Indenture are listed below.

"*Fixed Exchange Rate*" means the fixed rate of US$1.00=NT$30.8780.

"*Independent Investment Bank*" means (i) an independent investment bank of international repute or (ii) leading independent securities company or bank in the ROC (in each case of (i) and (ii), acting as an expert) selected by the Issuer at the expense of the Issuer and notified in writing to the Trustee and the Paying Agent.

"*NT Dollars*" or "*NT$*" means the lawful currency for the time being of the ROC.

"*Prevailing Rate*" for each Rate Calculation Date, means a rate determined by the Issuer in good faith as follows:

(a) the fixing rate at 11:00 a.m., expressed as the number of NT Dollars per one US Dollar, quoted by Taipei Forex Inc.;

(b) if no such rate is available under sub-paragraph (a), the prevailing rate determined by the Issuer in good faith on the basis of quotations provided by the Reference Dealers of the specified exchange rate for the Rate Calculation Date as obtained in accordance with the provisions below; and

(c) if fewer than two quotations are provided under sub-paragraph (b), the exchange rate for the Rate Calculation Date as shall be determined by an Independent Investment Bank in good faith.

In determining the prevailing rate under sub-paragraph (b), the Issuer will request the Taipei office of each of the Reference Dealers to provide a quotation of what the specified screen rate would have been had it been published, reported or available for the Rate Calculation Date, based upon each Reference Dealer's experience in the foreign exchange market for NT Dollars and general activity in such market on the Rate Calculation Date. The quotations used to determine the Prevailing Rate for a Rate Calculation Date will be determined in each case for such Rate Calculation Date, and will be requested at 3:30 p.m. (Taipei time) on such Rate Calculation Date or as soon as practicable after it is determined that the specified screen rate was not available.

If four quotations are provided, the rate for a Rate Calculation Date will be the arithmetic mean of the rates, without regard to the rates having the highest and lowest value. For this purpose, if more than one quotation has the same highest value or lowest value, then the rate of only one of such quotations shall be disregarded. If two or three quotations are provided, the rate for a Rate Calculation Date will be the arithmetic mean of the rates provided.

As soon as practicable after the Prevailing Rate has been determined, the Issuer will notify the Paying Agent by email or facsimile of the Prevailing Rate and the applicable Settlement Equivalent on the Rate Calculation Date.

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of determining the Prevailing Rate, whether by the Reference Dealers (or any of them), the Issuer or the Independent Investment Bank, will (in the absence of fraud, willful misconduct or gross negligence) be binding on the Issuer, the Trustee, the Agents and all Bondholders.

"*Rate Calculation Date*" means the day which is two Business Days before the due date of the relevant amount.

"*Reference Dealers*" means four leading dealers engaged in the foreign exchange market of the relevant currency selected by the Issuer.

"*Settlement Equivalent*" for the relevant Rate Calculation Date in respect of any US Dollar-denominated amount payable in respect of the Bonds, means such US Dollar amount converted into NT Dollar amount using the Fixed Exchange Rate, and then converted back to US Dollar amount using the applicable Prevailing Rate on such date.

"*US Dollars*" or "*US$*" means the lawful currency for the time being of the United States of America.

Interest

The Bonds will not bear interest.

In any case where the date of the payment of the principal of the Bonds or the date fixed for redemption of the Bonds is not a Business Day (as defined below), then payment of such principal or the Early Redemption Amount (as defined below) shall be made on the next succeeding Business Day, with the same force and effect as if made on the Maturity Date or the date fixed for redemption, as the case may be, and no interest shall accrue for the period after such date.

Additional Amounts

All payments of the principal of and other amounts on the Bonds and all deliveries of Common Shares (as defined below) made on conversion of the Bonds are to be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or other governmental charges ("Taxes") imposed, levied, collected, withheld or assessed by or within the ROC or any other jurisdiction in which the Issuer is organized or resident for tax purposes or from which any payment on the Bonds is made (or any political subdivision or Taxing Authority (as defined below) thereof or therein), unless such withholding or deduction is required by law or by regulation or governmental policy having the force of law. In the event that any such withholding or deduction is so required, the Issuer will pay such additional amounts on the Bonds (all such additional amounts being referred to herein as "Additional Amounts") as will result in receipt by the Holder of each Bond of such amounts as would have been received by such Holder had no such withholding or deduction been required, except that no Additional Amounts shall be payable for or on account of:

(i) any Taxes that would not have been imposed but for:

(A) the existence of any present or former connection between the Holder of such Bond and the ROC or any other jurisdiction in which the Issuer is organized or resident for tax purposes, other than merely holding such Bond or receiving payments or enforcing rights thereunder, including such Holder being or having been a national, domiciliary or resident of or treated as a resident thereof or being or having been present or engaged in a trade or business therein or having had a permanent establishment therein;

(B) the presentation of such Bond (if presentation is required) more than 30 days after the later of the date on which the payment of the principal of or other amounts on such Bond became due and payable pursuant to the terms thereof or the date that such payment was made or duly provided for, except to the extent that the Holder thereof would have been entitled to such Additional Amounts if it had presented such Bond for payment on any date within such 30 day period; or

(C) the presentation of such Bond (if presentation is required) for payment in the ROC, unless such Bond could not have been presented for payment elsewhere;

(ii) any estate, inheritance, gift, sale, transfer, stamp, personal property or similar tax, assessment or other governmental charge; or

(iii) any combination of Taxes referred to in the preceding clauses (i) and (ii),

The Issuer will not pay Additional Amounts if the registered Holder of the Bond is a fiduciary, partnership or person other than the sole beneficial owner of any payment to the extent that the beneficiary, partner or settler with respect to such fiduciary, partnership or person, or the beneficial owner of that payment, would not have been entitled to the Additional Amounts if it had been the registered Holder of the Bonds.

Whenever there is mentioned, in any context, (i) the payment of the principal of and other amounts on any Bond, or (ii) the delivery of Common Shares or cash payments (if any) on conversion of any Bond, such mention shall be deemed to include the payment of Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable with respect thereto.

Subject to certain exceptions, the Issuer will pay any present or future stamp, court or documentary taxes, or any other excise or property taxes, charges or similar levies which arise in any jurisdiction from the issue, initial delivery or registration of the Bonds or any other document or instrument referred to herein, including those resulting from or required to be paid in connection with, the enforcement of the Bonds or any other document or instrument following the occurrence of any Event of Default with respect to the Bonds and excluding those payable upon issue and delivery of Bonds to the order of a person other than a Holder.

The Paying Agent and the Trustee will make payments free of withholdings or deductions on account of taxes unless required by applicable law. If such a deduction or withholding is required, the Paying Agent or the Trustee will not be obligated to pay any Additional Amount to the recipient unless such an Additional Amount is received by the Paying Agent or the Trustee.

Redemption of the Bonds

Redemption for Taxation Reasons

The Bonds may be redeemed, in whole but not in part (subject to the provision of the paragraph below), at the option of the Issuer, at any time, upon giving not less than 30 nor more than 60 days' notice to the Holders (which notice shall be irrevocable) and upon written notice to the Trustee, at the Settlement Equivalent of the Early Redemption Amount on the Redemption Date (as defined below), if the Issuer determines and certifies to the Trustee in an officer's certificate immediately prior to the giving of such notice that, as a result of any change in, or amendment to the laws (including any regulations or rulings promulgated thereunder) of the ROC or such other jurisdiction in which the Issuer is then organized or resident for tax purposes (or any political subdivision or Taxing Authority thereof or therein), affecting taxation, or any change in official position regarding the application, interpretation or administration of such laws, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction), which change, amendment, application, interpretation or administration is proposed and becomes effective on or after the Closing Date (or, in the case of any jurisdiction other than the ROC, the date (if later than the Closing Date) on which the Issuer first becomes organized or resident for tax purposes in such other jurisdiction) with respect to any payment due or to become due on the Bonds, the Issuer is required to pay Additional Amounts in connection therewith and such requirement to pay Additional Amounts cannot be avoided by the taking of reasonable measures by the Issuer; provided that such right cannot be exercised earlier than 45 days prior to the first date on which the Issuer would be obligated to make an Additional Amounts payment

with respect to all or substantially all of the outstanding Bonds were a payment then due. Prior to the giving of any such notice of redemption, the Issuer is required to deliver to the Trustee (i) an officer's certificate stating that such change or amendment has occurred, describing the facts related thereto and stating that such requirement cannot be avoided by the Issuer taking reasonable measures and (ii) an opinion of counsel or written advice of a qualified tax expert that the circumstances referred to in the preceding sentence exist as a result of such change, amendment, application, interpretation or administration. The Trustee shall be entitled to rely conclusively on such certificate, opinion and notice as sufficient evidence of the satisfaction of the conditions precedent described above. The Trustee is not obligated to verify any information in any certificate, opinion or notice.

Notwithstanding the foregoing, if the Issuer has given a redemption notice for taxation reasons in accordance with the paragraph above and if the outstanding principal amount of the Bonds at the time when such redemption notice is given is greater than 10% of the aggregate principal amount of the Bonds as of the Closing Date, each Holder of the Bonds will have the right to elect, and the redemption notice will state that each Holder will have the right to elect, that all or a portion of its Bonds should not be redeemed. Upon the exercise of such right by the Holder, the provisions set forth in "— Additional Amounts" will not apply to any payment in respect of such Bonds that is due after the relevant Redemption Date, and such payment will be made subject to the deduction of any ROC tax (or tax of such other jurisdiction in which the Issuer is then organized or resident for tax purposes) required to be withheld or deducted. To exercise such right the Holder must give notice to the Issuer in the manner set out in the Indenture no later than 15 days prior to the relevant Redemption Date.

Redemption at the Option of the Issuer

At any time after December 10, 2020, the Issuer may, on not less than 30 nor more than 60 days' notice to the Holders (which notice shall be irrevocable) and upon written notice to the Trustee and the Agents, redeem the Bonds, in whole or in part, at the Settlement Equivalent of the Early Redemption Amount; *provided, however,* that no such redemption may be made unless:

(1) the Closing Price (converted into US Dollars at the Prevailing Rate) of the Common Shares for 20 out of 30 consecutive Trading Days (the "Calculation Period") immediately prior to the date upon which notice of such redemption was given, is at least 130% of the quotient of the Early Redemption Amount divided by the Conversion Ratio (as defined below); and

(2) the applicable Redemption Date does not fall within a Closed Period (as defined below).

If there shall occur an event giving rise to a change in the Conversion Price during any Calculation Period, appropriate adjustments for the relevant days, determined by an opinion of an Independent Investment Bank, shall be made for the purpose of calculating the Closing Price for such days. Notice of any such adjustments in the Conversion Price will be given promptly by the Issuer to the Trustee and the Paying Agent.

Notwithstanding the foregoing, the Issuer may redeem the Bonds, in whole but not in part, at any time, on not less than 30 nor more than 60 days' notice, at the Settlement Equivalent of the Early Redemption Amount if more than 90% in principal amount of the Bonds originally issued has been redeemed, repurchased and canceled or converted; provided that the applicable Redemption Date does not fall within a Closed Period.

Notice of any such redemption will be given by the Issuer to the Holders (and other applicable parties) in accordance with the notice provisions of the Indenture as described below under "— Notices".

Redemption at Maturity

Unless the Bonds have been previously redeemed, repurchased and canceled or converted, the Issuer will redeem the Bonds on the Maturity Date at the Settlement Equivalent of a redemption price equal to 102.53% of the outstanding principal amount thereof. The Bonds may be redeemed prior to the Maturity Date only as described herein.

Redemption Procedures

Payment of the relevant redemption price for a Certificated Bond is conditioned upon delivery of such Bond (together with necessary endorsements) to any Paying Agent. Payment of the relevant redemption price for any Bond will be made on the Redemption Date or, if such Bond is a Certificated Bond and has not been so delivered on or prior to the Redemption Date, at the time of delivery of such Bond. If the Paying Agent holds, in accordance with the terms of the Indenture, cash sufficient to pay the relevant redemption price of such Bond on the Redemption Date, then, immediately after such Redemption Date, such Bond will cease to be outstanding, whether or not such Bond is delivered to a Paying Agent, and all other rights of the Holder shall terminate (other than the right to receive the relevant redemption price).

In the case of any redemption other than on the Maturity Date, notice of redemption to each Holder shall specify the Redemption Date, the price at which such Bonds will be redeemed and the place or places of payment and that payment will be made upon presentation and surrender of the Bonds to be redeemed. Such notice shall also specify the Conversion Price then in effect and the date on which the right to convert such Bonds will expire.

Repurchase of the Bonds

Repurchase at the Option of the Holder

Unless the Bonds have been previously redeemed, repurchased and canceled or converted, each Holder shall have the right (the "Holder's Put Right"), at such Holder's option, to require the Issuer to repurchase, in whole or in part (being US$200,000 in principal amount or any integral multiple of US$100,000 in excess thereof), such Holder's Bonds, on December 10, 2020 (the "Bondholder's Put Option Date") at a price equal to the Settlement Equivalent of 101.00% of the principal amount in US dollars with respect to such Holder's Bonds to be repurchased (the "Holder's Put Price").

Repurchase in the Event of Delisting

In the event that the Common Shares cease to be listed or admitted to trading on the TWSE (a "Delisting") each Holder shall have the right (the "Delisting Put Right"), at such Holder's option to require the Issuer to repurchase, in whole or in part (being US$200,000 in principal amount or any integral multiple of US$100,000 in excess thereof), such Holder's Bonds on the 20th Business Day after the Paying Agent mails to each Holder a notice regarding the Delisting referred to under "— Repurchase Procedures" below (the "Delisting Put Date") at the Settlement Equivalent of the Early Redemption Amount with respect to such Holder's Bonds to be repurchased on the Delisting Put Date (the "Delisting Put Price").

Repurchase in the Event of Change of Control

If a Change of Control (as defined below) occurs with respect to the Issuer, each Holder shall have the right (the "Change of Control Put Right"), at such Holder's option, to require the Issuer to repurchase, in whole or in part (being US$200,000 in principal amount or any integral

multiple of US$100,000 in excess thereof), such Holder's Bonds on the date set by the Issuer for such repurchase (the "Change of Control Put Date"), which shall be not less than 30 nor more than 60 days following the date on which the Issuer notifies the Trustee and the Paying Agent in writing of the Change of Control, at the Settlement Equivalent of the Early Redemption Amount with respect to such Holder's Bonds to be repurchased on the Change of Control Put Date (the "Change of Control Put Price").

Repurchase Procedures

Not less than 30 nor more than 60 days prior to the Bondholder's Put Option Date and not less than 30 nor more than 60 days promptly after becoming aware of a Delisting or Change of Control, the Issuer will provide sufficient information to the Trustee and the Paying Agent in sufficient time to permit the Trustee and the Paying Agent to mail to each Holder a notice regarding such Holder's Put Right, Delisting Put Right or Change of Control Put Right, as the case may be, which notice shall state, as appropriate:

(A) the Bondholder's Put Option Date, the Delisting Put Date or the Change of Control Put Date, as the case may be (each, a "Purchase Date");

(B) in the case of a Delisting, the date of such Delisting and, briefly, the events causing such Delisting;

(C) in the case of a Change of Control, the date of such Change of Control and, briefly, the events causing such Change of Control;

(D) the date by which the Holder Purchase Notice (as defined below) must be given;

(E) the Holder's Put Price, the Delisting Put Price or the Change of Control Put Price, as the case may be, and the method by which such amount will be paid;

(F) the names and addresses of all Paying Agents;

(G) briefly, the Conversion Right (as defined below) of the Holders and the then current Conversion Price and the date on which the right to convert such Bond will expire;

(H) the procedures that Holders must follow and the requirements that Holders must satisfy in order to exercise their repurchase rights and/or Conversion Right; and

(I) that a Holder Purchase Notice, once validly given, may not be withdrawn.

To exercise its right to require the Issuer to repurchase its Bonds, the Holder must deliver a written irrevocable notice of the exercise of such right (a "Holder Purchase Notice") to any Paying Agent on any Business Day prior to the close of business at the location of such Paying Agent on such day and which day is not less than ten (10) Business Days prior to the Purchase Date.

Payment of the Holder's Put Price upon exercise of the Holder's Put Right, Delisting Put Price upon exercise of the Delisting Put Right or Change of Control Put Price upon exercise of the Change of Control Put Right for any Certificated Bond for which a Holder Purchase Notice has been delivered is conditioned upon delivery of such Certificated Bond (together with any necessary endorsements) to any Paying Agent on any Business Day together with the delivery of such Holder Purchase Notice and will be made promptly following the later of the Purchase Date and the time of delivery of such Certificated Bond. If the Paying Agent holds on the Purchase Date money sufficient to pay the Holder's Put Price, Delisting Put Price or the Change of Control Put Price, as the case may be, of Bonds for which Holder Purchase Notices have been delivered in accordance with the provisions of the Indenture upon exercise of such right, then, whether or not

such Bond is delivered to the Paying Agent, on and after such Purchase Date, (i) such Bond will cease to be outstanding, (ii) such Bond will be deemed paid, and (iii) all other rights of the Holder shall terminate (other than the right to receive the Holder's Put Price, the Delisting Put Price or the Change of Control Put Price, as the case may be).

Certain Definitions

Set forth below is a summary of certain of the defined terms used in the covenants and other provisions of the Indenture. Reference is made to the Indenture for the full definition of all such terms, as well as any other capitalized terms used herein for which no definition is provided.

"*Affiliate*" means, with respect to any Person (the "Specified Person"), (i) any Person other than the Specified Person directly or indirectly controlling, controlled by or under direct or indirect common control with, the Specified Person or (ii) any Person who is a director or executive officer (A) of the Specified Person, (B) of any Subsidiary of such Specified Person or (C) of any Person described in clause (i) above. For purposes of this definition, the term "control" when used with respect to any Person means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities or by contract or otherwise.

"*Agent*" means any registrar, paying agent, conversion agent and transfer agent.

"*Business Day*" means any day except a Saturday, Sunday or other day on which commercial banks in Taipei, Hong Kong, London, and the City of New York (or, if applicable, in the city where the relevant Paying Agent is located) are authorized by law to close or are otherwise not open for business.

"*Capital Stock*" means, with respect to any Person, any and all shares, ownership interests, participation or other equivalents (however designated), including all common stock and all preferred stock, of such Person.

"*Certificated Bonds*" means the individual certificated Bonds executed and delivered by the Issuer and authenticated by or to the order of the Trustee, which may be delivered in exchange for the Global Bond in certain circumstances.

"*Change of Control*" occurs when:

(1) any Person or Persons (as defined below) acting together acquires Control of the Issuer if such Person or Persons does not or do not have, and would not be deemed to have, control of the Issuer on the Closing Date; or

(2) the Issuer consolidates with or merges into or sells or transfers all or substantially all of the Issuer's assets to any other Person.

"*Closing Price*" means for any Trading Day (a) with respect to the Common Shares, the closing sales price of the Common Shares on the TWSE on such day or, if no reported sales take place on such day, the average of the reported closing bid and offered prices, in either case as reported by the TWSE for such day as furnished by an Independent Investment Bank, and (b) with respect to Capital Stock of the Issuer (other than Common Shares), the closing bid price for such Capital Stock (other than Common Shares) on the Selected Exchange (as defined under "Trading Day" below); provided that for the purpose of determining the Closing Price used in "— Redemption at the Option of the Issuer" above for all Trading Days on or between the ex-rights or ex-dividends date and the record date for the determination of the shareholders entitled to receive such rights or dividends, the Closing Price shall be adjusted upwards to include the value of such rights or dividends.

"*Common Shares*" means shares of the common stock of the Issuer, par value NT$10.0 per share.

"*Control*" means (i) the right to appoint and/or remove all or the majority of the members of the Issuer's board of directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise; or (ii) the acquisition or control of more than 50% of the voting rights of the issued share capital of the Issuer.

"*Conversion Price*" means the initial conversion price of NT$41.00 per Common Share set forth on the cover of this Offering Circular, subject to adjustment in the manner provided in "— Conversion — Adjustments to the Conversion Price" below.

"*Conversion Ratio*" means the principal amount of each Bond (i.e. US$ 100,000) divided by the applicable Conversion Price then in effect (translated into US Dollars at the Fixed Exchange Rate).

"*Debt*" means, with respect to any Person at any date, without duplication, (i) all obligations of such Person for borrowed money, (ii) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments, (iii) all obligations of such Person to pay the deferred purchase price of property or services, except trade accounts payable arising in the ordinary course of trading, (iv) all obligations of such Person as lessee which are capitalized in accordance with the generally accepted accounting principles applicable to such Person, (v) all Debt secured by a Lien on any asset of such Person, whether or not such Debt is otherwise an obligation of such Person, (vi) all obligations of such Person to purchase securities or other property that arise out of or in connection with the sale of the same or substantially similar securities or property, (vii) all non-contingent obligations of such Person to reimburse any bank or other Person in respect of amounts paid under a letter of credit or similar instrument and (viii) all Debt of others guaranteed by such Person.

"*Default*" means any condition or event which, with the giving of notice or lapse of time or both, would become an Event of Default (as defined below).

"*Early Redemption Amount*" for each US$100,000 principal amount of the Bonds, the amount calculated in accordance with the following formula, rounded (if necessary) to two decimal places with 0.005 being rounded upwards:

$$\text{Early Redemption Amount} = I \times (1 + r/2)^{d/180}$$

where:

I = Issue price (100% of principal amount) of the Bonds.

r = 0.50% expressed as a decimal.

d = number of days from, and including, December 10, 2018 to, but excluding, the date for redemption, calculated on the basis of a 360-day year consisting of 12 months of 30 days each, and in the case of an incomplete month, the actual number of days elapsed.

Semi-Annual Date	Early Redemption Amount (in US Dollars)
June 10, 2019	100,250.00
December 10, 2019	100,500.63
June 10, 2020	100,751.88
December 10, 2020	101,003.76
June 10, 2021	101,256.27
December 10, 2021	101,509.41
June 10, 2022	101,763.18
December 10, 2022	102,017.59
June 10, 2023	102,272.63

"*FSC*" means the Financial Supervisory Commission of the ROC.

"*Holder*", "*holder*" and "*Bondholder*" in relation to a Bond means the person in whose name a Bond is registered in the Bond register.

"*Lien*" means, with respect to any property or asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such property or asset, including, without limitation, the right of a vendor, lessor or similar party under any conditional sales agreement, capital lease or other title retention agreement relating to such property or asset, and any other right of or arrangement with any creditor to have its claims satisfied out of any property or assets, or the proceeds therefrom prior to any general creditor of the owner thereof.

"*Market Value*" means (i) in the case of Common Shares, the average of the Closing Prices of the Common Shares for the most recent 30 Trading Days, (ii) in the case of Capital Stock (other than Common Shares) which is listed on the Selected Exchange, the average of the Closing Prices of such Capital Stock (other than Common Shares) for the most recent 30 Trading Days and (iii) in the case the market value cannot be determined pursuant to the procedures above, the market value determined by an opinion of an Independent Investment Bank.

"*Person*" means any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organization, trust, state or agency of a state (in each case whether or not being a separate legal entity) limited liability company, government or political subdivision or agency or instrumentality thereof, or any other entity or organization; provided that in the context of a Change of Control, a Person does not include the Issuer's board of directors or any other governing board and does not include the Issuer's wholly-owned direct or indirect subsidiaries.

"*Principal Subsidiary*" means any Subsidiary (as defined below) of the Issuer (i) whose gross revenues, as shown by the latest audited income statement (consolidated in the case of a Subsidiary which itself has Subsidiaries) of such Subsidiary, exceed 5% of the consolidated gross revenues as shown by the then latest published audited consolidated income statement of the Issuer and its Subsidiaries; (ii) whose gross assets, as shown by the latest audited balance sheet (consolidated in the case of a Subsidiary which itself has Subsidiaries) of such Subsidiary, exceed 5% of the gross consolidated assets as shown by the then latest published audited consolidated balance sheet of the Issuer and its Subsidiaries; or (iii) to which is transferred the whole or substantially the whole of the assets and undertaking of a Subsidiary which immediately prior to such transfer is a Principal Subsidiary, provided that, in such a case, the Subsidiary so transferring its assets and undertaking shall thereupon cease to be a Principal Subsidiary unless such Subsidiary would continue to be a Principal Subsidiary on the basis of such accounts by virtue of the provisions of paragraph (i) above. References to the audited income statement and balance sheet of a Subsidiary which has subsidiaries shall be construed as references to the audited consolidated income statement and consolidated balance sheet of such Subsidiary and its

subsidiaries, if such are required by law to be produced, or if no such income statement or balance sheet is required by law to be produced or is not produced when the Subsidiary becomes a Principal Subsidiary, to a pro forma income statement or balance sheet, prepared by the Auditors (as defined in the Indenture) for the purpose of such determination.

"*Purchase Date*" has the meaning specified under the caption "— Repurchase Procedures" above.

"*Redemption Date*" means, with respect to any Bond, (i) the date fixed for redemption of such Bond pursuant to a notice of redemption given by the Issuer in accordance with the provisions of the Indenture; or (ii) the Maturity Date of such Bond if such Bond has not been redeemed, repurchased and canceled or converted in accordance with its terms prior to the Maturity Date.

"*Securities Act*" means the United States Securities Act of 1933, as amended.

"*Subsidiary*" means, with respect to any Person, (a) any entity which is controlled or of which more than 50% of its Capital Stock is owned directly or indirectly by such Person, or (b) any entity which at any time has its accounts consolidated with those of that Person or which, under the law, regulations or generally accepted accounting principles of the jurisdiction of incorporation of such Person from time to time, should have its accounts consolidated with those of that Person.

"*Taxing Authority*" means any government or political subdivision or any authority or agency thereof, having the legal power and authority to levy a mandatorily payable charge, assessment or tax.

"*Trading Day*" means (a) with respect to the Common Shares, a day when the TWSE is open for business, provided, however, if no transaction price or closing bid and offered prices are reported by the TWSE in respect of the Common Shares for one or more Trading Days, such day or days will be disregarded in any relevant calculation and will be deemed not to have existed when ascertaining any period of consecutive Trading Days and (b) with respect to Capital Stock of the Issuer (other than Common Shares), a day on which any securities exchange or quotation system selected by the Issuer and notified to the Paying Agent for this purpose (the "Selected Exchange") on which shares of such Capital Stock (other than Common Shares) are quoted or traded is open for trading or quotation; provided, however, if no bid price is reported by the Selected Exchange in respect of such Capital Stock (other than Common Shares) for one or more Trading Days, such day or days will be disregarded in any relevant calculation and will be deemed not to have existed when ascertaining any period of consecutive Trading Days.

"*TWSE*" means Taiwan Stock Exchange Corporation.

Certain Covenants

Negative Pledge

So long as any Bond remains outstanding, the Issuer shall not, and shall ensure that none of its Principal Subsidiaries will, create or permit to subsist any Lien on any of its or, as the case may be, such Principal Subsidiary's, property, assets or revenues, present or future, to secure for the benefit of the holders of any International Investment Securities (as defined below) (i) payment of any sum owing in respect of any such International Investment Securities, (ii) any payment under any guarantee of any such International Investment Securities or (iii) any payment under any indemnity or other like obligation relating to any such International Investment Securities, unless (a) contemporaneously therewith effective provision is made to secure the Bonds equally and ratably with such International Investment Securities with a similar Lien on the same

property, assets or revenues securing such International Investment Securities for so long as such International Investment Securities are secured by such Lien or (b) with such other security, guarantee, indemnity or other arrangement as shall be approved by registered Holders holding not less than 50% of the principal amount of the outstanding Bonds.

As used herein, "International Investment Securities" means bonds, debentures, notes or other similar investment securities of the Issuer or any other person evidencing indebtedness with a maturity of not less than one year from the issue date thereof, or any guarantees thereof, which (i) either (A) are by their terms payable, or confer a right to receive payment, in any currency other than NT Dollars or (B) are denominated in NT Dollars and more than 50% of the aggregate principal amount thereof is initially distributed outside the ROC by or with the consent of the Issuer and (ii) are for the time being, or are intended to be, quoted, listed, ordinarily dealt in or traded, in each case primarily, on any stock exchange or over-the-counter or other securities market outside the ROC.

Consolidation, Amalgamation or Merger

The Issuer shall not consolidate with, merge or amalgamate into or transfer or convey all or substantially all of its properties and assets to, any Person (the consummation of any such event, a "Merger"), unless:

(i) the corporation formed by such Merger or the Person that acquired such properties and assets shall expressly assume, by an indenture supplemental to the Indenture, all obligations of the Issuer under the Indenture and the performance of every covenant and agreement applicable to it contained therein;

(ii) immediately after giving effect to any such Merger, no Default or Event of Default shall have occurred or be continuing or would result therefrom;

(iii) the Issuer at least 20 Business Days prior to the Merger has delivered to the Trustee an officer's certificate stating that such Merger complies with the provisions of the Indenture relating to this matter and that all conditions precedent therein provided for or relating to such Merger have been complied with;

(iv) the corporation formed by such Merger, or the Person that acquired such properties and assets, shall expressly agree to (A) indemnify each holder of a Bond against any tax, assessment or governmental charge payable by withholding or deduction thereafter imposed on such holder solely as a consequence of such Merger with respect to the payment of principal of and other amounts on the Bonds and (B) if organized under the laws of a jurisdiction other than the ROC, to deliver a substitute undertaking to the Trustee to pay any additional amounts as may be necessary in order that the net amounts received by the holders of the Bonds, after any withholding or deduction of any such tax, assessment or other governmental charge shall equal the respective amounts of the principal of and Additional Amounts on the Bonds, which would have been receivable in respect of the Bonds in the absence of such Merger. No successor corporation or other Person shall have the right to redeem the Bonds unless the Issuer would have been entitled to redeem the Bonds pursuant to the Indenture in the absence of the Merger; and

(v) the Issuer shall as soon as practicable on or prior to the Merger, deliver to the Trustee an opinion satisfactory to the Trustee of counsel(s) of recognized standing that the condition in paragraph (i) above has been satisfied.

In the event of any such Merger, the provisions described under "— Additional Amounts" and "— Redemption for Taxation Reasons" above will be applicable to the corporation formed by such Merger or the Person acquiring such properties and assets as appropriate, and any reference to the Issuer shall be read to include such successor person.

Conversion

Conversion Right

Each Holder will have the right (the "Conversion Right") during the Conversion Period to convert its Bonds (being US$200,000 in principal amount or an integral multiple of US$100,000 in excess thereof), at the option of such converting Holder, upon delivery of an irrevocable notice (the "Conversion Notice") at the office of any Paying Agent, on any Business Day prior to the close of business at the location of the Paying Agent to which such Conversion Notice is delivered, into Common Shares; provided, however, that the Conversion Right during any Closed Period (as defined below) shall be suspended and the Conversion Period shall not include any such Closed Period. "Closed Period" means (i) the 60-day period immediately prior to the date of any of the Issuer's annual general shareholders' meetings; (ii) the 30-day period immediately prior to the date of any of the Issuer's extraordinary general shareholders' meetings; (iii) the period from the fifteenth Trading Day prior to the record date for the determination of the shareholders entitled to the receipt of dividends, subscription of new Common Shares due to capital increase or other benefits and bonuses to such record date; (iv) the period from the record date for the determination of the shareholders participating in any capital reduction to one day prior to the Trading Day on which the Common Shares are reissued after such capital reduction; and (v) such other periods during which the Issuer may be required to close its stock transfer books under the ROC laws and regulations and the rules of the TWSE applicable from time to time. The Issuer shall procure that Holders (and other applicable parties) are given at least 7 days' but not more than 60 days' prior notice of any Closed Period in accordance with the provisions of the Indenture.

The number of Common Shares to be issued upon conversion will be determined by dividing the aggregate principal amount of all the Bonds to be converted by such Holder (translated into NT Dollars at the Fixed Exchange Rate) by the Conversion Price in effect on the Conversion Date (as defined below). Fractions of Common Shares will not be issued on conversion, and the Issuer will pay in US Dollars for any fraction of a Common Share not issued as aforesaid, net of remittance fees, rounding to one US Dollar with US$0.50 being rounded upwards.

The Conversion Price shall at all times be subject to Anti-dilution Adjustment (as defined below).

Restrictions on Shareholdings by PRC Persons

Under current ROC laws, regulations and policy, a PRC person is not permitted to convert the Bonds and to register as a shareholder of the Issuer unless (i) it is a qualified domestic institutional investor ("QDII") who will hold less than 10% of the Issuer's issued shares after conversion of the Bonds, or (ii) it otherwise obtains the approval of the Investment Commission of the Ministry of Economic Affairs if all the business items are within the positive list promulgated by the ROC government from time to time and it will hold 10% or more (or other threshold required by the regulators) of the Issuer's issued shares after conversion of the Bonds. In addition, there are restrictions on the amount remitted to Taiwan for investments by QDIIs, separately and jointly. Accordingly, the qualification criteria for a PRC person to make investment and the investment threshold imposed by the FSC and the TWSE might cause a Bondholder who is a PRC person to be unable to convert and hold the Common Shares issuable upon conversion of the Bonds. Under current ROC laws, "PRC person" means an individual holding a passport issued by the PRC, a resident of any area of China under the effective control or jurisdiction of the PRC (but not including a special administrative region of the PRC such as Hong Kong and Macau, if

so excluded by applicable laws of the ROC), any agency or instrumentality of the PRC and any corporation, partnership or other entity organized under the laws of any such area or controlled by, or directly or indirectly having more than 30% of its capital owned by, or beneficially owned by any such person, resident, agency or instrumentality.

ROC Procedures for Foreign Persons Holding Common Shares

Under current ROC law, a non-ROC converting Holder who is not a PRC person, before exercising the Conversion Right, is required to register with the TWSE for making investments in the ROC securities market. Such non-ROC converting Holder is also required to appoint a local agent in Taiwan which meets the qualifications that are set from time to time by the FSC to open a securities trading account with a local brokerage firm and a bank account to remit funds, pay taxes, exercise shareholders' rights and perform such other functions as may be designated by such Holder. In addition, such non-ROC converting Holder must also appoint a custodian in Taiwan to hold the securities and any cash proceeds for safekeeping, to make confirmation and settlement of trades and to report all relevant information. Furthermore, such non-ROC converting Holder is required to appoint an agent, referred to as a Tax Guarantor, in Taiwan which meets the qualifications that are set from time to time by the Ministry of Finance of the ROC for filing tax returns and making tax payments on their behalf. Without meeting such requirements, such non-ROC converting Holder would not be able to hold or sell or otherwise transfer Common Shares into which the Bonds may be converted on the TWSE or otherwise. For more details, see "Appendix B — Foreign Investment and Exchange Control in the ROC".

Delivery of Common Shares upon Conversion

Upon a converting Holder exercising its Conversion Right, the Issuer shall as promptly as practicable issue Common Shares upon conversion of Bonds in accordance with the ROC law.

The Issuer's delivery to the Bondholder of the number of Common Shares into which the Bonds are convertible, together with any cash payment for any fraction of Common Shares, will be deemed to satisfy the Issuer's obligation to pay the principal of and other amounts on such Bonds.

See "Risk Factors — Risks Relating to the Bonds or the Shares — A liquid market for the Bonds may not develop, and the market for the Shares may not be liquid".

Procedures; Conversion Notice; Taxes and Duties

In order to effect a conversion, each Holder must complete, execute and deliver at such Holder's expense during the Conversion Period to the office of any Paying Agent on any Business Day prior to the close of business at the location of the Paying Agent, a Conversion Notice, in the form then obtainable from the office of any Paying Agent, together, in the case of Certificated Bonds, with the certificate representing the Bonds to be converted, and any certificates and other documents as may be required under applicable law and any expenses or other payments required to be paid by the Holder pursuant to the terms of the Indenture. The Conversion Notice shall contain, inter alia, an appointment of a local agent by such converting Holder and the name and address of such local agent.

Upon receipt of such Conversion Notices, the Paying Agent shall have not more than one full Business Day to process and transmit such Conversion Notices to the Issuer.

A Conversion Notice once so delivered may not be withdrawn without the consent in writing of the Issuer. Holders who deposit a Conversion Notice during a Closed Period will not be permitted to convert their Bonds until the first Business Day which is a Trading Day following the last day of that Closed Period which (if all other conditions to conversion have been fulfilled) will be the Conversion Date for such Bonds. Such Holders will not be registered as holders until the Conversion Date. The price at which such Bonds will be converted will be the Conversion Price in effect on the Conversion Date.

As conditions precedent to conversion, the Holder must confirm to the applicable Paying Agent that all stamp, issue, registration and similar taxes and duties (if any) arising on conversion in the country in which the Bond is deposited for conversion, or payable in any jurisdiction consequent upon the issue and delivery of Common Shares or any other property or cash upon conversion to or to the order of a person other than the converting Bondholder have been paid to the relevant authority. Except as aforesaid, the Issuer will pay the expenses arising in the ROC on the issue of Common Shares on conversion of Bonds and all charges of the Paying Agents in connection therewith as provided in the Indenture. The date on which any Bond and the Conversion Notice (in duplicate) relating thereto, together with any certificates and other documents as may be required under applicable law, are deposited with a Paying Agent and the payments, if any, required to be paid by the Bondholder are made is hereinafter referred to as the "Deposit Date". The "Conversion Date" applicable to a Bond shall mean the next Business Day following the Deposit Date (or the first Business Day which is a Trading Day following the last day of a Closed Period if the related Conversion Notice was deposited during such Closed Period), which day must be a Trading Day and must fall within the Conversion Period. The Holder must therefore satisfy all such conditions on or before the Business Day prior to the end of the Conversion Period.

With effect from the opening of business in the ROC on the Conversion Date, the Issuer will deem the person designated in the Conversion Notice as the person in whose name the Common Shares to be issued upon such conversion are to be registered as the holder of record of the number of Common Shares (disregarding any retroactive adjustment of the Conversion Price referred to below prior to the time such retroactive adjustment shall have become effective), and at such time the rights of such converting Holder as a Holder with respect to the Bonds deposited for conversion shall cease.

On the Conversion Date, the Issuer will register the converting Holder (or its designee) in the Issuer's register of shareholders as the owner of the number of Common Shares to be issued upon conversion of such Bonds and, subject to any applicable limitations then imposed by ROC laws and regulations, according to the request made in the relevant Conversion Notice, procure that, as soon as practicable, and in any event within five Trading Days from the Conversion Date (subject to changes to ROC laws and regulations) (or where the converting Holder has not appointed a local agent, after such local agent is appointed), there be delivered to the local agent appointed by the converting Holder through book-entry system of Taiwan Depository & Clearing Corporation ("TDCC") or through physical delivery of a certificate or certificates for the relevant Common Shares, registered in the name specified for that purpose in the relevant Conversion Notice, together with any other property or cash required to be delivered upon conversion and such assignments and other documents (if any) as may be required by law to effect the delivery thereof.

Adjustments to the Conversion Price

Anti-dilution. The Conversion Price will be subject to adjustment ("Anti-dilution Adjustment") in the circumstances described below:

(i) If the Issuer shall issue Common Shares as a dividend in Common Shares or make a free distribution or bonus issue of Common Shares which is treated as a capitalization issue for accounting purposes (including but not limited to capitalization of retained earnings or capital reserves), then the Conversion Price in effect on the record date for the determination of the shareholders entitled to receive such dividend and/or distribution shall be adjusted in accordance with the following formula:

NCP = OCP x [N / (N + n)]

where:

NCP = the Conversion Price after such adjustment.

OCP = the Conversion Price before such adjustment.

N = the number of Common Shares outstanding at the time of issuance of such dividend and/or distribution (or at the close of business in Taipei on such record date, as the case may be).

n = the number of Common Shares to be distributed to the shareholders as a dividend and/or distribution.

(ii) If the Issuer shall (a) subdivide its outstanding Common Shares, (b) combine its outstanding Common Shares into a smaller number of Common Shares, or (c) re-classify any of its Common Shares into other securities of the Issuer, then the Conversion Price shall be appropriately adjusted so that the Holder, in respect of the Conversion Date which occurs after the coming into effect of the adjustment described in this subsection (ii), shall be entitled to receive the number of Common Shares and/or other securities of the Issuer which it would have held or have been entitled to receive after the happening of any of the events described above had such Bond been converted immediately prior to the happening of such event (or, if the Issuer has fixed a prior record date for the determination of the shareholders entitled to receive any such securities issued upon any such subdivision, combination or reclassification, immediately prior to such record date), but without prejudice to the effect of any other adjustment to the Conversion Price made with effect from the date of the happening of such event (or such record date) or any time thereafter.

(iii) If the Issuer shall grant, issue or offer to the holders of Common Shares rights entitling them to subscribe for or purchase Common Shares, which expression shall include those Common Shares which are required to be offered to employees and persons other than shareholders in connection with such grant, issue or offer, at a consideration per Common Share receivable by the Issuer which is fixed:

(a) on or prior to the record date mentioned below and is less than the Market Value per Common Share on such record date; or

(b) after the record date mentioned below and is less than the Market Value per Common Share on the date the Issuer fixes the said consideration,

then the Conversion Price in effect (in the case of (a) above) on the record date for the determination of the shareholders entitled to receive such rights or (in the case of (b) above) on the date the Issuer fixes the said consideration shall be adjusted in accordance with the following formula:

NCP = OCP x [(N + v) / (N + n)]

where:

NCP and OCP have the meanings ascribed thereto in subsection (i) above.

N = the number of Common Shares outstanding at the close of business in the ROC (in the case of (a) above) on such record date or (in the case of (b) above) on the date the Issuer fixes the said consideration.

n = the number of Common Shares to be issued in connection with such rights issue at the said consideration.

v = the number of Common Shares which the aggregate consideration receivable by the Issuer would purchase at such Market Value specified in (a) or, as the case may be, (b) above.

Subject as provided below, such adjustment shall become effective immediately after the latest date for the submission of applications of such Common Shares by shareholders entitled to the same pursuant to such rights or (if later) immediately after the Issuer fixes the said consideration but retroactively to immediately after the record date mentioned above.

If, in connection with a grant, issue or offer to the holders of Common Shares of rights entitling them to subscribe for or purchase Common Shares, any Common Shares which are not subscribed for or purchased by the persons entitled thereto are purchased by other persons after the latest date for the submission of applications for such Common Shares, an adjustment shall be made to the Conversion Price in accordance with the above provisions which shall become effective immediately after the date the Issuer receives the consideration in full, from such other persons but retroactively to immediately after the record date mentioned above.

If, in connection with a grant, issue or offer to the holders of Common Shares of rights entitling them to subscribe for or purchase Common Shares, any such Common Shares which are not subscribed for or purchased by such other persons as referred to above or by the persons entitled thereto (or persons to whom shareholders have transferred such rights) who have submitted applications for such Common Shares as referred to above are offered to and/or subscribed by others, no further adjustment shall be made to the Conversion Price by reason of such offer and/or subscription.

(iv) If the Issuer shall grant, issue or offer to the holders of Common Shares warrants entitling them to subscribe for or purchase Common Shares at a consideration per Common Share receivable by the Issuer which is fixed:

(a) on or prior to the record date for the determination of the shareholders entitled to receive such warrants and is less than the Market Value per Common Share at such record date; or

(b) after the record date mentioned above and is less than the Market Value per Common Share on the date the Issuer fixes the said consideration,

then the Conversion Price in effect (in a case within (a) above) on the record date for the determination of the shareholders entitled to receive such warrants or (in a case within (b) above) on the date the Issuer fixes the said consideration shall be adjusted in accordance with the following formula:

NCP = OCP x [(N + v) / (N + n)]

where:

NCP and OCP have the meanings ascribed thereto in subsection (i) above.

N = the number of Common Shares outstanding at the close of business in the ROC (in the case of (a) above) on such record date or (in the case of (b) above) on the date the Issuer fixes the said consideration.

n = the number of Common Shares initially to be issued upon exercise of such warrants at the said consideration where no applications by shareholders entitled to such warrants are required. Where applications by shareholders entitled to such warrants are required, n equals the number of such Common Shares that equals (A) the number of warrants which underwriters have agreed to underwrite as referred to below or, as the case may be, and (B) the number of warrants for which applications are received from shareholders as referred to below except to the extent already adjusted for under (A).

v = the number of Common Shares which the aggregate consideration receivable by the Issuer would purchase at such Market Value per Common Share specified in (a) or, as the case may be, (b) above.

Subject as provided below, such adjustment shall become effective, where applications by shareholders entitled to the same are required as aforesaid, immediately after the latest date for the submission of such applications or (if later) immediately after the Issuer fixes the said consideration but retroactively to immediately after the record date mentioned above.

If, in connection with a grant, issue or offer to the holders of Common Shares of warrants entitling them to subscribe for or purchase Common Shares where applications by shareholders entitled to the same are required, any warrants which are not subscribed for or purchased by the shareholders entitled thereto are purchased by other persons after the latest date for the submission of applications for such warrants, an adjustment shall be made to the Conversion Price in accordance with the above provisions which shall become effective immediately after the date the Issuer receives the consideration in full, from such other persons but retroactively to immediately after the record date mentioned above.

If, in connection with a grant, issue or offer to the holders of Common Shares of warrants entitling them to subscribe for or purchase Common Shares where applications by shareholders entitled to the same are required, any such warrants which are not subscribed for or purchased by such other persons as referred to above or by the shareholders entitled thereto (or persons to whom shareholders have transferred the right to purchase such warrants) who have submitted applications for such warrants as referred to above are offered to and/or subscribed by others, no further adjustment shall be made to the Conversion Price by reason of such offer and/or subscription.

(v) In case the Issuer or any Subsidiary of the Issuer shall distribute to all holders of Common Shares, any shares of Capital Stock of the Issuer other than Common Shares, evidences of indebtedness or other assets (other than cash distributions described below) of the Issuer, or rights or warrants to subscribe for or purchase any Capital Stock of the Issuer (other than Common Shares) at less than the Market Value of such indebtedness, assets or Capital Stock, determined as of the date on which the Board of Directors of the Issuer approves such distribution, then in each such case the Conversion Price shall be adjusted in accordance with the following formula:

NCP = OCP x [(M - fmv) / M]

where:

NCP and OCP have the meanings ascribed thereto in subsection (i) above.

M = the Market Value per Common Share on the record date for the determination of shareholders entitled to receive such distribution.

fmv = the Fair Market Value (as determined by an independent financial institution selected by the Issuer, at the expense of the Issuer and promptly notified in writing to the Trustee) of the portion of Capital Stock other than Common Shares, evidences of indebtedness or other assets so distributed applicable to one Common Share less any consideration payable for the same by the relevant Shareholder.

(vi) In case the Issuer shall, by dividend or otherwise, distribute to all holders of Common Shares cash then, in such case, the Conversion Price shall be adjusted downward, not upward (with such adjustment to be effective on the record date for the determination of the shareholders entitled to receive such distribution) in accordance with the following formula and rounded to the nearest cent of a NT Dollar;

NCP = OCP x [1 - (C/M)]

where:

NCP and OCP have the meanings ascribed thereto in subsection (i) above.

C = the amount of cash so distributed applicable to one Common Share.

M = the Market Value per Common Share on such record date.

If such dividend or distribution is not so paid or made, the Conversion Price shall again be adjusted to be the Conversion Price which would then be in effect if such dividend or distribution had not been approved.

(vii) (a) If the Issuer shall reduce its share capital other than by means of canceling any Common Shares repurchased for the purpose of holding such Common Shares in treasury and does not distribute any cash in connection with such share capital reduction, then the Conversion Price in effect on the record date for the determination of the shareholders participating in such capital reduction shall be adjusted in accordance with the following formula:

NCP = OCP x (N/n)

where:

NCP and OCP have the meanings ascribed thereto in subsection (i) above.

N = the number of Common Shares outstanding immediately prior to such capital reduction.

n = the number of Common Shares outstanding immediately after such capital reduction.

For the avoidance of doubt, no adjustment to the Conversion Price under this subsection will be required if the Issuer cancels any Common Shares repurchased for the purpose of holding such Common Shares in treasury.

(b) If the Issuer shall reduce its share capital other than by means of canceling any Common Shares repurchased for the purpose of holding such Common Shares in treasury and shall distribute cash in connection with such share capital reduction, the Conversion Price then in effect on the record date for the determination of the shareholders participating in such capital reduction shall be adjusted in accordance with the following formula:

NCP = (OCP - C) x (N/n)

where:

NCP and OCP have the meanings ascribed thereto in subsection (i) above.

N and n have the meanings ascribed thereto in clause (a) of this subsection above.

C = the amount of cash distributed per Common Share.

For the avoidance of doubt, no adjustment to the Conversion Price under this subsection will be required if the Issuer cancels any Common Shares repurchased for the purpose of holding such Common Shares in treasury.

(c) Effective date of adjustment: Such adjustment shall become effective immediately on the record date for the determination of the shareholders participating in such capital reduction.

(viii) In case a tender or exchange offer made by the Issuer or any Subsidiary of the Issuer for all or any portion of the Common Shares shall expire and such tender or exchange offer shall involve the payment by the Issuer or such Subsidiary of consideration per Common Share having a Fair Market Value (as determined by an independent financial institution selected by the Issuer, at the expense of the Issuer and promptly notified in writing to the Trustee) at the last time (the "Expiration Date") tenders or exchanges could have been made pursuant to such tender or exchange offer (as it shall have been amended) that exceeds the Market Value per Common Share, as of the Expiration Date, the Conversion Price shall be adjusted in accordance with the following formula:

NCP = OCP x [(N x M) / (a + [(N - n) x M])]

where:

NCP and OCP have the meanings ascribed thereto in subsection (i) above.

N = the number of Common Shares outstanding (including any tendered or exchanged Common Shares) on the Expiration Date.

M = Market Value per Common Share as of the Expiration Date.

a = the Fair Market Value of the aggregate consideration payable to the holders of Common Shares based on the acceptance (up to a maximum specified in the terms of the tender or exchange offer) of all Common Shares validly tendered or exchanged and not withdrawn as of the Expiration Date (the Common Shares deemed so accepted up to any such maximum, being referred to as the "Purchased Shares").

n = the number of Purchased Shares.

such reduction to become retroactively effective immediately prior to the opening of business on the day following the Expiration Date.

If the Issuer is obligated to purchase Common Shares pursuant to any such tender or exchange offer, but the Issuer is permanently prevented by applicable law from effecting any such purchase or all such purchases are rescinded, the Conversion Price shall again be adjusted to be the Conversion Price which would then be in effect if such tender or exchange offer had not been made.

(ix) In case the Issuer issues Common Shares (other than (A) Common Shares issued upon conversion or exchange of any convertible or exchangeable securities (including the Bonds) issued by the Issuer; (B) Common Shares issued upon exercise of any rights or warrants granted, offered or issued by the Issuer; (C) issuance of employee stock bonus; (D) issuance of restricted stock for employees; or (E) Common Shares issued in any of the circumstances described in subsections (i) and (ii)) or the Issuer or any Subsidiary of the Issuer shall issue any securities initially convertible into or exchangeable for Common Shares at a price per Common Share less than the Market Value per Common Share determined as of the date on which the Board of Directors or shareholders' meeting of the Issuer or such Subsidiary, if applicable, approves such issuance, the Conversion Price in effect immediately prior to the date of issue of such Common Shares or convertible or exchangeable securities shall be adjusted and become effective in accordance with the following formula:

NCP = OCP x [(N + v) / (N + n)]

where:

NCP and OCP have the meanings ascribed thereto in subsection (i) above.

N = the number of Common Shares outstanding on the date of issuance of such Common Shares or initially convertible or exchangeable securities, immediately prior to such issuance.

n = the number of Common Shares issued or issuable upon conversion or exchange of such initially convertible or exchangeable securities.

v = the number of Common Shares which the aggregate consideration issue price of the total amount of Common Shares would purchase at Market Value; in the case of convertible or exchangeable securities, the number of Common Shares which the conversion price or exchange price of the newly issued securities multiply by "n" would purchase at Market Value; provided that if the new Common Shares are issued by the Issuer to exchange for the total outstanding shares of an entity to be consolidated with, merged or amalgamated into the Issuer, such "aggregate consideration issue price of the total amount of Common Shares" shall mean the aggregate amount of the fair value per common share of such entity multiplied by "n" and further multiplied by the applicable share swap ratio under such consolidation,

merger or amalgamation. The fair value per common share of such entity shall be (x) in the case of a listed company, the closing price of its common share on the date on which the share swap ratio was approved by the shareholder's meeting; or (y) in the case of a private company, the fair value falling into the fair value of such entity as determined by an independent expert in its fairness opinion, times the share swap ratio.

If the conversion or exchange right of any such convertible or exchangeable securities expires prior to exercise, the Conversion Price shall be readjusted to reflect the actual securities converted or exchanged.

(x) If the Issuer shall declare a dividend in, or make a free distribution or bonus issue of, Common Shares which dividend, issue or distribution is to be paid or made to shareholders as of a record date which is also:

A. the record date for the issue of any rights or warrants which requires an adjustment of the Conversion Price pursuant to subsections (iii) or (iv) above;

B. the day immediately before the date of issue of any securities convertible into or exchangeable for Common Shares which requires an adjustment of the Conversion Price pursuant to subsection (ix) above;

C. the day immediately before the date of a distribution which requires an adjustment of the Conversion Price pursuant to subsection (v) above;

D. the record date for distribution of cash which requires an adjustment of the Conversion Price pursuant to subsection (vi) above;

E. the record date for the determination of the shareholders participating in capital reduction which requires an adjustment of the Conversion Price pursuant to subsection (vii) above;

F. the Expiration Date with respect to any tender or exchange offer which requires an adjustment to the Conversion Price pursuant to subsection (viii) above; or

G. the relevant date for an analogous event or circumstance which requires an adjustment to the Conversion Price;

then (except where such dividend, bonus issue or free distribution gives rise to a retroactive adjustment of the Conversion Price under subsections (i) or (ii) above) no adjustment of the Conversion Price in respect of such dividend, bonus issue or free distribution shall be made under the relevant subsections, but in lieu thereof an adjustment shall be made (A) under subsections (iii), (iv) or (ix) above, as applicable, by including in the denominator of the fraction described therein the aggregate number of Common Shares to be issued pursuant to such dividend, bonus issue or free distribution and (B) under subsections (v), (vi), (vii) and (viii) above, as applicable, by multiplying the Conversion Price after the adjustment under such subsections by a fraction the numerator of which is the number of Common Shares outstanding on the record date and the denominator of which is the sum of such number of Common Shares outstanding and the aggregate number of Common Shares to be issued pursuant to such dividends, bonus issue or free distribution.

(xi) In case of a Merger of the Issuer, each Bond then outstanding shall, without the consent of any Bondholders, become convertible only into the kind and amount of securities, cash and other property receivable upon such Merger by a holder of the number of Common Shares, into which such Bonds could have been converted immediately prior to such Merger. The corporation formed by such Merger or the Person that acquired such properties and assets shall enter into a supplemental indenture with the Trustee to provide for the continuation of the Conversion Rights to continue after such Merger and such supplemental indenture shall provide for adjustments to the Conversion Price which shall be as nearly equivalent as practicable to the adjustments provided in the Indenture provided that where there has been a Change of Control pursuant to such a Merger, a Holder may exercise its Change of Control Put Right as set forth in "— Repurchase in the Event of Change of Control".

If any event or circumstance analogous to the events and circumstances described in subsections (i) through (ix) occur, the Conversion Price shall be adjusted as set forth in the analogous subsection in the Indenture.

Provisions Applicable to All Conversions and Adjustments of Conversion Price

No adjustment of the Conversion Price will be required to be made until cumulative adjustments, required to be made in the circumstances set forth above, amount to 1.0% or more of the Conversion Price as last adjusted. However, any adjustment, required to be made in the circumstances set forth above, which is not made because of failure to meet the 1.0% threshold, will be carried forward. Except as otherwise described below, the Conversion Price may at any time be reduced by the Issuer.

The Issuer will not take any action which would reduce the Conversion Price per Common Share below the par value of the Common Shares (currently NT$10 per share), unless, under applicable law then in effect, the Bonds could be converted at such reduced Conversion Price into legally issued, fully-paid and non-assessable Common Shares.

All calculations relating to conversion, including adjustments of the Conversion Price, will be made to the lower 0.001 of a share of securities or other property or nearest cent, as the case may be.

Whenever the Conversion Price is adjusted, the Issuer will promptly file with the Paying Agent an officer's certificate setting forth the date on which such adjustment became effective, the Conversion Price after such adjustment and prior to such adjustment and setting forth a brief statement of the facts requiring such adjustment. Promptly after receipt of such certificate, the Paying Agent will prepare a notice of such adjustment of the Conversion Price setting forth the adjusted Conversion Price, the Conversion Price prior to such adjustment, a brief statement of the facts requiring such adjustment and the date on which such adjustment became effective and shall give such notice of such adjustment of the Conversion Price to each Holder of a Bond.

Events of Default; Notice and Waiver

The Indenture provides that, if one or more of the following events or conditions (each an "Event of Default") shall have occurred, either the Trustee or the Holders of not less than 25% in aggregate principal amount of the Bonds then outstanding may declare the Bonds to be immediately due and payable at the Settlement Equivalent of the Early Redemption Amount, Additional Amounts, if any, and other amounts. In the case of certain events of bankruptcy or insolvency, the Bonds shall automatically become and be immediately due and payable at the Settlement Equivalent of the Early Redemption Amount, Additional Amounts, if any, and other amounts. Under certain circumstances, the Holders of a majority in aggregate principal amount of the outstanding Bonds may rescind any such acceleration with respect to the Bonds and its consequences.

Under the Indenture, Events of Default include:

(i) default in payment of the principal of any Bond, as and when the same becomes due and payable, and continuance of such default for three Business Days;

(ii) default in the payment of Additional Amounts upon any Bond as and when the same becomes due and payable, and continuance of such default for five Business Days;

(iii) failure by the Issuer to deliver the Common Shares as and when such Common Shares are required to be delivered following conversion of a Bond and which default is not remedied within five Business Days;

(iv) failure on the part of the Issuer duly to observe or perform any of the covenants or agreements provided in the Bonds or the Indenture (other than those referred to in clauses (i), (ii) or (iii) above) which failure cannot be remedied or, if such failure is capable of being remedied, is not remedied within 30 days after the date on which written notice thereof requiring the Issuer to remedy the same shall have been given to the Issuer by the Trustee or the Holders of at least 25% in aggregate principal amount of the Bonds then outstanding;

(v) there shall have been entered against the Issuer or any of its Principal Subsidiaries a final judgment, decree or order by a court of competent jurisdiction for the payment of money in excess of US$25 million with respect to the Issuer or any of its Principal Subsidiaries (or its equivalent in any other currency or currencies) and 60 days shall have passed since the entry of the order without it being bonded, satisfied, discharged or stayed;

(vi) (A) the Issuer or any of its Principal Subsidiaries shall fail to make any payment with respect to present or future Debt (other than the Bonds) in an aggregate principal amount in excess of US$25 million with respect to the Issuer or any of its Principal Subsidiaries (or its equivalent in any other currency or currencies) when and as the same shall become due and payable, if such failure shall continue for more than the period of grace, if any, originally applicable thereto or (B) the Issuer or any of its Principal Subsidiaries shall fail to perform or observe any covenant or agreement to be performed or observed by the Issuer or any of its Principal Subsidiaries contained in any agreement or instrument evidencing Debt (other than the Bonds) in an aggregate principal amount in excess of US$25 million with respect to the Issuer or any of its Principal Subsidiaries (or its equivalent in any other currency or currencies) and such failure results in the acceleration of the maturity of any amount owing thereunder;

(vii) a decree or order by a court having jurisdiction shall have been entered under any applicable bankruptcy, insolvency, reorganization or other similar law (A) adjudging the Issuer or any of its Principal Subsidiaries as bankrupt or insolvent, or approving as properly filed a petition seeking reorganization of the Issuer or any of its Principal Subsidiaries or (B) appointing a receiver or liquidator or trustee or assignee in bankruptcy or insolvency of the Issuer or any of its Principal Subsidiaries or of its property or (C) ordering the winding up or liquidation of the affairs of the Issuer or any of its Principal Subsidiaries and in any such case such decree or order shall have continued undischarged and unstayed for a period of 60 days;

(viii) the Issuer or any of its Principal Subsidiaries shall voluntarily commence proceedings to be adjudicated a bankrupt or insolvent, or shall consent to the filing of a bankruptcy or insolvency proceeding against it, or shall file a petition or answer or consent seeking reorganization under any applicable bankruptcy, insolvency, reorganization or other similar law or shall consent to the filing of any such petition, or shall consent to the appointment of a receiver or liquidator or trustee or assignee in bankruptcy or insolvency of it or its property, or shall make an assignment for the benefit of creditors;

(ix) a distress, attachment, execution or other legal process is levied, enforced or sued out on or against all or any material part of the property, assets or revenues of the Issuer or any of its Principal Subsidiaries and is not discharged within 60 days;

(x) any step is taken by any person with a view to the expropriation or nationalization of all or a material part of the assets of the Issuer or any of its Principal Subsidiaries;

(xi) any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorization, exemption, filing, license, order, recording or registration) at any time required to be taken, fulfilled or done in order (a) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under the Bonds and the Indenture, (b) to ensure that those obligations are legally binding and enforceable, and (c) to make the Bonds and the Indenture admissible in evidence in the courts of the ROC is not taken, fulfilled or done and, in the case of paragraph (c), if capable of being remedied, is not remedied within 30 days after the date of the Trustee's notice;

(xii) it is or will become unlawful for the Issuer to perform or comply with any one or more of its obligations under any of the Bonds or the Indenture; or

(xiii) any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of paragraphs (i) to (xii) (both inclusive).

If an Event of Default shall have occurred and be continuing, interest shall accrue on the overdue sum at the rate of 3% per annum from the due date and ending on the date on which payment is made to the Holders in respect thereof (both dates inclusive). Such default interest shall accrue on the basis of the actual number of days elapsed and a 360-day year consisting of 12 months of 30 days each.

The Trustee shall, within 30 days after the occurrence of any Default, mail to all Holders notice of all Defaults of which the Trustee shall have received written notice, unless such Defaults shall have been cured or waived and the Trustee shall have been notified so in writing before the giving of such notice.

The Holders of a majority in aggregate principal amount of the outstanding Bonds may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee; provided that such direction shall not be in conflict with any law or the Indenture and subject to certain other limitations. The Trustee may refuse to perform any duty, exercise any right or power, extend or risk its own funds or otherwise incur any financial liability, unless it receives indemnity and/or security satisfactory to it against any loss, liability or expense. No Holder will have the right to pursue any remedy with respect to the Indenture or the Bonds, unless:

(i) such Holder shall have previously given the Trustee written notice of a continuing Event of Default;

(ii) the Holders of at least 25% in aggregate principal amount of the outstanding Bonds shall have made a written request to the Trustee to pursue such remedy;

(iii) such Holder or Holders shall have offered to the Trustee security and/or indemnity against any loss, liability or expense satisfactory to it;

(iv) the Trustee shall have failed to comply with the request within 60 days after receipt of such notice, request and offer of security or indemnity; and

(v) the Holders of a majority in aggregate principal amount of the outstanding Bonds shall not have given the Trustee a direction inconsistent with such request within 60 days after receipt of such request.

The right of any Holder (i) to receive payment of the principal of the Bonds, Additional Amounts, the Holder's Put Price upon exercise of the Holder's Put Right, the Delisting Put Price upon exercise of the Delisting Put Right or the Change of Control Put Price upon exercise of the Change of Control Put Right, or to receive Common Shares on or after any Redemption Date, Purchase Date or Conversion Date, as the case may be, (ii) to convert its Bonds or (iii) to bring suit for the enforcement of any such right, shall not be materially impaired or materially adversely affected without such Holder's consent.

The Holders of a majority in aggregate principal amount of Bonds at the time outstanding may waive any existing Default and its consequences, except (i) any default in any payment on the Bonds, (ii) any default with respect to the Conversion Rights of Holders or (iii) any default with respect to certain covenants or provisions in the Indenture which may not be modified without the consent of the Holder as described in "— Meeting of Bondholders; Modification and Waiver" below. When a Default is waived, it is deemed cured and shall cease to exist, but no such waiver shall extend to any subsequent or other Default or impair any consequent right.

The Trustee and the Agents shall not be required to take any steps to ascertain whether an Event of Default or any event which could lead to the occurrence of an Event of Default has occurred and will not be responsible to Holders or any other person for any loss arising from any failure by it to do so. The Trustee or the Agents shall be entitled to assume that no such event has occurred and that the Issuer is performing all its obligations under the Indenture and the Bonds until they have received written notice to the contrary from the Issuer. The Trustee is entitled to rely on any opinion of counsel or officer's certificate regarding whether an Event of Default has occurred.

The Issuer will be required to furnish to the Trustee annually, and within 14 days at the request of the Trustee, a statement concerning the performance and observance of its obligations under the Bonds or the Indenture. In addition, the Issuer is required to file promptly with the Trustee written notice of the occurrence of any Default or Event of Default, specifying each such default and the nature and status thereof.

Prescription

Claims in respect of payment of the principal of or other amounts on the Bonds will be prescribed unless made within a period of six years from the relevant due date of payment in respect thereof.

Under ROC laws, claims in respect of the payment of (a) principal and premium and (b) default interest would become unenforceable after 15 years and 5 years, respectively from the relevant due date of payment in respect thereof.

Meeting of Bondholders; Modification and Waiver

The Indenture contains provisions for convening meetings of the Holders to consider any matter affecting their interests, including the approval of certain amendments or modifications of the Bonds or the provisions of the Indenture upon either the written consent of the Holders of a majority in aggregate principal amount of the outstanding Bonds or the approval at a meeting of the Holders duly called by persons entitled to vote a majority in principal amount of the outstanding Bonds. The quorum at any such meeting shall be two or more persons entitled to vote a majority in principal amount of the outstanding Bonds.

Modifications and amendments of the Indenture or the Bonds may be made by the Issuer and the Trustee with the written consent of the Holders of not less than a majority in aggregate principal amount of the outstanding Bonds; provided that no such modification or amendment may, without the consent of the Holders of not less than 75% in aggregate principal amount of the outstanding Bonds:

(i) change the Maturity Date of the principal of any Bond;

(ii) change the Bondholder's Put Option Date;

(iii) reduce the principal of or other amounts on any Bond or Settlement Equivalent payable in respect of the Bonds, or change the method of calculation of the Settlement Equivalent;

(iv) increase the then current Conversion Price (except as required by the anti-dilution provisions of the Indenture);

(v) change the place or currency of payment of the principal of or other amounts on any Bond or the method of calculating any such payment;

(vi) impair the right to institute suit for the enforcement of any payment on or after the Maturity Date (or, in the case of a redemption, on or after the Redemption Date) of any Bond;

(vii) alter the obligations of the Issuer under "— Certain Covenants — Negative Pledge", "— Certain Covenants — Consolidation, Amalgamation or Merger" or "— Additional Amounts" above;

(viii) materially adversely affect the Conversion Right, the Holder's Put Right, the Delisting Put Right or the Change of Control Put Right;

(ix) modify the obligations of the Issuer to maintain an office or agency in Dublin, Ireland or London, England;

(x) reduce the above-stated percentage of outstanding Bonds the consent of whose Holders is necessary to modify or amend the Indenture;

(xi) reduce the percentage or aggregate principal amount of outstanding Bonds the consent of whose Holders is necessary for waiver of compliance with certain provisions of the Indenture or for waiver of certain Defaults;

(xii) modify any of the percentage voting and quorum provisions described under "—Meeting of Bondholders; Modification and Waiver"; or

(xiii) release the Issuer from any obligation under the Indenture other than in accordance with the provisions of the Indenture, or amend or modify any provision relating to such release in a manner that materially adversely affects the rights of the Holders.

Neither the Issuer nor any of its Subsidiaries will, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fee or otherwise to any Holder for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Bonds, unless such consideration is offered to be paid or agreed to be paid to all Holders that consent, waive or agree to amend in the time frame set forth in the solicitation documents relating to such consent, waiver or amendment.

Without the consent of any Holder, the Issuer together with the Trustee may amend the Indenture to:

(i) cure any ambiguity, manifest errors, defect or inconsistency in the Indenture or the Bonds;

(ii) provide for the assumption of the Issuer's obligations under the Bonds and the Indenture by the surviving Person in a Merger effected in accordance with the provisions of the Indenture described under "— Certain Covenants — Consolidation, Amalgamation or Merger" above;

(iii) make any other change that does not materially adversely affect the rights of any Holder;

(iv) make any change necessary to comply with applicable ROC laws and regulations; or

(v) add to the covenants or obligations of the Issuer under the Indenture or decrease the Conversion Price at the discretion of the Issuer or surrender any right, power or option conferred by the Indenture on the Issuer.

Notices

Whenever the Indenture provides for notice to be given to Holders, such notice will be validly given (except as otherwise expressly provided) if in writing and mailed, first-class postage prepaid, to each Holder entitled thereto, at such Holder's address as it appears on the Bond register. Any such notice shall be deemed to have been given on the seventh day after being so mailed. Notwithstanding the foregoing, so long as the Bonds are represented by the Global Bonds and the Global Bonds are held on behalf of Euroclear and Clearstream, notice to Holders may be given by delivery of the relevant notice to Euroclear and Clearstream or their successor clearing systems for communication by them to entitled accountholders in substitution for notification as required by the foregoing sentence.

Concerning the Trustee

The Indenture provides that, prior to the occurrence of an Event of Default, the Trustee will not be liable except for the performance of such duties as are specifically set forth in such Indenture and no implied covenant, duty or obligation shall be read into the Indenture, the Bonds or any documents to which the Trustee is a party against the Trustee. If an Event of Default has occurred and is continuing, the Trustee will be obligated to use the same degree of care and skill as a prudent person would exercise under the circumstances in the conduct of such person's own affairs. The Trustee will not be responsible for any loss, liability, cost, claim, actions, demand, expense or inconvenience which may result from their exercise or non-exercise of any rights or powers conferred under the Indenture for the benefit of the Holders. Whenever in the Indenture, the Bonds or by law, the Trustee shall have discretion or permissive power it may decline to exercise the same in the absence of approval by the Bondholders. In the exercise of its duties, the Trustee shall not be responsible for the verification of the accuracy or completeness of any certification submitted to it by the Issuer and is entitled to rely exclusively on the certification contained therein, and take action based on the information contained in, the certification or legal

opinion. Notwithstanding anything described herein, the Trustee has no duty to monitor the performance or compliance of the Issuer in the fulfillment of its obligations under the Indenture and the Bonds. Furthermore, the Trustee shall not be deemed to have knowledge of any event unless it has been actually notified in writing of such event.

The Trustee shall not be responsible for the performance by any other person appointed by the Issuer in relation to the Bonds and, unless notified in writing to the contrary, shall assume that the same are being duly performed. The Trustee shall not be liable to any Holders or any other person for any action taken by the Holders or the Trustee in accordance with the instructions of the Holders.

The Trustee is entitled to rely on all instructions, notices, declarations and certifications received pursuant to the Indenture without investigating or being responsible for the accuracy, authenticity and validity of these instructions, notices, declarations and certifications.

Neither the Trustee nor the Agents will be responsible for making calculations or for verifying calculations performed by the Issuer or any other persons unless otherwise specified in the Indenture.

Pursuant to the terms of the Indenture and the Bonds, the Issuer will reimburse the Trustee and the Agents for all reasonable expenses except to the extent that any such expense was due to the Trustee's fraud, willful default or gross negligence.

The Indenture contains limitations on the rights of the Trustee, should it become a creditor of the Issuer to obtain payment of claims in certain cases or to realize on certain property received by it in respect of any such claims, as security or otherwise. The Trustee is permitted to engage in other transactions with the Issuer and its Affiliates and shall not be obligated to account for any profits therefrom; *provided, however*, that if it becomes aware it has acquired any conflicting interest that may have a materially prejudicial effect upon the Holders, it must eliminate such conflict or resign. The Trustee and the Agents may have an interest in, may be providing, or may in the future provide financial or other services to other parties.

The Trustee will not be under any obligation to exercise and have absolute and uncontrolled discretion as to exercise or non-exercise of any rights or powers conferred under the Indenture for the benefit of the Holders unless such Holders have instructed the Trustee in writing and offered to the Trustee indemnity and/or security indemnity and/or pre-funding satisfactory to the Trustee against any loss, liability or expense. Furthermore, each Holder, by accepting the Bonds will agree, for the benefit of the Trustee, that it is solely responsible for its own independent appraisal of and investigation into all risks arising under or in connection with the Indenture and has not relied on and will not at any time rely on the Trustee in respect of such risks.

Disclosure Obligations

The Indenture provides that the Issuer may have certain disclosure obligations and reporting obligations under ROC law:

(i) the person to be registered as a shareholder of the Issuer is a "related party" of the Issuer under the Regulations Governing the Preparation of Financial Report by Securities Issuers of the ROC and such person beneficially owns Common Shares converted from the Bonds; or

(ii) the person to be registered as a shareholder owns Common Shares issued upon conversion of the Bonds and the Common Shares so issued on conversion exceed 10% of the total number of Common Shares expected to be issued upon conversion of the Bonds based on the conversion price at the time of issue of the Bonds.

Due to these obligations, if so instructed by the Issuer, the Paying Agent may ask the converting Holders to disclose the name of the person to be registered as the shareholder and to provide proof of identity and genuineness of any signature and other documents before it will convert the Bonds. The conversion of Bonds may be delayed until the Paying Agent receives the requested information and satisfactory evidence of the compliance with all laws and regulations by the Holders. The information the Holder is required to provide may include the name and nationality of the person to be registered as a shareholder of the Issuer and the total number of Common Shares such person is converting or has converted in the past.

Governing Law and Jurisdiction

The Indenture and the Bonds are governed by, and shall be construed in accordance with, the laws of the State of New York. In relation to any legal action or proceedings arising out of or in connection with the Indenture and the Bonds, the Issuer has in the Indenture irrevocably submitted to the non-exclusive jurisdiction of the New York State and United States Federal courts sitting in the Borough of Manhattan, The City of New York. The Issuer has appointed Cogency Global Inc., now at 10 E. 40th Street, 10th Floor, New York, NY 10016, as its agent for service of process.

Bondholders should note that exercise of a Conversion Right is subject not only to the provisions of the Indenture but also to the applicable ROC law.

TAXATION

We are incorporated in the ROC, and our principal operating subsidiaries are located in the PRC and Taiwan.

ROC Taxation of Non-Residents

The following summary constitutes the material ROC tax consequences of the ownership and disposition of our shares or the Bonds by a non-resident individual or non-resident entity (referred to here as a "non-ROC holder"). As used in the preceding sentence, a "non-resident individual" is a non-ROC national who owns the Company shares or the Bonds and is not physically present in the ROC for 183 days or more during any calendar year, and a "non-resident entity" is a corporation or a non-corporate body that owns the Company shares or the Bonds, is organized under the laws of a jurisdiction other than the ROC and has no fixed place of business or business agent in the ROC.

You should consult your tax advisors concerning the ROC tax consequences of owning the Bonds or Shares and the laws of any relevant taxing jurisdiction to which you are subject.

Payments on the Bonds

Payments of principal on the Bonds made by the Issuer will not be subject to ROC withholding tax.

Payments of premium (if any ever becomes payable on the Bonds) to a Non-ROC holder constitute interest income derived from the ROC and, therefore, are subject to ROC withholding tax at a rate of 15% at the time of payment unless a lower withholding rate is provided under a tax treaty between the ROC and the jurisdiction where the Non-ROC holder is a resident. The Company has agreed to pay Additional Amounts in respect of the withholding tax on such payments. See "Description of the Bonds — Additional Amounts".

Sale of Bonds

The sale of convertible bonds which were issued and offered by ROC companies outside of the ROC is not subject to ROC securities transaction tax. Accordingly, the sale of the Bonds will not be subject to ROC securities transaction tax.

Capital gains in transactions of corporate bonds issued by ROC companies are exempt from ROC income tax. Accordingly, capital gains derived from the sale of the Bonds are exempt from ROC income tax.

Conversion of Bonds

The conversion of Bonds into Common Shares will not be taxable to Non-ROC holders under ROC income tax law, i.e., you will generally not recognize gain or loss on the conversion of your Bonds into the Shares except to the extent of cash received in lieu of a fractional Share. The amount of gain or loss you recognize on the receipt of cash in lieu of a fractional Share will be equal to the difference between the amount of cash you receive in respect of the fractional Share and the portion of your adjusted tax basis in the Bonds allocable to the fractional Share. The tax basis of the Shares received upon a conversion of a Bond will equal the adjusted tax basis of the Bond that was converted (excluding the portion of the tax basis allocable to any fractional Share).

In addition, securities transaction tax, gift tax and/or income tax may be imposed in relation to the converting holder's designation of other person to be the holder of Common Shares upon conversion of the Bonds.

Dividends

Dividends (whether in the form of cash or common shares) declared by us out of retained earnings and distributed to a non-ROC holder are subject to ROC withholding tax, currently at the rate of 21% (unless a preferable tax rate is provided under a tax treaty between the ROC and the jurisdiction where the non-ROC holder is a resident) on the amount of the distribution (in the case of cash dividends) or on the par value of the common shares distributed (in the case of stock dividends). A 10% undistributed earnings tax was imposed on an ROC company for its after-tax earnings generated after January 1, 1998 which were not distributed in the following year. The undistributed earnings tax was reduced to 5% on January 1, 2018. The undistributed earnings tax so paid will further reduce the retained earnings available for future distribution. Furthermore, if and when we distribute any dividends in year 2018, for the portion of dividends out of those retained earnings on which we had paid the 10% ROC undistributed earnings tax, a credit of up to 5% of such portion of dividends may be offset against the 21% withholding tax imposed on the non-ROC holders. Starting from year 2019, no undistributed earnings tax paid can be offset as a credit against the 21% withholding tax.

Distributions of our Shares or cash out of capital reserves are not subject to ROC withholding tax, except under limited circumstances.

Capital Gains

Starting from January 1, 2016, capital gains realized from the sale or disposal of our Shares are exempt from ROC income tax under Article 4-1 of the ROC Income Tax Act.

Securities Transaction Tax

Securities transaction tax will be imposed on the seller at the rate of 0.3% of the transaction price upon a sale of our Shares. Transfers of our Shares (received from conversion of the Bonds) are subject to ROC securities transaction tax.

Subscription Rights

Distributions of statutory subscription rights for our Shares in compliance with the ROC Company Act are currently not subject to ROC tax. Proceeds derived from sales of statutory subscription rights evidenced by securities are subject to securities transaction tax, currently at the rate of 0.3% of the gross amount received. Non-ROC holders are exempt from income tax on capital gains from the sale of statutory subscription rights evidenced by securities. Proceeds derived from sales of statutory subscription rights which are not evidenced by securities are not subject to securities transaction tax but are subject to income tax at a fixed rate of 20% of the income if the seller is a non-ROC holder. Subject to compliance with ROC law, we have the sole discretion to determine whether statutory subscription rights will be evidenced by securities.

Estate and Gift Tax

ROC estate tax is payable on any property within the ROC left by a deceased, and ROC gift tax is payable on any property within the ROC donated by an individual. Estate tax and gift tax are currently payable at the progressive rates of 10%, 15% and 20%. Under the ROC Estate and Gift Tax Act, common shares issued by ROC companies are deemed located in the ROC without regard to the location of the owner. A holder of Bonds or Shares will be considered to own common shares for this purpose.

Tax Treaty

At present, the ROC has income tax treaties with Indonesia, Singapore, New Zealand, Australia, the United Kingdom, South Africa, Gambia, Eswatini, Malaysia, Macedonia, the Netherlands, Senegal, Sweden, Belgium, Denmark, Israel, Vietnam, Paraguay, Hungary, France, India, Slovakia, Switzerland, Germany, Thailand, Kiribati, Luxembourg, Austria, Italy, Japan, Canada and Poland. These tax treaties may limit the rate of ROC withholding tax on interest or dividends paid with respect to bonds or common shares issued by ROC companies. Accordingly, holders of our Bonds and Shares who wish to apply a reduced withholding tax rate that is provided under a tax treaty should consult their own tax advisers concerning such application.

United States Federal Income Tax Considerations

This section describes the material U.S. federal income tax consequences to a U.S. holder (as defined below) of owning the Bonds and any Common Shares received in respect of the Bonds. It applies to you only if you acquire the Bonds in an initial offering and you hold the Bonds and the Common Shares as capital assets for tax purposes. This discussion addresses only U.S. federal income taxation and does not discuss all of the tax consequences that may be relevant to you in light of your individual circumstances, including foreign, state or local tax consequences, estate and gift tax consequences, and tax consequences arising under the Medicare contribution tax on net investment income or the alternative minimum tax. This section does not apply to you if you are a member of a special class of holders subject to special rules, including:

- a dealer in securities,
- a trader in securities that elects to use a mark-to-market method of accounting for securities holdings,
- a bank,
- a life insurance company,
- a tax-exempt organization,
- a person that actually or constructively owns 10% or more of the combined voting power of our voting stock or of the total value of our stock,
- a person that owns the Bonds or the Common Shares as part of a straddle or a hedging or conversion transaction,
- a person that purchases or sells the Bonds or the Common Shares as part of a wash sale for tax purposes, or
- a person whose functional currency for tax purposes is not the U.S. dollar.

This section is based on the Internal Revenue Code of 1986, as amended (the "Code"), its legislative history, existing and proposed regulations, published rulings and court decisions, all as currently in effect. These authorities are subject to change, possibly on a retroactive basis.

If an entity or arrangement that is treated as a partnership for U.S. federal income tax purposes holds the Bonds or the Common Shares, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and the tax treatment of the partnership. A partner in a partnership holding the Bonds or the Common Shares should consult its tax advisor with regard to the U.S. federal income tax treatment of an investment in the Bonds or the Common Shares.

You are a U.S. holder if you are a beneficial owner of the Bonds or the Common Shares and you are, for U.S. federal income tax purposes:

- a citizen or resident of the United States,
- a domestic corporation,
- an estate whose income is subject to U.S. federal income tax regardless of its source, or
- a trust if a U.S. court can exercise primary supervision over the trust's administration and one or more U.S. persons are authorized to control all substantial decisions of the trust.

You should consult your own tax advisor regarding the U.S. federal, state and local tax consequences of owning and disposing of the Bonds or the Common Shares in your particular circumstances.

The tax treatment of the Bonds and Common Shares will depend in part on whether or not we are classified as a passive foreign investment company, or PFIC, for U.S. federal income tax purposes. Except as discussed below under "—PFIC Rules", this discussion assumes that we are not classified as a PFIC for U.S. federal income tax purposes.

Original Issue Discount

The Bonds will be issued with original issue discount ("OID"). The amount of OID on a Bond will equal the amount by which its stated redemption price at maturity exceeds its issue price. A Bond's issue price and stated redemption price at maturity should be calculated in NT$, with a Bond's issue price equal to the Bond's principal amount multiplied by the Fixed Exchange Rate, and the Bond's stated redemption price at maturity equal to 102.53% of the Bond's principal amount multiplied by the Fixed Exchange Rate. You will generally be required to include OID in income as it accrues before you receive cash attributable to that income. The amount of OID that you would include in income should be calculated in NT$ using a constant-yield method, and generally you would include increasingly greater amounts of OID in income in successive accrual periods.

You should translate such accruals into US$ using one of the following methods. Under the first method, you would determine the amount of income accrued based on the average exchange rate in effect during each OID accrual period or, with respect to an accrual period that spans two taxable years, that part of the period within the taxable year.

If you elect the second method, you would determine the amount of income accrued on the basis of the exchange rate in effect on the last day of the accrual period, or, in the case of an accrual period that spans two taxable years, the exchange rate in effect on the last day of the part of the period within the taxable year. If you elect the second method it would apply to all debt instruments that you hold at the beginning of the first taxable year to which the election applies and to all debt instruments that you subsequently acquire. You may not revoke this election without the consent of the IRS.

Your tax basis in your Bond will be increased by the US$ amount of accrued OID that you include in income.

OID with respect to a Bond is generally income from sources outside the United States for purposes of the rules regarding the foreign tax credit allowable to a U.S. holder and will generally be "passive" income for purposes of computing the foreign tax credit.

Adjustments to the Conversion Price

The Conversion Price of the Bonds is subject to adjustment under specified circumstances. Adjustments (or failure to make adjustments) that have the effect of increasing a U.S. holder's proportionate interest in our assets or earnings and profits may, in some circumstances, result in a constructive distribution to the U.S. holder. Adjustments to the Conversion Price made pursuant to a bona fide reasonable adjustment formula which has the effect of preventing the dilution of the interest of the holders of the Bonds generally will not be deemed to result in a constructive distribution. Certain of the possible adjustments in the terms of the Bonds (including, without limitation, adjustments in respect of distributions of cash to holders of our Common Shares) do not qualify as being made pursuant to a bona fide reasonable adjustment formula. If an adjustment that does not qualify as being pursuant to a bona fide reasonable adjustment formula is made, a U.S. holder of the Bonds will be deemed to have received a constructive distribution from us, even though such U.S. holder has not received any cash or property as a result of such adjustment. The tax consequences of the receipt of a distribution from us are described below under "—Dividends". Because constructive distributions deemed received by a U.S. holder would not give rise to any cash from which any applicable withholding could be satisfied, if we (or an applicable withholding agent) pay backup withholding on behalf of a U.S. holder (because the U.S. holder failed to establish an exemption from backup withholding), we may, at our option, or an applicable withholding agent could, among other things, withhold such taxes from payments of cash or Common Shares payable to the U.S. holder.

Dispositions of the Bonds

A sale, exchange or other disposition of the Bonds (other than pursuant to a conversion described below) will generally result in gain or loss equal to the difference between the amount realized upon the disposition and your adjusted tax basis in such Bonds, which will generally equal your purchase price for such Bonds, subject to increase as described under the caption "—Original Issue Discount" above. Such gain or loss should be ordinary income or loss to the extent attributable to changes in exchange rates, and will otherwise be capital gain or loss. In general, gain or loss should be attributable to changes in exchange rates to the extent that such gain or loss reflects (i) changes in the US$ value of the principal amount of the Bonds due to differences between the Fixed Exchange Rate and the Prevailing Rate or applicable US$/NT$ exchange rate at the time of a sale or exchange, and (ii) changes in the US$ value of the accrued OID on the Bonds due to differences between the US$/NT$ exchange rates you used to translate OID accruals into income and the Prevailing Rate or applicable US$/NT$ exchange rate at the time of a sale or exchange. Any capital gain or loss will be long-term capital gain or loss if your holding period for the Bonds exceeds one year. Long-term capital gain recognized by a non-corporate U.S. holder is generally eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations.

Conversion of the Bonds into Common Shares

A U.S. holder generally will not recognize gain or loss upon the conversion of the Bonds into Common Shares, except that a U.S. holder's receipt of cash in lieu of a fractional share of a Common Share will result in capital gain or loss (measured by the difference between the cash received in lieu of the fractional Common Share and the U.S. holder's tax basis in the fractional Common Share).

A U.S. holder's tax basis in shares of the Common Shares received upon conversion of the Bonds (and any fractional Common Share treated as received and then exchanged for cash) will equal the adjusted tax basis of the converted Bonds and the holding period of such Common Shares will include the holding period of the converted Bonds.

In the event a U.S. holder's Bonds are converted pursuant to certain transactions (including our consolidation or merger into another person, as described under "Description of the Bonds — Consolidation, Amalgamation or Merger" and "Description of the Bonds — Adjustments to the Conversion Price"), the tax treatment of such a conversion will depend upon the facts underlying the particular transaction triggering such a conversion. U.S. holders should consult their own tax advisors to determine the specific tax treatment of a conversion under such circumstances.

Dividends

Under the U.S. federal income tax laws, if you are a U.S. holder, the gross amount of any dividend we pay out of our current or accumulated earnings and profits (as determined for U.S. federal income tax purposes) is subject to U.S. federal income taxation. Corporate dividends that constitute qualified dividend income are generally taxable to a U.S. holder at the preferential rates applicable to long-term capital gains provided that certain holding period requirements are met. However, because there is currently no comprehensive income tax treaty between the United States and the ROC, dividends we pay with respect to the Common Shares will not be qualified dividend income under current law unless, in the year that you receive the dividend, the Common Shares are readily tradable on an established securities market in the United States.

You must include any ROC tax withheld from the dividend payment in this gross amount even though you do not in fact receive it. The dividend is taxable to you when you receive the dividend, actually or constructively. The dividend will not be eligible for the dividends-received deduction generally allowed to U.S. corporations in respect of dividends received from other U.S. corporations. The amount of the dividend distribution that you must include in your income as a U.S. holder will be the U.S. dollar value of the NT dollar payments made, determined at the spot NT dollar/U.S. dollar rate on the date the dividend distribution is includible in your income, regardless of whether the payment is in fact converted into U.S. dollars. Generally, any gain or loss resulting from currency exchange fluctuations during the period from the date you include the dividend payment in income to the date you convert the payment into U.S. dollars will be treated as ordinary income or loss and will not be eligible for the special tax rate applicable to qualified dividend income. The gain or loss generally will be income or loss from sources within the United States for foreign tax credit limitation purposes. Distributions in excess of current and accumulated earnings and profits, as determined for U.S. federal income tax purposes, will be treated as a non-taxable return of capital to the extent of your basis in the Common Shares and thereafter as capital gain. However, we do not expect to calculate earnings and profits in accordance with U.S. federal income tax principles. Accordingly, you should expect to generally treat distributions we make as dividends.

Subject to certain limitations, the ROC tax withheld and paid over to the ROC will be creditable or deductible against your U.S. federal income tax liability. Special rules apply in determining the foreign tax credit limitation with respect to dividends that are subject to the preferential tax rates. To the extent a refund of the tax withheld is available to you under ROC law, the amount of tax withheld that is refundable will not be eligible for credit against your U.S. federal income tax liability.

Dividends will be income from sources outside the United States and will generally be "passive" income for purposes of computing the foreign tax credit allowable to you.

Dispositions of the Common Shares

If you are a U.S. holder and you sell or otherwise dispose of your Common Shares, you will recognize capital gain or loss for U.S. federal income tax purposes equal to the difference between the U.S. dollar value of the amount that you realize and your tax basis, determined in U.S. dollars, in your Common Shares. Capital gain of a non-corporate U.S. holder is generally taxed at preferential rates where the property is held for more than one year. The gain or loss will generally be income or loss from sources within the United States for foreign tax credit limitation purposes.

PFIC Rules

We believe that the Bonds and Common Shares should not currently be treated as stock of a PFIC for U.S. federal income tax purposes and we do not expect to become a PFIC in the foreseeable future. However, this conclusion is a factual determination that is made annually and thus may be subject to change. It is therefore possible that we could become a PFIC in a future taxable year.

In general, if you are a U.S. holder, we will be a PFIC with respect to you if for any taxable year in which you held our Common Shares:

- at least 75% of our gross income for the taxable year is passive income or
- at least 50% of the value, determined on the basis of a quarterly average, of our assets is attributable to assets that produce or are held for the production of passive income.

"Passive income" generally includes dividends, interest, gains from the sale or exchange of investment property rents and royalties (other than certain rents and royalties derived in the active conduct of a trade or business) and certain other specified categories of income. If a foreign corporation owns at least 25% by value of the stock of another corporation, the foreign corporation is treated for purposes of the PFIC tests as owning its proportionate share of the assets of the other corporation, and as receiving directly its proportionate share of the other corporation's income.

It is likely, and the remainder of this discussion assumes, that the Bonds will be treated as stock in a PFIC for purposes of these rules if we are a PFIC for any taxable year in which you hold the Bonds. In addition, it is likely that your holding period in your Common Shares for purposes of this discussion will include your holding period in your Bonds that converted into such Common Shares.

If we are treated as a PFIC, and you are a U.S. holder that did not make a mark-to-market election, as described below, you will generally be subject to special rules with respect to:

- any gain you realize on the sale or other disposition of your Bonds or Common Shares and
- any excess distribution that we make to you (generally, any actual or constructive distributions to you during a single taxable year, other than the taxable year in which your holding period begins, that are greater than 125% of the average annual distributions received by you during the three preceding taxable years or, if shorter, your holding period that preceded the taxable year in which you receive the distribution).

Under these rules:

- the gain or excess distribution will be allocated ratably over your holding period,

- the amount allocated to the taxable year in which you realized the gain or excess distribution or to prior years before the first year in which we were a PFIC with respect to you will be taxed as ordinary income,

- the amount allocated to each other prior year will be taxed at the highest tax rate in effect for that year, and

- the interest charge generally applicable to underpayments of tax will be imposed in respect of the tax attributable to each such year.

Special rules apply for calculating the amount of the foreign tax credit with respect to excess distributions by a PFIC.

If we are a PFIC in a taxable year and our Common Shares are treated as "marketable stock" in such year, you may make a mark-to-market election with respect to your Common Shares. You will likely not be able to make a mark-to-market election with respect to your Bonds. If you make this election with respect to your Common Shares, you will not be subject to the PFIC rules described above. Instead, in general, you will include as ordinary income each year the excess, if any, of the fair market value of your Common Shares at the end of the taxable year over your adjusted basis in your Common Shares. You will also be allowed to take an ordinary loss in respect of the excess, if any, of the adjusted basis of your Common Shares over their fair market value at the end of the taxable year (but only to the extent of the net amount of previously included income as a result of the mark-to-market election). Your basis in the Common Shares will be adjusted to reflect any such income or loss amounts. Any gain that you recognize on the sale or other disposition of your Common Shares would be ordinary income and any loss would be an ordinary loss to the extent of the net amount of previously included income as a result of the mark-to-market election and, thereafter, a capital loss.

Your Bonds or Common Shares will generally be treated as stock in a PFIC if we were a PFIC at any time during your holding period, even if we are not currently a PFIC.

In addition, notwithstanding any election you make with regard to the Common Shares, dividends that you receive from us will not constitute qualified dividend income to you if we are a PFIC (or are treated as a PFIC with respect to you) either in the taxable year of the distribution or the preceding taxable year. Dividends that you receive that do not constitute qualified dividend income are not eligible for taxation at the preferential rates applicable to qualified dividend income. Instead, you must include the gross amount of any such dividend paid by us out of our accumulated earnings and profits (as determined for U.S. federal income tax purposes) in your gross income, and it will be subject to tax at rates applicable to ordinary income.

If you own the Bonds or Common Shares during any year that we are a PFIC with respect to you, you may be required to file Internal Revenue Service ("IRS") Form 8621.

You are urged to consult their own tax advisor regarding the U.S. federal income tax consequences that may be applicable to you if we are or become a PFIC.

Information with Respect to Foreign Financial Assets

Owners of "specified foreign financial assets" with an aggregate value in excess of $50,000 (and in some circumstances, a higher threshold) may be required to file an information report with respect to such assets with their tax returns. "Specified foreign financial assets" may include financial accounts maintained by foreign financial institutions, as well as the following, but only if they are held for investment and not held in accounts maintained by financial institutions: (i) stocks and securities issued by non-United States persons, (ii) financial instruments and contracts that have non-U.S. issuers or counterparties, and (iii) interests in foreign entities. U.S. holders are urged to consult their tax advisors regarding the application of this reporting requirement to their ownership of the Bonds and the Common Shares.

Treasury Regulations Requiring Disclosure of Reportable Transactions

Treasury regulations require U.S. taxpayers to report certain transactions that give rise to a loss in excess of certain thresholds (a "Reportable Transaction"). Under these regulations, a U.S. holder that recognizes a loss with respect to the Bonds that is characterized as an ordinary loss due to changes in currency exchange rates would be required to report the loss on IRS Form 8886 (Reportable Transaction Statement) if the loss exceeds the thresholds set forth in the regulations. For individuals and trusts, this loss threshold is $50,000 in any single taxable year. For other types of taxpayers and other types of losses, the thresholds are higher. You should consult with your tax advisor regarding any tax filing and reporting obligations that may apply in connection with acquiring, owning and disposing of Bonds.

Backup Withholding and Information Reporting

If you are a noncorporate U.S. holder, information reporting requirements, on IRS Form 1099, generally will apply to all payments of principal and the accrual of OID on the Bonds, all payments of dividend or other taxable distributions made to you within the United States, and the payment of proceeds to you from the sale of the Common Shares effected at a U.S. office of a broker.

Additionally, backup withholding may apply to such payments if you fail to comply with applicable certification requirements or (in the case of accrued OID or dividend payments) are notified by the IRS that you have failed to report all interest and dividends required to be shown on your federal income tax returns.

Payment of the proceeds from the sale of the Bonds or the Common Shares effected at a foreign office of a broker generally will not be subject to information reporting or backup withholding. However, a sale effected at a foreign office of a broker could be subject to information reporting in the same manner as a sale within the United States (and in certain cases may be subject to backup withholding as well) if (i) the broker has certain connections to the United States, (ii) the proceeds or confirmation are sent to the United States or (iii) the sale has certain other specified connections with the United States.

You generally may obtain a refund of any amounts withheld under the backup withholding rules that exceed your income tax liability by filing a refund claim with the IRS.

Transfer Restrictions on the Bonds

Because of the following restrictions, we encourage you to consult a legal counsel prior to making any offer, resale, pledge or other transfer of the Bonds or the Shares issuable upon conversion of the Bonds.

The Bonds may not be offered or sold directly or indirectly in the ROC. The Bonds and the Common Shares issuable upon conversion of the Bonds have not been registered under the Securities Act and the Bonds may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The Bonds are being offered and sold only outside the United States in offshore transactions in reliance on Regulation S under the Securities Act.

Except in certain limited circumstances, interests in the Bonds may only be held through interests in the Global Bond. Such interests in the Global Bond will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream and their respective direct and indirect participants.

Each purchaser of the Bonds, by accepting delivery of the Bonds, will be deemed to have acknowledged and represented to and agreed as follows (terms used herein that are defined in Regulation S are used as defined therein):

1. the Bonds and the Common Shares issuable upon conversion of the Bonds have not been and are not expected to be registered under the Securities Act or with any securities regulatory authority of any state of the United States and are subject to significant restrictions on transfer;

2. it is purchasing such Bonds outside the United States in an offshore transaction meeting the requirements of Regulation S;

3. it agrees (or if it is a broker-dealer, its customer has confirmed to it that such customer agrees) that it (or such customer) will not offer, sell, pledge or otherwise transfer such Bonds except as permitted by the applicable legend set forth in paragraph (4) below;

4. it understands that the Regulation S Global Bond and any physical certificate evidencing the Bonds will bear a legend to the following effect, unless we determine otherwise in compliance with applicable law, and that it will observe the restrictions contained therein:

THE ZERO COUPON CONVERTIBLE BONDS DUE 2023 (THE "BONDS") AND THE COMMON SHARES ISSUABLE UPON CONVERSION OF THE BONDS HAVE NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND ALL APPLICABLE SECURITIES LAWS. EACH HOLDER AND BENEFICIAL OWNER, BY ITS ACCEPTANCE OF THE BONDS EVIDENCED HEREBY, REPRESENTS THAT IT UNDERSTANDS AND AGREES TO THE FOREGOING RESTRICTIONS;

5. it understands that the Bonds will be represented initially by a Global Bond; and

6. we, the Trustee, the Initial Purchaser and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

Each purchaser of Bonds that may wish to resell any Bonds pursuant to Regulations S is advised that approval in-principle has been received for the listing and quotation of the Bonds on the SGX-ST. The SGX-ST is a "designated offshore securities market" (within the meaning of Regulation S) and accordingly, a resale transaction could be effected in, on or through the facilities of such exchange in reliance upon the safe harbor provided by Rule 904 of Regulation S, subject to compliance with the conditions of Rule 904.

PLAN OF DISTRIBUTION

J.P. Morgan Securities plc is the sole bookrunner and the Initial Purchaser of this offering.

Subject to the terms and conditions stated in a purchase agreement, dated as of November 26, 2018, entered into between us and the Initial Purchaser, the Initial Purchaser has agreed to purchase, and we have agreed to sell to that Initial Purchaser, the following principal amounts of the Bonds:

Initial Purchaser	Principal Amount
J.P. Morgan Securities plc	US$400,000,000
Total	US$400,000,000

The purchase agreement provides that the obligations of the Initial Purchaser to purchase the Bonds included in this offering are subject to certain conditions, including receipt of certain legal opinions, and entitles the Initial Purchaser to terminate it in certain circumstances prior to payment being made to us.

The Initial Purchaser has agreed to purchase the Bonds at 100% of the principal amount of the Bonds, and we have agreed to pay the manager an underwriting commission of 0.80% of the principal amount of the Bonds purchased. The Initial Purchaser proposes to resell the Bonds at 100% of the principal amount of the Bonds and outside the United States in reliance on Regulation S.

The Initial Purchaser or its affiliates may purchase the Bonds for its own account and enter into transactions, including (i) credit derivatives including asset swaps, repackaging and credit default swaps relating to the Bonds and/or our securities or (ii) equity derivatives and stock loan transactions relating to the Common Shares at the same time as the offer and sale of the Bonds or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counter-parties and separately from any existing sale or resale of the Bonds to which this offering memorandum relates (notwithstanding that such selected counterparties may also be purchasers of the Bonds). The Initial Purchaser or its affiliates may purchase Bonds and be allocated Bonds for asset management and/or proprietary purposes and not with a view to distribution. The Initial Purchaser or its affiliates are not expected to disclose such transactions or the extent of any such investment, except as required by any legal or regulatory obligation to do so. These transactions may involve a substantial portion of the Bonds.

The Bonds and the Shares (to be delivered upon conversion of the Bonds) have not been and will not be registered under the Securities Act or any state securities laws and may not be offered or sold within the United States except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. See “Transfer Restrictions.” The Bonds will not be offered or sold directly or indirectly in the ROC, or to, or for the account or benefit of, any ROC person.

Approval in-principle has been received for the listing and quotation of the Bonds on the Official List of the SGX-ST. However, we cannot assure you that the prices at which the Bonds will sell in the market after this offering will not be lower than the initial offering price or that an active trading market for the Bonds will develop and continue after this offering.

For a period of 90 days after the Closing Date, without the prior written consent of the Initial Purchaser of this offering, we will not (i) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, directly or indirectly, or file with the SEC a registration statement under the Securities Act relating to, any Shares or any securities

convertible into or exercisable or exchangeable for the Shares, or publicly disclose the intention to make any offer, sale, pledge, disposition or filing, or (ii) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of the Shares or any such other securities, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of the Shares or such other securities, in cash or otherwise, other than the Bonds to be offered and sold in this offering and the Shares issuable upon conversion of the Bonds. Notwithstanding the foregoing, we may (A) issue stock dividends consistent with past practice, (B) implement stock splits, (C) transfer the Shares repurchased by us to our employees consistent with past practice and in accordance with the Measures on Transfer of Repurchased Shares to Employees of the Company (買回股份轉讓員工辦法).

The Initial Purchaser has performed commercial banking, investment banking and advisory services for us from time to time for which it has received customary fees and reimbursement of expenses. The Initial Purchaser may, from time to time, engage in transactions with and perform services for us in the ordinary course of its business for which it may receive customary fees and reimbursement of expenses. In addition, affiliates of the Initial Purchaser are lenders, and in some cases agents or managers for the lenders, under our credit facility.

Pursuant to the purchase agreement, we have agreed to indemnify the Initial Purchaser against certain losses and liabilities, including civil liabilities under the Securities Act in certain situation, or to contribute to payments that the Initial Purchaser may be required to make in respect thereof.

Notice to prospective investors in the ROC and restriction on related party subscription under ROC law

The Bonds may not be offered or sold directly or indirectly in the ROC, or to, or for the account or benefit of, any ROC person.

Under applicable ROC laws and regulations, we and the Initial Purchaser are prohibited from offering and selling the Bonds to the "related parties" as set forth in the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and the persons as specified in Section 36 of the ROC Securities Association Rules Governing Underwriting and Resale of Securities by Securities Firms. Therefore, each subscriber or purchaser of the Bonds described in this offering memorandum will be deemed to have acknowledged and represented to us and the Initial Purchaser that he, she or it is not: (a) a related party to us, (b) a business entity that is invested by us using equity method in our accounting reporting, (c) a business entity that invests in our company and uses equity method in its accounting reporting, (d) a company whose chairperson of the board or president is the same as that of our company or is the spouse thereof, (e) a foundation with one-third of its total paid-in funds donated by us, (f) our director, president, vice-president, assistant vice president, and other department head under the immediate supervision by our president, (g) a spouse of our director or president, (h) a director or employee of any member of the underwriting syndicate or a spouse thereto, and (i) a person subscribing for the Bonds on behalf of or for the benefit of any person set forth in items (b) to (h) above.

Notice to prospective investors in the European Economic Area

In relation to each member state of the European Economic Area that has implemented the Prospectus Directive (each, a "Relevant Member State"), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date"), an offer of securities described in this offering memorandum may not be made to the public in that Relevant Member State, other than:

- to any legal entity which is a qualified investor as defined in the Prospectus Directive;

- to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the relevant dealer or dealers nominated by the Issuer for any such offer; or

- in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of securities shall require the Issuer or any underwriter to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer to the public" in relation to any of the securities described in this offering memorandum in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the securities to be offered so as to enable an investor to decide to purchase or subscribe for the securities, as the same may be varied in that Relevant Member State, by any measure implementing the Prospectus Directive in that Relevant Member State, and the expression Prospectus Directive means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in each Relevant Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

Notice to prospective investors in the United Kingdom

This offering memorandum is only being distributed to, and is only directed at, persons in the United Kingdom that are qualified investors within the meaning of Article 2(1)(e) of the Prospectus Directive that are also (i) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order"), or (ii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (each such person being referred to as a "relevant person"). This offering memorandum and its contents should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other persons in the United Kingdom. Any person in the United Kingdom that is not a relevant person should not act or rely on this document or any of its contents.

Notice to prospective investors in France

Neither this offering memorandum nor any other offering material relating to the securities described in this offering memorandum has been submitted to the clearance procedures of the Autorité des Marchés Financiers or of the competent authority of another member state of the European Economic Area and notified to the Autorité des Marchés Financiers. The securities have not been offered or sold and will not be offered or sold, directly or indirectly, to the public in France. Neither this offering memorandum nor any other offering material relating to the securities has been or will be:

- released, issued, distributed or caused to be released, issued or distributed to the public in France; or

- used in connection with any offer for subscription or sale of the securities to the public in France. Such offers, sales and distributions will be made in France only:

- to qualified investors (investisseurs qualifiés) and/or to a restricted circle of investors (cercle restreint d'investisseurs), in each case investing for their own account, all as defined in, and in accordance with, articles L.411-2, D.411-1, D.411-2, D.734-1, D.744-1, D.754-1 and D.764-1 of the French Code monétaire et financier;

- to investment services providers authorized to engage in portfolio management on behalf of third parties; or

- in a transaction that, in accordance with article L.411-2-II-1°-or-2°-or 3° of the French Code monétaire et financier and article 211-2 of the General Regulations (Règlement Général) of the Autorité des Marchés Financiers, does not constitute a public offer (appel public à l'épargne).

The securities may be resold directly or indirectly, only in compliance with articles L.411-1, L.411-2, L.412-1 and L.621-8 through L.621-8-3 of the French Code monétaire et financier.

Notice to prospective investors in Hong Kong

The securities may not be offered or sold in Hong Kong by means of any document other than (i) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "SFO") and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "C(WUMP)O") or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and no advertisement, invitation or document relating to the securities may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to securities which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the SFO and any rules made thereunder.

Notice to prospective investors in Japan

The securities offered in this offering memorandum have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Law No. 25 of 1948) (as amended) (the "FIEA"). Accordingly, the securities have not been offered or sold and will not be offered or sold, directly or indirectly, in Japan or to, or for the account of, any resident of Japan, or to others for re-offering or re-sale, directly or indirectly in Japan or to, for the benefit of, any resident of Japan, except pursuant to any exemption from the registration requirements of the FIEA and otherwise in compliance with the FIEA and other applicable provisions of Japanese laws, regulations and governmental guidelines. As used in this paragraph, "resident of Japan" means any person residing in Japan, including any corporation or other entity organized under the laws of Japan.

Notice to prospective investors in Singapore

This document has not been, and will not be, registered as a prospectus with the Monetary Authority of Singapore (the "MAS"), and the Bonds will be offered pursuant to exemptions under the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"). Accordingly, this offering memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Bonds may not be circulated or distributed, nor may the Bonds be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Bonds are subscribed or purchased in reliance of an exemption under Section 274 or 275 of the SFA, the Bonds shall not be sold within the period of 6 months from the date of the initial acquisition of the bonds, except to any of the following persons:

(a) an institutional investor;

(b) a relevant person; or

(c) any person pursuant to an offer referred to in Section 275(1A) of the SFA,

unless expressly specified otherwise in Section 276(7) of the SFA.

Where the Bonds are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 2(1) of the SFA) or securities-based derivatives contracts (as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferable within six (6) months after that corporation or that trust has acquired the bonds pursuant to an offer made under Section 275 of the SFA except:

(i) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or (in the case of such corporation) where the transfer arises from an offer referred to in Section 276(3)(i)(B) of the SFA or (in the case of such trust) where the transfer arises from an offer referred to in Section 276(4)(i)(B) of the SFA;

(ii) where no consideration is or will be given for the transfer;

(iii) where the transfer is by operation of law; or

(iv) pursuant to Section 276(7) of the SFA.

Notice to prospective investors in the United Arab Emirates

This offering memorandum is not intended to constitute an offer, sale or delivery of shares or other securities under the laws of the United Arab Emirates, or the UAE. The Bonds have not been and will not be registered under Federal Law No. 4 of 2000 Concerning the Emirates Securities and Commodities Authority and the Emirates Security and Commodity Exchange, or with the UAE Central Bank, the Dubai Financial Market, the Abu Dhabi Securities Market or with any other UAE exchange.

The offering of the Bonds has not been approved or licensed by the UAE Central Bank or any other relevant licensing authorities in the UAE, and do not constitute a public offer of securities in the UAE in accordance with the Commercial Companies Law, Federal Law No. 8 of 1984 (as amended) or otherwise.

In relation to its use in the UAE, this offering memorandum is being distributed to a limited number of investors and must not be provided to any person other than the original recipient, and may not be reproduced or used for any other purpose. The Bonds may not be offered or sold directly or indirectly to the public in the UAE.

Notice to prospective investors in the PRC

This offering memorandum is not intended to constitute a public offer of the Bonds, whether by way of sale or subscription, in the PRC. The Bonds are not being offered and may not be offered or sold, directly or indirectly, in the PRC to or for the benefit of, legal or natural persons of the PRC other than to QDIIs in the PRC. Pursuant to the Measures for the Administration of Overseas Securities Investment by Qualified Domestic Institutional Investors, with the exception of QDIIs in the PRC, the Bonds may, subject to the laws and regulations of the relevant jurisdictions, only be offered or sold to non-PRC natural or legal persons in any country other than the PRC.

Notice to prospective investors in Canada

This offering memorandum constitutes an "exempt offering document" as defined in and for the purposes of applicable Canadian securities laws. No prospectus has been filed with any securities commission or similar regulatory authority in Canada in connection with the offer and sale of the Bonds. No securities commission or similar regulatory authority in Canada has reviewed or in any way passed upon this offering memorandum or on the merits of the Bonds and any representation to the contrary is an offense.

The Bonds may be sold only to purchasers in Canada purchasing, or deemed to be purchasing, as principal that (i) are "accredited investors", as defined in National Instrument 45-106. Prospectus Exemptions (NI 45-106), or in Ontario, as defined in subsection 73.3 (1) of the Securities Act (Ontario), and (ii) are "permitted clients", as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations.

The offer and sale of the Bonds in Canada is being made on a private placement basis only and is exempt from the requirement that the Company prepares and files a prospectus under applicable Canadian securities laws. Any resale of the Bonds acquired by a Canadian purchaser in this offering must be made in accordance with applicable Canadian securities laws, which may vary depending on the relevant jurisdiction, and which may require resales to be made in accordance with Canadian prospectus requirements, pursuant to a statutory exemption from the prospectus requirements, in a transaction exempt from the prospectus requirements or otherwise under a discretionary exemption from the prospectus requirements granted by the applicable local Canadian securities regulatory authority. These resale restrictions may under certain circumstances apply to resales of the Bonds outside of Canada.

Securities legislation in certain of the Canadian jurisdictions provides certain purchasers of securities pursuant to an offering memorandum (such as this offering memorandum), including where the distribution involves an "eligible foreign security" as such term is defined in Ontario Securities Commission Rule 45-501 Ontario Prospectus and Registration Exemptions and in Multilateral Instrument 45-107 Listing Representation and Statutory Rights of Action Disclosure Exemptions, as applicable, with a remedy for damages or rescission, or both, in addition to any other rights they may have at law, where the offering memorandum, or other offering document that constitutes an offering memorandum, and any amendment thereto, contains a "misrepresentation" as defined under applicable Canadian securities laws. These remedies, or notice with respect to these remedies, must be exercised or delivered, as the case may be, by the purchaser within the time limits prescribed under, and are subject to limitations and defenses under, applicable Canadian securities legislation. In addition, these remedies are in addition to and without derogation from any other right or remedy available at law to the purchaser.

Canadian purchasers are advised that this offering memorandum has been prepared in reliance on section 3A.3 of National Instrument 33-105 Underwriting Conflicts (NI 33-105). Pursuant to section 3A.3 of NI 33-105, this offering memorandum is exempt from the requirement that the Company and the Initial Purchaser provide Canadian purchasers with certain conflicts of interest disclosure pertaining to "connected issuer" and/or "related issuer" relationships that may exist between the Company and the Initial Purchaser as would otherwise be required pursuant to subsection 2.1(1) of NI 33-105.

Prospective Canadian purchasers are hereby notified that: (a) we may be required to provide personal information pertaining to the purchasers as required to be disclosed in Schedule I of Form 45-106F1 under NI 45- 106 (including, without limitation, the purchaser's name, address, telephone number and the aggregate purchase price of any Bonds purchased) ("personal information"), which Form 45-106F1 may be required to be filed by us under NI 45-106, (b) such personal information may be delivered to the Ontario Securities Commission (the "OSC") in accordance with NI 45-106, (c) such personal information is collected indirectly by the OSC under the authority granted to it under the securities legislation of Ontario, (d) such personal information is collected for the purposes of the administration and enforcement of the securities legislation of Ontario, and (e) the public official in Ontario who can answer questions about the OSC's indirect collection of such personal information is the Administrative Support Clerk at the OSC, Suite 1903, Box 55, 20 Queen Street West, Toronto, Ontario M5H 3S8, Telephone: (416) 593-3684. Prospective Canadian purchasers that purchase Bonds in this offering will be deemed to have authorized the indirect collection of the personal information by the OSC, and to have acknowledged and consented to its name, address, telephone number and other specified information, including the aggregate purchase price paid by the purchaser, being disclosed to other Canadian securities regulatory authorities, and to have acknowledged that such information may become available to the public in accordance with requirements of applicable Canadian laws.

Any discussion of taxation and related matters contained in this offering memorandum does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a Canadian purchaser when deciding to purchase the Bonds and, in particular, does not address any Canadian tax considerations. No representation or warranty is hereby made as to the tax consequences to a resident, or deemed resident, of Canada of an investment in the Bonds or with respect to the eligibility of the Bonds for investment by such purchaser under relevant Canadian federal and provincial legislation and regulations.

Upon receipt of the offering memorandum, each Canadian purchaser hereby confirms that it has expressly requested that all documents evidencing or relating in any way to the sale of the Bonds described herein (including for greater certainty any purchase confirmation or any notice) be drawn up in the English language only. Par la réception de ce document, chaque acheteur canadien confirme par les présentes qu'il a expressément exigé que tous les documents faisant foi ou se rapportant de quelque manière que ce soit à la vente des valeurs mobilières décrites aux présentes (incluant, pour plus de certitude, toute confirmation d'achat ou tout avis) soient rédigés en anglais seulement.

SUMMARY OF CERTAIN MATERIAL DIFFERENCES BETWEEN TAIWAN IFRS AND IFRS

Our financial statements are prepared and presented in accordance with Taiwan IFRS, which differs in certain material respects from IFRS. Certain material differences between Taiwan IFRS applicable to us and IFRS are summarized below. The summary should not be taken as inclusive of all Taiwan IFRS/IFRS differences. Additionally, no attempt has been made to quantify all differences or identify all disclosure, presentation or classification differences that would affect the manner in which events and transactions are presented in the financial statements or notes thereto. Further, no attempt has been made to identify future differences between Taiwan IFRS and IFRS as a result of prescribed changes in accounting standards. Regulatory bodies that promulgate Taiwan IFRS and IFRS have significant projects ongoing that could affect future comparisons such as this one.

If we were to prepare a complete reconciliation between Taiwan IFRS and IFRS additional accounting and disclosure differences might have come to our attention.

Subject	Taiwan IFRS	IFRSs
Tax on undistributed earnings . .	Under Taiwan IFRS, companies in the ROC are subject to 10% surtax on profits earned and retained since December 31, 1997. If the retained profits are distributed to the shareholders in the fiscal year following the year of earnings, the surtax could be avoided. If the earnings are not fully distributed to the shareholders, surtax is recorded as income tax expenses in the fiscal year when shareholders' decision on distribution is made. In addition, starting from 2018, the rate of the corporate surtax applicable to the unappropriated earnings is reduced from 10% to 5%.	Under IFRS, current and deferred tax assets and liabilities are measured at the tax rate applicable to the undistributed profits. Consequently, tax on undistributed earnings should be accrued during the period the earnings arise and adjusted to the extent of the distributions approved by the shareholders in the following year.
Disclosure of goodwill from business combinations	Taiwan IFRS requires additional disclosure if there is a significant difference between the actual operation conditions after a business combination and the expected benefits at the acquisition date.	Under IFRS, there is no such additional disclosure required as Taiwan IFRS.

Subject	Taiwan IFRS	IFRSs
Disclosure of related party transactions	Taiwan IFRS requires additional disclosure of the names of the related parties and the relationships with whom the company has significant transactions. If the transaction amount or balance with a specific related party is 10% or more of the company's respective total transaction amount or balance, such transactions should be separately disclosed by the name of each related party. Furthermore, Taiwan IFRS also stipulates that other companies or institutions of which the chairman of the company's board of directors or president serves as the chairman of the board of directors or the president of the company or its subsidiaries, or is the spouse or second immediate family member of the chairman of the company's board of directors or president of the company or its subsidiaries, are deemed to have a substantive related party relationship, unless it can be demonstrated that no control, joint control, or significant influence exists.	Under IFRS, in considering each possible related party relationship, attention is directed to the substance of the relationship and not merely the legal form. However, there is no such additional disclosure required as Taiwan IFRS.

The information set forth above does not in any way attempt to quantify the effects of the aforementioned differences between Taiwan IFRS and IFRS and the impact of such differences would have on net income or shareholder's equity under IFRS.

LEGAL MATTERS

Certain legal matters with respect to the Bonds will be passed upon for us by Lee and Li, Attorneys-at-Law as to ROC law, Commerce & Finance Law Offices as to PRC law and WongPartnership LLP as to Singapore law, and for the Initial Purchaser by Sullivan & Cromwell (Hong Kong) LLP as to U.S. Federal and New York law.

INDEPENDENT AUDITORS

The consolidated financial statements as of and for the years ended December 31, 2015, 2016 and 2017 included in this offering memorandum have been audited by Deloitte & Touche, independent auditors, to the extent and for the periods indicated in their report appearing herein. Such reports express an unqualified opinion on the financial statements. Deloitte & Touche are located at 20th Floor, Taipei Nan Shan Plaza, No. 100, Songren Rd., Xinyi District, Taipei 11073, Taiwan. Deloitte & Touche are a member of the Taiwan CPA Association.

With respect to the unaudited consolidated financial statements as of and for the nine months ended September 30, 2017 and 2018 included in this offering memorandum, Deloitte & Touche, independent auditors, have reported that they have applied limited procedures in accordance with professional standards for a review of such financial statements in accordance with ROC Statement of Auditing Standards No. 65, Review of Financial Information Performed by the Independent Auditor of the Entity. However, the separate review report included in this offering memorandum states that they did not audit and do not express an opinion on such financial statements. In addition, the review report included the paragraphs of Basis for Qualified Conclusion and Qualified Conclusion stating that certain subsidiaries and investments accounted for by using the equity method were not reviewed. Insofar as they relate to the amounts of these subsidiaries and equity method investments included in the consolidated financial statements, they were based solely on non-reviewed financial statements. Accordingly, the degree of reliance on their report on such financial statements should be restricted in light of the limited nature of the review procedures applied.

GENERAL INFORMATION

We are incorporated as a company limited by shares in the ROC on May 1, 1946. Our registered office is located at No. 113, Section 2, Zhongshan North Road, Taipei, Taiwan. As of the date of this offering memorandum, our authorized share capital registered with the MOEA was NT$60,000,000,000, and our paid-in share capital was NT$51,080,599,110, divided into 5,108,059,911 common shares with a par value of NT$10 per share. We are not the subsidiary of any entity.

Our Legal Entity Identifier is 529900C56C3PB9X9ZO58.

The Bonds have been accepted for clearance and settlement by Euroclear and Clearstream. Relevant trading information is set forth below.

	ISIN	Common Code
Bonds	XS1861512835	186151283

Approval in-principle has been received for the listing and quotation of the Bonds on the Official List of the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any statements made, opinions expressed or reports contained in this offering memorandum.

We have obtained all necessary consents, approvals and authorizations in connection with the issue of the Bonds, including the approvals of the CBC and the FSC which have been duly obtained and are, and will be on the Closing Date, in full force and effect.

The issue of the Bonds was authorized by the shareholders at a meeting held on June 22, 2018 and by the resolutions of our board of directors passed on June 28, 2018.

Except as disclosed, there has been no significant change in our financial or trading position since September 30, 2018 or any material adverse change in our financial position or prospects since September 30, 2018.

Except as disclosed in "Our Business E Legal Proceedings", neither we nor any of our subsidiaries is involved in any litigation or arbitration proceedings which may have, or have had during the period recently preceding the date of this offering memorandum, a material adverse effect on our financial position, nor, so far as any of our subsidiaries is aware, are any such proceedings pending or threatened except as may be otherwise disclosed or referred to herein.

No company in which we have a direct or indirect holding of more than 50% of capital or issued shares holds any Shares.

Copies (and certified English translations where the documents are not in English) of the following documents may be inspected, free of charge, at the specified offices of the Issuer, so long as the Bonds remain outstanding:

- our Articles of Incorporation;
- the Indenture relating to the Bonds;
- the purchase agreement relating to the Bonds;
- this offering memorandum; and

- a copy of our audited consolidated financial statements as of and for the years ended December 31, 2015, 2016 and 2017 and our unaudited consolidated financial statements as of and for the nine months ended September 30, 2017 and 2018.

Trades for the Bonds on the SGX-ST will be cleared through Clearstream and Euroclear in accordance with their respective rules and operating procedures.

For so long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require, we will appoint and maintain a paying agent in Singapore, where the Bonds may be presented or surrendered for payment or redemption. In addition, in the event that any of the Global Bonds is exchanged for individual definitive Bonds, announcement of such exchange will be made by us or on our behalf through the SGX-ST. Such announcement will include all material information with respect to the delivery of the individual definitive Bonds, including details of the paying agent in Singapore. For so long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require, the Bonds will be traded on the SGX-ST in a minimum board lot size of US$200,000.

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Taiwan Cement Corporation and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2015, 2016 and 2017 and Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Taiwan Cement Corporation

Opinion

We have audited the accompanying consolidated financial statements of Taiwan Cement Corporation and its subsidiaries (the "Group"), which comprise the consolidated balance sheets as of December 31, 2015, 2016 and 2017, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2015, 2016 and 2017, 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, 2017. 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.

The description of the key audit matter of the Group's consolidated financial statements for the year ended December 31, 2017 is as follows:

Impairment Loss of Property, Plant and Equipment and Goodwill

As disclosed in Notes 4, 5, 15, and 17 to the consolidated financial statements, the Group's property, plant and equipment is mainly from the cement business and goodwill is mainly from the acquisition of subsidiaries to expand the Group's cement business in China. The amounts of property, plant and equipment and goodwill are material for the consolidated financial statements as a whole, and the Group is required to periodically evaluate the impairment loss for such goodwill and property, plant and equipment when there is any indication that these assets may be impaired under IAS 36 "Impairment of Assets".

For the impairment assessment process, management is required to calculate the expected recoverable amounts of assets identified as being impaired and determine a suitable discount rate. In this process, management's evaluation and judgment on the expected recoverable amounts is highly judgmental and is based on assumptions subject to changes in the market or economic conditions, which contains a significant level of uncertainty. Thus, the impairment loss of property, plant and equipment and goodwill is considered a key audit matter.

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

1. Understood the Group's asset impairment evaluation processes and implementation of related controls, including the assumption basis and information sources.

2. Understood and assessed whether the recent operating results and industry conditions were considered in the calculation and the achievability measure of expected recoverable amounts.

3. Evaluated the reasonableness of the discount rates that the Group used.

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 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 group 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, 2017 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 Ya-Ling Wong and Chih-Ming Shao.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 28, 2018

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.

TAIWAN CEMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2015, 2016 AND 2017
(In Thousands)

	2015	2016	2017	
ASSETS	**NT$**	**NT$**	**NT$**	**US$ (Note 4) (Unaudited)**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 38,977,360	$ 28,179,758	$ 26,331,218	$ 864,452
Financial assets at fair value through profit or loss (Notes 4 and 7)	147,113	148,488	147,049	4,828
Available-for-sale financial assets (Notes 4, 8 and 31)	15,227,906	15,536,693	25,101,220	824,072
Notes receivable (Notes 4 and 10)	12,377,095	12,600,411	20,003,996	656,730
Accounts receivable (Notes 4, 10, 11 and 31)	6,850,598	6,782,292	7,072,466	232,189
Notes and accounts receivable from related parties (Notes 4 and 30)	985,259	546,984	229,702	7,541
Other receivables (Notes 4 and 24)	663,601	770,838	751,932	24,686
Other receivables from related parties (Notes 4 and 30)	668,842	181,997	3,092	102
Inventories (Notes 4, 12 and 32)	8,941,127	8,893,965	8,354,522	274,278
Prepayments (Notes 18 and 31)	3,286,150	2,955,246	2,914,701	95,689
Other financial assets (Notes 4, 6 and 31)	2,043,253	812,127	1,302,249	42,753
Other current assets (Notes 4 and 9)	425,072	475,213	507,767	16,670
Total current assets	90,593,376	77,884,012	92,719,914	3,043,990
NON-CURRENT ASSETS				
Available-for-sale financial assets (Notes 4, 8 and 31)	3,990,535	4,190,855	3,455,938	113,458
Financial assets carried at cost (Note 4)	822,609	589,736	582,819	19,134
Investments accounted for by using the equity method (Notes 4 and 14)	8,013,265	7,444,947	7,940,701	260,693
Property, plant and equipment (Notes 4, 15, 23 and 31)	113,310,134	101,799,766	94,709,404	3,109,304
Investment properties (Notes 4, 16, 23 and 31)	5,996,536	6,073,056	6,374,920	209,288
Intangible assets (Notes 4, 17 and 23)	22,607,552	21,175,282	20,852,624	684,590
Prepayments for property, plant and equipment	1,992,037	2,740,525	2,926,304	96,070
Long-term finance lease receivables (Notes 4, 11 and 31)	34,335,409	33,666,040	32,425,584	1,064,530
Net defined benefit asset (Notes 4 and 21)	451,548	827,402	897,637	29,469
Long-term prepayments for leases (Note 18)	7,698,950	6,934,059	6,833,745	224,352
Other non-current assets (Notes 4, 24 and 31)	3,254,404	3,663,016	2,837,459	93,154
Total non-current assets	202,472,979	189,104,684	179,837,135	5,904,042
TOTAL	$ 293,066,355	$ 266,988,696	$ 272,557,049	$ 8,948,032

	2015	2016	2017	
LIABILITIES AND STOCKHOLDERS' EQUITY	**NT$**	**NT$**	**NT$**	**US$ (Note 4) (Unaudited)**
CURRENT LIABILITIES				
Short-term loans (Notes 19 and 31)	$ 22,325,389	$ 20,635,324	$ 20,314,112	$ 666,911
Short-term bills payable (Note 19)	6,159,780	5,921,518	7,991,417	262,358
Notes and accounts payable (Note 30)	7,081,053	7,899,677	7,789,179	255,718
Other payables (Notes 20 and 32)	8,935,660	7,732,857	8,839,408	290,197
Current income tax liabilities (Notes 4 and 24)	1,214,642	1,324,329	1,651,042	54,204
Advance receipts	3,119,316	3,352,902	4,548,755	149,335
Long-term loans - current portion (Notes 19 and 31)	19,133,616	8,163,950	13,910,242	456,672
Other current liabilities	114,376	74,362	148,805	4,886
Total current liabilities	68,083,832	55,104,919	65,192,960	2,140,281
NON-CURRENT LIABILITIES				
Long-term loans (Notes 19 and 31)	57,986,194	53,342,059	43,494,968	1,427,937
Deferred income tax liabilities (Notes 4 and 24)	10,268,560	10,213,967	10,397,776	341,358
Net defined benefit liability (Notes 4 and 21)	287,238	184,115	211,697	6,950
Other non-current liabilities (Note 32)	956,279	746,965	612,432	20,107
Total non-current liabilities	69,498,271	64,487,106	54,716,873	1,796,352
Total liabilities	137,582,103	119,592,025	119,909,833	3,936,633
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT (Notes 22, 24 and 26)				
Share capital	36,921,759	36,921,759	42,465,090	1,394,126
Capital surplus	12,309,615	13,534,162	25,739,065	845,012
Retained earnings	45,573,057	47,337,524	49,019,510	1,609,308
Others	13,238,554	8,974,606	19,124,539	627,857
Equity attributable to shareholders of the parent	108,042,985	106,768,051	136,348,204	4,476,303
NON-CONTROLLING INTERESTS (Notes 22 and 27)	47,441,267	40,628,620	16,299,012	535,096
Total equity	155,484,252	147,396,671	152,647,216	5,011,399
TOTAL	$ 293,066,355	$ 266,988,696	$ 272,557,049	$ 8,948,032

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

TAIWAN CEMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2015, 2016 AND 2017
(In Thousands, Except Earnings Per Share)

	2015	2016	2017	
	NT$	NT$	NT$	US$ (Note 4) (Unaudited)
OPERATING REVENUE (Notes 4, 9 and 30)	$ 93,679,076	$ 89,564,306	$ 98,311,776	$ 3,227,570
OPERATING COSTS (Notes 4, 9, 12, 23 and 30)	79,151,059	71,583,302	79,398,862	2,606,660
GROSS PROFIT	14,528,017	17,981,004	18,912,914	620,910
OPERATING EXPENSES (Notes 23 and 30)				
Marketing	859,723	733,021	791,540	25,986
General and administrative	3,987,700	4,193,229	4,126,090	135,459
Research and development	6,895	20,618	32,399	1,064
Total operating expenses	4,854,318	4,946,868	4,950,029	162,509
INCOME FROM OPERATIONS	9,673,699	13,034,136	13,962,885	458,401
NON-OPERATING INCOME AND EXPENSES				
Share of profit of associates and joint ventures (Notes 4 and 14)	737,161	979,609	1,271,111	41,730
Interest income (Notes 4 and 30)	430,757	267,182	244,041	8,012
Dividend income (Note 4)	958,117	808,767	799,137	26,236
Other income (Notes 11 and 23)	822,162	928,426	628,473	20,633
Finance costs (Notes 4 and 23)	(1,873,739)	(1,916,837)	(1,923,309)	(63,142)
Other expenses (Note 23)	(447,715)	(473,231)	(555,190)	(18,227)
Foreign exchange losses, net	(1,570,026)	(985,562)	(241,360)	(7,924)
Impairment loss recognized on financial assets	(51,296)	(619,013)	(110,507)	(3,628)
Impairment loss recognized on non-financial assets (Notes 15 and 17)	(13,105)	(508,142)	(250,622)	(8,228)
Total non-operating income and expenses	(1,007,684)	(1,518,801)	(138,226)	(4,538)
INCOME BEFORE INCOME TAX	8,666,015	11,515,335	13,824,659	453,863
INCOME TAX EXPENSE (Notes 4 and 24)	1,740,389	2,673,260	3,501,859	114,966
NET INCOME	6,925,626	8,842,075	10,322,800	338,897
OTHER COMPREHENSIVE INCOME (LOSS) (Note 4)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plan (Notes 21 and 22)	(652,832)	385,369	12,233	402
Share of other comprehensive income (loss) of associates and joint ventures (Note 22)	(1,476)	(6,193)	3,444	113
Income tax expense related to items that will not be reclassified subsequently to profit or loss (Note 24)	110,938	(65,512)	(2,080)	(68)
	(543,370)	313,664	13,597	447
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations (Note 22)	(1,828,277)	(7,055,040)	1,357,564	44,569
Unrealized gain (loss) on available-for-sale financial assets (Note 22)	(5,141,341)	243,381	8,815,404	289,409

(Continued)

TAIWAN CEMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2015, 2016 AND 2017
(In Thousands, Except Earnings Per Share)

	2015	2016	2017	
	NT$	NT$	NT$	US$ (Note 4) (Unaudited)
Cash flow hedges (Notes 9 and 22)	$ (11,071)	$ 4,022	$ (13,167)	$ (432)
Share of other comprehensive income (loss) of associates and joint ventures (Note 22)	6,015	(493,741)	(194,765)	(6,394)
Income tax expense related to items that may be reclassified subsequently to profit or loss (Notes 22 and 24)	-	-	(1,861)	(62)
	(6,974,674)	(7,301,378)	9,963,175	327,090
Other comprehensive income (loss) for the year, net of income tax	(7,518,044)	(6,987,714)	9,976,772	327,537
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ (592,418)	$ 1,854,361	$ 20,299,572	$ 666,434
NET INCOME ATTRIBUTABLE TO:				
Shareholders of the parent	$ 5,775,989	$ 6,358,452	$ 7,594,247	$ 249,319
Non-controlling interests	1,149,637	2,483,623	2,728,553	89,578
	$ 6,925,626	$ 8,842,075	$ 10,322,800	$ 338,897
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Shareholders of the parent	$ (806,454)	$ 2,411,113	$ 17,775,812	$ 583,579
Non-controlling interests	214,036	(556,752)	2,523,760	82,855
	$ (592,418)	$ 1,854,361	$ 20,299,572	$ 666,434
EARNINGS PER SHARE (NT$, Note 25)				
Basic earnings per share	$1.56	$1.72	$2.03	$0.07
Diluted earnings per share	$1.56	$1.72	$2.03	$0.07

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

TAIWAN CEMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2015, 2016 AND 2017
(In Thousands)

	Equity Attributable to Shareholders of the Parent											
			Retained Earnings				Others					
	Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Cash Flow Hedges	Total	Non-controlling Interests	Total Equity
BALANCE, JANUARY 1, 2015	$ 36,921,759	$ 12,225,528	$ 11,728,778	$ 13,050,654	$ 24,750,795	$ 49,530,227	$ 3,226,509	$ 16,042,717	$ 12,130	$ 117,958,870	$ 44,058,811	$ 162,017,681
Appropriation of the 2014 earnings												
Legal reserve	-	-	1,082,887	-	(1,082,887)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(9,193,518)	(9,193,518)	-	-	-	(9,193,518)	-	(9,193,518)
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	(2,769,710)	(2,769,710)
Net income for the year ended December 31, 2015	-	-	-	-	5,775,989	5,775,989	-	-	-	5,775,989	1,149,637	6,925,626
Other comprehensive loss for the year ended December 31, 2015, net of income tax	-	-	-	-	(539,641)	(539,641)	(987,416)	(5,048,743)	(6,643)	(6,582,443)	(935,601)	(7,518,044)
Total comprehensive income (loss) for the year ended December 31, 2015	-	-	-	-	5,236,348	5,236,348	(987,416)	(5,048,743)	(6,643)	(806,454)	214,036	(592,418)
Adjustments to share of changes in equity of associates	-	80	-	-	-	-	-	-	-	80	(586)	(506)
Changes in ownership interests of subsidiaries	-	84,007	-	-	-	-	-	-	-	84,007	(84,007)	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	6,022,723	6,022,723
Reversal of special reserve recognized from asset disposals	-	-	-	(159)	159	-	-	-	-	-	-	-
BALANCE, DECEMBER 31, 2015	36,921,759	12,309,615	12,811,665	13,050,495	19,710,897	45,573,057	2,239,093	10,993,974	5,487	108,042,985	47,441,267	155,484,252
Appropriation of the 2015 earnings												
Legal reserve	-	-	577,599	-	(577,599)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(4,910,594)	(4,910,594)	-	-	-	(4,910,594)	-	(4,910,594)
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	(2,299,291)	(2,299,291)
Net income for the year ended December 31, 2016	-	-	-	-	6,358,452	6,358,452	-	-	-	6,358,452	2,483,623	8,842,075
Other comprehensive income (loss) for the year ended December 31, 2016, net of income tax	-	-	-	-	316,609	316,609	(4,472,710)	206,349	2,413	(3,947,339)	(3,040,375)	(6,987,714)
Total comprehensive income (loss) for the year ended December 31, 2016	-	-	-	-	6,675,061	6,675,061	(4,472,710)	206,349	2,413	2,411,113	(556,752)	1,854,361
Difference between consideration paid and the carrying amount of subsidiaries' net assets during actual acquisitions	-	1,224,547	-	-	-	-	-	-	-	1,224,547	(1,224,547)	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(2,732,057)	(2,732,057)
Reversal of special reserve recognized from asset disposals	-	-	-	(11)	11	-	-	-	-	-	-	-
BALANCE, DECEMBER 31, 2016	36,921,759	13,534,162	13,389,264	13,050,484	20,897,776	47,337,524	(2,233,617)	11,200,323	7,900	106,768,051	40,628,620	147,396,671
Appropriation of the 2016 earnings												
Legal reserve	-	-	635,845	-	(635,845)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(5,353,655)	(5,353,655)	-	-	-	(5,353,655)	-	(5,353,655)
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	(2,258,975)	(2,258,975)
Net income for the year ended December 31, 2017	-	-	-	-	7,594,247	7,594,247	-	-	-	7,594,247	2,728,553	10,322,800
Other comprehensive income (loss) for the year ended December 31, 2017, net of income tax	-	-	-	-	31,632	31,632	1,443,142	8,714,691	(7,900)	10,181,565	(204,793)	9,976,772
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	7,625,879	7,625,879	1,443,142	8,714,691	(7,900)	17,775,812	2,523,760	20,299,572
Difference between consideration received/paid and the carrying amount of subsidiaries' net assets during actual acquisitions and disposals	-	(1,224,547)	-	-	(590,238)	(590,238)	-	-	-	(1,814,785)	1,408,336	(406,449)
Changes in ownership interests of subsidiaries	-	2,120	-	-	-	-	-	-	-	2,120	389	2,509
Issuance of new shares for the acquisition of shares in subsidiaries	5,543,331	13,427,330	-	-	-	-	-	-	-	18,970,661	-	18,970,661
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(26,003,118)	(26,003,118)
Reversal of special reserve recognized from asset disposals	-	-	-	(849)	849	-	-	-	-	-	-	-
BALANCE, DECEMBER 31, 2017	$ 42,465,090	$ 25,739,065	$ 14,025,109	$ 13,049,635	$ 21,944,766	$ 49,019,510	$ (790,475)	$ 19,915,014	$ -	$ 136,348,204	$ 16,299,012	$ 152,647,216
BALANCE, DECEMBER 31, 2017 (IN US$ - Note 4) (UNAUDITED)	$ 1,394,126	$ 845,012	$ 460,444	$ 428,419	$ 720,445	$ 1,609,308	$ (25,951)	$ 653,808	$ -	$ 4,476,303	$ 535,096	$ 5,011,399

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

TAIWAN CEMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015, 2016 AND 2017
(In Thousands)

	2015	2016	2017	
	NT$	NT$	NT$	US$ (Note 4) (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax	$ 8,666,015	$ 11,515,335	$ 13,824,659	$ 453,863
Adjustments for:				
Depreciation expense	7,021,678	6,587,626	6,080,554	199,624
Amortization expense	397,480	402,921	383,239	12,582
Net loss (gain) on financial assets and liabilities at fair value through profit or loss	1,114	(367,641)	103,169	3,387
Finance costs	1,873,739	1,916,837	1,923,309	63,142
Interest income	(430,757)	(267,182)	(244,041)	(8,012)
Dividend income	(958,117)	(808,767)	(799,137)	(26,236)
Share of profit of associates and joint ventures	(737,161)	(979,609)	(1,271,111)	(41,730)
Loss (gain) on disposal of property, plant and equipment, net	34,307	(3,245)	191,033	6,272
Loss (gain) on disposal of investments, net	(499)	(402)	303	10
Impairment loss on financial assets	51,296	619,013	110,507	3,628
Impairment loss on non-financial assets	13,105	508,142	250,622	8,228
Reversal of impairment of financial assets	(186,035)	-	-	-
(Reversals of) write-downs of inventories	(87,164)	17,956	(112,076)	(3,679)
Unrealized loss on foreign exchange, net	994,811	11,880	114,129	3,747
Others	240,781	235,962	219,634	7,211
Changes in operating assets and liabilities:				
Financial assets held for trading	30,438	365,551	(105,184)	(3,453)
Notes receivable	5,888,746	(421,615)	(8,569,848)	(281,348)
Accounts receivable	1,884,936	62,927	(334,841)	(10,993)
Notes and accounts receivable from related parties	(643,176)	426,650	295,570	9,704
Other receivables	630,897	(205,146)	(70,927)	(2,329)
Other receivables from related parties	846,460	76,503	68,842	2,260
Inventories	2,495,379	(53,965)	(70,534)	(2,316)
Prepayments	1,028,566	269,215	(136,853)	(4,493)
Other current assets	122,942	(52,334)	(73,761)	(2,422)
Notes and accounts payable	(2,701,077)	890,346	254,865	8,367
Other payables	(1,415,824)	329,921	1,759,499	57,764
Advance receipts	70,644	257,740	1,311,936	43,071
Other current liabilities	(105,817)	(40,014)	74,443	2,444
Net defined benefit liability	(36,776)	(93,608)	(30,420)	(999)
Cash generated from operations	24,990,931	21,200,997	15,147,580	497,294
Income tax paid	(3,227,539)	(2,450,842)	(2,837,020)	(93,139)
Net cash generated from operating activities	21,763,392	18,750,155	12,310,560	404,155
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of available-for-sale financial assets	(10,087)	(366,113)	(245,128)	(8,048)
Proceeds from sale of available-for-sale financial assets	14,842	69,708	57,597	1,891
Purchases of financial assets carried at cost	(1)	(1)	-	-
Proceeds from the return of capital upon investees' capital reduction of financial assets carried at cost	9,461	11,584	5,833	191
Net cash outflow on acquisition of subsidiaries	(6,721,329)	-	-	-
Proceeds from the return of capital upon investees' capital reduction of investees measured by using the equity method	-	-	185,902	6,103
Payments for property, plant and equipment	(2,726,976)	(2,995,914)	(1,523,028)	(50,001)
Proceeds from disposal of property, plant and equipment	98,761	41,826	242,135	7,949
Payments for intangible assets	(379,647)	(79,398)	(291,211)	(9,560)

(Continued)

TAIWAN CEMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015, 2016 AND 2017
(In Thousands)

	2015	2016	2017	
	NT$	NT$	NT$	US$ (Note 4) (Unaudited)
Payments for investment properties	$ -	$ (568)	$ -	$ -
Decrease in long-term finance lease receivables	726,368	669,369	1,240,456	40,724
Decrease (increase) in other financial assets	(691,123)	1,225,039	(563,702)	(18,506)
Decrease (increase) in other non-current assets	208,091	(593,738)	688,785	22,613
Increase in prepayments for leases	(125,947)	(72,594)	(190,211)	(6,244)
Interest received	406,803	288,807	250,905	8,237
Dividends received	1,357,381	1,856,760	1,197,271	39,306
Net cash generated from (used in) investing activities	(7,833,403)	54,767	1,055,604	34,655
CASH FLOWS FROM FINANCING ACTIVITIES				
Increase (decrease) in short-term loans	(3,539,971)	(1,480,747)	374,531	12,296
Increase in long-term loans	29,252,473	19,433,699	9,412,885	309,025
Repayments of long-term loans	(22,574,692)	(34,738,309)	(10,020,076)	(328,959)
Increase (decrease) in short-term bills payable	(210,728)	(238,262)	2,069,899	67,955
Decrease in other non-current liabilities	(324,608)	(209,314)	(134,533)	(4,416)
Cash dividends paid	(11,963,228)	(7,209,885)	(7,612,630)	(249,922)
Acquisitions of additional interests in subsidiaries	-	(2,732,057)	(7,234,603)	(237,512)
Partial disposals of interests in subsidiaries without losing control	-	-	16,917	555
Interest paid	(1,708,559)	(1,721,077)	(1,764,869)	(57,941)
Changes in non-controlling interests	6,022,723	-	-	-
Net cash used in financing activities	(5,046,590)	(28,895,952)	(14,892,479)	(488,919)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(420,081)	(706,572)	(322,225)	(10,579)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	8,463,318	(10,797,602)	(1,848,540)	(60,688)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	30,514,042	38,977,360	28,179,758	925,140
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 38,977,360	$ 28,179,758	$ 26,331,218	$ 864,452

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

1. GENERAL INFORMATION

Taiwan Cement Corporation (the "Corporation") was incorporated in 1946 and restructured as a corporation in 1951, which was jointly operated by the Ministry of Economics Resource Committee and the Taiwan Provincial Government. In 1954, the Corporation privatized as a result of the Taiwan government's land reform program, land-to-the-tiller policy. The Corporation engages in the manufacture and marketing of cement, cement-related products and ready-mixed concrete. The Corporation's shares have been listed on the Taiwan Stock Exchange since February 1962.

The consolidated financial statements of the Corporation and its subsidiaries, collectively referred to as the "Group", are presented in New Taiwan dollars, the functional currency of the Corporation.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements as of and for the years ended December 31, 2015 and 2016 and as of and for the years ended December 31, 2016 and 2017 were approved by the Corporation's board of directors on March 27, 2017 and March 28, 2018, respectively.

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

Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers

The amendments include additions of several accounting items and requirements for disclosures of impairment of non-financial assets as a consequence of the IFRSs endorsed and issued into effect by the FSC. In addition, as a result of the post implementation review of IFRSs in Taiwan, the amendments also include an emphasis on certain recognition and measurement considerations and add requirements for disclosures of related-party transactions and goodwill.

The amendments stipulate that other companies or institutions of which the chairman of the board of directors or president serves as the chairman of the board of directors or the president of the Group, or is the spouse or second immediate family of the chairman of the board of directors or president of the Group are deemed to have a substantive related-party relationship, unless it can be demonstrated that no control, joint control, or significant influence exists. Furthermore, the amendments require the disclosure of the names of the related parties and the relationships with whom the Group has significant transactions. If the transactions or balance with a specific related party is 10% or more of the Group's respective total transactions or balance, such transactions should be separately disclosed by the name of each related party.

The amendments also require additional disclosure if there is a significant difference between the actual operations after a business combination and the expected benefits on the acquisition date.

When the amendments are applied retrospectively from January 1, 2017, the disclosures of related-party transactions and impairment of goodwill are enhanced. Refer to Notes 30 and 17 for the related disclosures.

b. The Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed by the FSC for application starting from 2018

New, Amended or Revised Standards and Interpretations (the "New IFRSs")	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2014-2016 Cycle	Note 2
Amendment to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018 (Note 2)
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of IFRS 9 and Transition Disclosures"	January 1, 2018
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendments to IFRS 15 "Clarifications to IFRS 15 Revenue from Contracts with Customers"	January 1, 2018
Amendment to IAS 7 "Disclosure Initiative"	January 1, 2017
Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of Investment Property"	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

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

Note 2: The amendment to IFRS 12 is retrospectively applied for annual periods beginning on or after January 1, 2017; the amendments to IAS 28 are retrospectively applied for annual periods beginning on or after January 1, 2018.

- IFRS 9 "Financial Instruments" and related amendments

  Classification, measurement and impairment of financial assets

  With regard to financial assets, all recognized financial assets that are within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at amortized cost or fair value. Under IFRS 9, the requirement for the classification of financial assets is stated below.

  For the Group's debt instruments that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, their classification and measurement are as follows:

  1) For debt instruments, if they are held within a business model whose objective is to collect contractual cash flows, the financial assets are measured at amortized cost and are assessed for impairment continuously with any impairment loss recognized in profit or loss. Interest revenue is recognized in profit or loss by using the effective interest method; and

  2) For debt instruments, if they are held within a business model whose objective is achieved by both the collecting of contractual cash flows and selling of financial assets, the financial assets are measured at fair value through other comprehensive income (FVTOCI) and are assessed for impairment. Interest revenue is recognized in profit or loss by using the effective interest method, and other gains or losses shall be recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses. When the debt instruments are derecognized or reclassified, the cumulative gains or losses previously recognized in other comprehensive income is reclassified from equity to profit or loss.

  Except for the above, all other financial assets are measured at fair value through profit or loss. However, the Group may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss. No subsequent impairment assessment is required, and the cumulative gains or losses previously recognized in other comprehensive income cannot be reclassified from equity to profit or loss.

  The Group analyzed the facts and circumstances of its financial assets as of December 31, 2017 and performed the assessment of the impact of IFRS 9 on the classification and measurement of financial assets. Under IFRS 9:

  1) Listed shares, emerging market shares, and unlisted shares classified as available-for-sale will be classified as at fair value through profit or loss or will be designated as at fair value through other comprehensive income and the fair value gains or losses accumulated in other equity will be transferred directly to retained earnings instead of being reclassified to profit or loss on disposal. Besides this, unlisted shares carried at cost will be measured at fair value instead; and

  2) Mutual funds classified as available-for-sale will be classified as at fair value through profit or loss because the contractual cash flows are not solely payments of principal and interest on the principal outstanding and they are not equity instruments.

  IFRS 9 requires that impairment loss on financial assets be recognized by using the "Expected Credit Losses Model". A loss allowance is required for financial assets measured at amortized cost. A loss allowance for 12-month expected credit losses is required for a financial asset if its credit risk has not increased significantly since its initial recognition. A loss allowance for full-lifetime expected credit losses is required for a financial asset if its credit risk has increased significantly since its initial recognition and is not low. However, a loss allowance for

full-lifetime expected credit losses is required for trade receivables that do not constitute a financing transaction.

For purchased or originated credit-impaired financial assets, the Group takes into account the expected credit losses on initial recognition in calculating the credit-adjusted effective interest rate. Subsequently, any changes in expected losses are recognized as a loss allowance with a corresponding gain or loss recognized in profit or loss.

The Group has performed a preliminary assessment in which it will apply the simplified approach to recognize full-lifetime expected credit losses for trade receivables. In relation to debt instrument investments and financial guarantee contracts, the Group will assess whether there has been a significant increase in credit risk to determine whether to recognize 12-month or full-lifetime expected credit losses. In general, the Group anticipates that the application of the expected credit losses model of IFRS 9 will result in an earlier recognition of credit losses for financial assets.

The Group elects not to restate prior periods when applying the requirements for the classification, measurement and impairment of financial assets under IFRS 9 with the cumulative effect of the initial application recognized at the date of initial application and will provide the disclosures related to the classification and the adjustment information upon initial application of IFRS 9.

The anticipated impact on assets, liabilities and equity of retrospective application of the requirements for the classification, measurement and impairment of financial assets as of January 1, 2018 is set out below:

	Carrying Amount as of December 31, 2017	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2018
Impact on assets and equity			
Available-for-sale financial assets - current	$ 25,101,220	$ (25,101,220)	$ -
Available-for-sale financial assets - non-current	3,455,938	(3,455,938)	-
Financial assets carried at cost - non-current	582,819	(582,819)	-
Financial assets at fair value through profit or loss - current	147,049	391,568	538,617
Financial assets at fair value through other comprehensive income - current	-	24,709,652	24,709,652
Financial assets at fair value through other comprehensive income - non-current	-	8,952,984	8,952,984
Total effect on assets	$ 29,287,026	$ 4,914,227	$ 34,201,253
Retained earnings	$ 49,019,510	$ 654,005	$ 49,673,515
Other equity	19,124,539	4,243,857	23,368,396
Non-controlling interests	16,299,012	16,365	16,315,377
Total effect on equity	$ 84,443,061	$ 4,914,227	$ 89,357,288

Hedge accounting

The main changes in hedge accounting amended the application requirements for hedge accounting to better reflect the Group's risk management activities. Compared with IAS 39, the main changes include: (1) enhancing the types of transactions eligible for hedge accounting, specifically broadening the risks eligible for hedge accounting of non-financial items; (2) changing the way the hedging costs of derivative instruments are accounted for to reduce profit or loss volatility; and (3) replacing the retrospective effectiveness assessment with the principle of the economic relationship between the hedging instrument and the hedged item.

Except for the above impact, as of the date the consolidated financial statements were authorized, the Group assessed that the application of other standards and interpretations will not have material impact on the Group's consolidated financial position and financial performance.

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRS Standards 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 "Prepayment Features with Negative Compensation"	January 1, 2019 (Note 2)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 16 "Leases"	January 1, 2019 (Note 3)
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019 (Note 4)
Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures"	January 1, 2019
IFRIC 23 "Uncertainty Over Income Tax Treatments"	January 1, 2019

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

Note 2: The FSC permits the election for early adoption of the amendments starting from 2018.

Note 3: On December 19, 2017, the FSC announced that IFRS 16 will take effect starting from January 1, 2019.

Note 4: The Group shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

IFRS 16 "Leases"

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

Under IFRS 16, if the Group is a lessee, it shall recognize right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for low-value and short-term leases. The Group may elect to apply the accounting method similar to the accounting for operating leases under IAS 17 to low-value and short-term leases. On the consolidated statements of comprehensive income, the Group should present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed by using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities and the interest portion are classified within financing activities.

The application of IFRS 16 is not expected to have a material impact on the accounting of the Group as lessor.

When IFRS 16 becomes effective, the Group may elect to apply this standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of the initial application of this standard recognized at the date of initial application.

Except for the above impact, as of the date the consolidated financial statements were authorized, 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

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 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 the net defined benefit asset which is measured at the present value of the defined benefit obligation less the fair value of the plan assets.

The fair value measurements, which are grouped into Levels 1 to 3 on the basis of the degree to which the fair value measurement inputs are observable and 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 on 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 an 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.

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

The Group engages 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 Corporation and the entities controlled by the Corporation.

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 or 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 Group.

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

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in its 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 Corporation.

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 if the Group had 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.

Refer to Note 13 for more information on subsidiaries (including the percentages of ownership and main businesses).

e. Business combinations

Acquisitions of businesses are accounted for by using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as they are incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interests in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

For each business combination, the Group measures the non-controlling interests at either fair value or the share in the recognized amounts of the acquiree's identifiable net assets. Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets, in the event of liquidation, may be initially measured at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of the measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value.

When a business combination is achieved in stages, the Group's previously held equity interest in an acquiree is remeasured to fair value at the acquisition date, and the resulting gain or loss is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are recognized on the same basis as would be required if those interests were directly disposed of by the Group.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period or additional assets or liabilities are recognized to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized as of that date.

f. Foreign currencies

In preparing the financial statements of each individual group entity, 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 except for exchange differences on transactions entered into in order to hedge certain foreign currency risks.

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, and in which case, 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 not retranslated.

For the purpose of presenting consolidated financial statements, the functional currencies of the Corporation and the group entities (including subsidiaries, associates and joint ventures in other countries that use currencies that are different from the currency of the Corporation) 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; 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 Corporation and non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group'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 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 re-attributed to non-controlling interests of the subsidiary and 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.

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising from the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognized in other comprehensive income.

g. Inventories

Inventories consist of raw materials, supplies, finished goods and work in process and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to 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 end of reporting period.

h. Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. A joint venture is a joint arrangement whereby the Group and other parties that have joint control of the arrangement have rights to the net assets of 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 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 an acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of an associate or 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 the acquisition, after reassessment, is recognized immediately in profit or loss.

When the Group subscribes for additional new shares of an associate and 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 that associate and 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 the Group's share of equity of associates and joint ventures. 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 if the investee had 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 by using the equity method is insufficient, the shortage is debited to retained earnings.

When the Group's share of losses of an associate and a joint venture equals or exceeds its interest in that associate and joint venture (which includes any carrying amount of the investment accounted for by using the equity method and long-term interests that, in substance, form part of the Group's net investment in the associate and joint venture), the Group discontinues recognizing its share of further losses. 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 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 its 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 if that associate had directly disposed of the related assets or liabilities. If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Group continues to apply the equity method and does not remeasure the retained interest.

When a group entity 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' consolidated financial statements only to the extent that interests in the associate and the joint venture are not related to the Group.

i. Property, plant and equipment

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

Property, plant and equipment in the course of construction are carried 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.

Freehold land is not depreciated.

Depreciation on property, plant and equipment (including assets held under finance leases) is recognized using the straight-line method. Each significant part is depreciated separately. If a lease term is shorter than the assets' useful lives, such assets are depreciated over the lease term. The estimated useful lives, residual values and depreciation 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.

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.

j. Investment properties

Investment properties are properties held to earn rentals or for capital appreciation and 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.

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.

k. Goodwill

Goodwill arising from the acquisition of a business is carried at cost as established at the date of the acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units or groups of cash-generating units (referred to as "cash-generating units") that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit or groups of cash-generating units was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit or groups of cash-generating units is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

If goodwill has been allocated to a cash-generating unit and the entity disposes of an operation within that unit, the goodwill associated with the operation that is disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal and is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

l. 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.

When the Group has a right to charge for usage of concession infrastructure (as a consideration for providing construction services in a service concession arrangement), it recognizes this as an intangible asset at fair value upon initial recognition. The intangible asset is subsequently measured at cost less accumulated amortization and any accumulated impairment loss.

2) Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date. Subsequent to initial recognition, they are measured on the same basis as intangible assets that are acquired separately.

3) 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.

m. Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, 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. Group assets are allocated to the smallest group of cash-generating units on a reasonable and consistent basis of allocation.

Intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that the assets may be impaired.

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

n. Non-current assets held for sale

Non-current assets 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 non-current asset 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, which should be expected to qualify for recognition as a completed sale within 1 year from the date of classification.

When a sale plan would result in a loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale, regardless of whether the Group will retain a non-controlling interest in that subsidiary after the sale.

When the Group is committed to a sale plan involving the disposal of an investment or a portion of an investment in an associate or a joint venture, only the investment or the portion of the investment that will be disposed of is classified as held for sale when the classification criteria are met, and the Group discontinues the use of the equity method in relation to the portion that is classified as held for sale. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale continues to be accounted for by using the equity method. If the Group ceases to have significant influence or joint control over the investment after the disposal takes place, the Group accounts for any retained interest that has not been classified as held for sale in accordance with the accounting policies for financial instruments.

Non-current assets 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.

When a subsidiary, joint venture, associate, or a portion of an interest in a joint venture or an associate previously classified as held for sale no longer meets the criteria to be so classified, it is measured at the carrying amount that would have been recognized had such interests not been classified as held for sale. Financial statements for the periods since classification as held for sale are amended accordingly.

o. Financial instruments

Financial assets and financial liabilities are recognized when a group entity 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 fair value through profit or loss) 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 fair value through profit or loss are recognized immediately in profit or loss.

1) Financial assets

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

a) Measurement category

Financial assets are classified into the following categories: Financial assets at fair value through profit or loss, available-for-sale financial assets, and loans and receivables.

i. Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss when a financial asset is held for trading.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on their remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 29.

ii. Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Available-for-sale financial assets are measured at fair value. Changes in the carrying amounts of available-for-sale monetary financial assets (relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and dividends on available-for-sale equity investments) are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of or is determined to be impaired.

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment loss at the end of each reporting period and are presented in a separate line item as financial assets carried at cost. If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between carrying amount and fair value is recognized in other comprehensive income on financial assets. Any impairment losses are recognized in profit and loss.

iii. Loans and receivables

Loans and receivables are measured at amortized cost using the effective interest method less any impairment, except for short-term receivables when the effect of discounting is immaterial.

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

b) Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Financial assets carried at amortized cost are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio, as well as observable changes in national or local economic conditions that correlate with defaults on receivables.

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

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

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

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

In respect of available-for-sale equity securities, impairment loss previously recognized in profit or loss is not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income. In respect of available-for-sale debt securities, impairment loss is subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

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

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

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 in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

2) Equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by a group entity are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Corporation's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Corporation's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

Except for financial liabilities at fair value through profit or loss, all financial liabilities are carried at amortized cost using the effective interest method.

Financial liabilities are classified as at fair value through profit or loss when any such financial liability is either held for trading or is designated as at fair value through profit or loss.

Financial liabilities at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 29.

A financial liability may be designated as at fair value through profit or loss upon initial recognition when doing so results in more relevant information and if:

i. Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

ii. The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and has performance evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

iii. The contract contains one or more embedded derivatives so that the entire combined contract (asset or liability) can be designated as at fair value through profit or loss.

For a financial liability designated as at fair value through profit or loss, the amount of changes in fair value attributable to changes in the credit risk of the liability is presented in other comprehensive income and will not be subsequently reclassified to profit or loss. The remaining amount of changes in the fair value of that liability is presented in profit or loss. The gain or loss accumulated in other comprehensive income will be transferred to retained earnings when the financial liabilities are derecognized. If this accounting treatment related to credit risk would create or enlarge an accounting mismatch, all changes in fair value of the liability are presented in profit or loss.

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.

4) Derivative financial instruments

The Group enters into derivative financial instruments to manage its exposure to foreign exchange rate risks, including foreign exchange forward contracts.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, and in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative; their risks and characteristics are not closely related to those of the host contracts; and the contracts are not measured at fair value through profit or loss.

p. Hedge accounting

The effects of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in other comprehensive income. The gains or losses relating to the ineffective portion is recognized immediately in profit or loss.

The associated gains or losses that were recognized in other comprehensive income are reclassified from equity to profit or loss as a reclassification adjustment in the line item relating to the hedged item in the same period when the hedged item affects profit or loss. If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, the associated gains and losses that were recognized in other comprehensive income are removed from equity and are included in the initial cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued prospectively when the Group revokes the designated hedging relationship, or when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer meets the criteria for hedge accounting. The cumulative gains or losses on the hedging instrument that has been previously recognized in other comprehensive income from the period when the hedge was effective remains separately in equity until the forecasted transaction occurs. When a forecasted transaction is no longer expected to occur, the gains or losses accumulated in equity are recognized immediately in profit or loss.

q. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Allowances for sales returns and liabilities for returns are recognized at the time of sale based on the seller's reliable estimate of future returns and based on past experience and other relevant factors.

1) Sale of goods

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

a) The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;

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

c) The amount of revenue can be measured reliably;

d) It is probable that the economic benefits associated with the transaction will flow to the Group; and

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

Revenue from the sale of property in the course of ordinary activities is recognized when the construction is completed and the property is transferred to the buyer. Until such revenue is recognized, deposits and installment payments received from sales of properties are carried in the consolidated balance sheets under current liabilities.

2) Rendering of services

Service income including that from operating services provided under service concession arrangements is recognized when services are provided.

Freight revenue is recognized by reference to the proportion of the voyage period.

Revenue from a contract to provide services is recognized by reference to the stage of completion of the contract or when services are provided.

3) Sale of electric power

Revenue from electric power is calculated according to the volume of electric power sold and the energy rate.

4) Dividend and interest income

Dividend income from investments is recognized when a shareholder's right to receive payment has been established provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the applicable effective interest rate.

r. Leasing

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. The lease component of all electric power selling contracts identified in accordance with IFRIC 4 "Determining Whether an Arrangement Contains a Lease" is classified as a finance lease.

1) The Group as lessor

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

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

2) The Group as lessee

Assets held under finance leases are initially recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated balance sheet as a finance lease obligation.

Finance expenses implicit in lease payments for each period are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, and in which case they are capitalized.

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

s. Borrowing costs

Borrowing costs directly attributable to the 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 the above-stated, all other borrowing costs are recognized in profit or loss in the year in which they are incurred.

t. 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 become receivable. Relevant grants of an asset are recognized as deferred revenue or a reduction of the asset's cost on a straight-line basis.

u. 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 an expense when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service costs, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service costs and net interest on the net defined benefit liability (asset) are recognized as an 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.

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

3) Other long-term employee benefits

Other long-term employee benefits are accounted for in the same way as the accounting required for a defined benefit plan except that remeasurement is recognized in profit or loss.

v. Taxation

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

1) Current tax

According to the Income Tax Law of the Republic of China, an additional tax of unappropriated earnings is provided for as income tax 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 consolidated financial statement carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

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

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, 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. For deferred tax assets arising from deductible temporary differences associated with such investments and equity, the interests 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 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 year 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, and in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

w. U.S. dollar amounts (unaudited)

The translation of New Taiwan dollar (NT$) amounts into U.S. dollar (US$) amounts in the consolidated financial statements as of and for the year ended December 31, 2017 is included solely for the convenience of the readers. The translation was performed at an exchange rate of NT$30.46:US$1.00, which is the September 28, 2018 exchange rate set forth in the statistical release of the U.S. Federal Reserve Board of the United States. The translation should not be seen to represent the past, present or future possible exchange rates for the conversion of NT$ amount to US$ amounts.

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 revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

a. Impairment loss of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The calculation of the value in use requires management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

b. Impairment loss of property, plant and equipment

The impairment loss of property, plant and equipment in relation to production was based on the recoverable amounts of those assets, which is the higher of their fair value less costs of disposal and their value in use. Any changes in the market prices or future cash flows will affect the recoverable amounts of those assets and may lead to the recognition of additional impairment losses or the reversal of impairment losses.

6. CASH AND CASH EQUIVALENTS

	December 31		
	2015	2016	2017
Cash on hand	$ 9,726	$ 9,245	$ 8,031
Checking accounts and demand deposits	29,098,037	17,730,116	15,092,905
Cash equivalents			
Time deposits with original maturities of less than 3 months	9,099,749	9,634,877	10,148,250
Bonds with repurchase agreements	769,848	805,520	1,082,032
	$ 38,977,360	$ 28,179,758	$ 26,331,218

The market rate intervals of cash in banks and bonds with repurchase agreements at the end of the reporting period were as follows:

	December 31		
	2015	2016	2017
Cash in banks	0.01%-2.73%	0.01%-2.60%	0.01%-2.60%
Bonds with repurchase agreements	0.37%-0.58%	0.30%-1.08%	0.34%-2.00%

As of December 31, 2015, 2016 and 2017, time deposits with original maturities of more than 3 months were $1,638,054 thousand, $411,478 thousand and $916,813 thousand, respectively, which were classified as other financial assets.

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31		
	2015	2016	2017
Financial assets held for trading			
Non-derivative financial assets			
Mutual funds	$ 147,113	$ 146,841	$ 147,049
Derivative financial assets (not under hedge accounting)			
Foreign exchange forward contracts	-	1,647	-
	$ 147,113	$ 148,488	$ 147,049

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

	Currency	Maturity Date	Notional Amount (In Thousands)
December 31, 2016			
Buy	USD/RMB	2017.1	USD115,000/RMB808,098

The Group entered into foreign exchange forward contracts to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities.

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31		
	2015	2016	2017
Domestic investments			
Listed shares	$ 6,460,049	$ 7,338,337	$ 10,145,547
Emerging market shares	546,719	536,211	89,037
Mutual funds	14,353	19,395	84,478
	7,021,121	7,893,943	10,319,062
Foreign investments			
Listed shares	12,197,320	11,833,605	18,238,096
	$ 19,218,441	$ 19,727,548	$ 28,557,158
Current	$ 15,227,906	$ 15,536,693	$ 25,101,220
Non-current	3,990,535	4,190,855	3,455,938
	$ 19,218,441	$ 19,727,548	$ 28,557,158

Refer to Note 31 for information relating to available-for-sale financial assets pledged as collateral for credit accommodations.

9. DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGING

	December 31		
	2015	2016	2017
Derivative financial assets under hedge accounting			
Cash flow hedges - foreign exchange forward contracts (included in other current assets)	$ 9,145	$ 13,167	$ -

The terms of the foreign exchange forward contracts were negotiated to match the terms of the respective designated hedged items. The Group has entered into raw material purchase contracts with foreign coal suppliers and entered into foreign exchange forward contracts to avoid exchange rate exposure to its forecasted purchases. These foreign exchange forward contracts were designated as cash flow hedges. When forecasted purchases actually take place, the carrying amounts of the non-financial hedged items will be adjusted accordingly.

The outstanding foreign exchange forward contracts at the end of the reporting period were as follows:

	Currency	Maturity Date	Notional Amount (In Thousands)
December 31, 2015			
Buy	NTD/USD	2016.1-2016.4	NTD697,319/USD21,500
December 31, 2016			
Buy	NTD/USD	2017.1-2017.2	NTD527,666/USD16,800

Gains and losses of hedging instruments reclassified from equity to profit or loss were included in the following line items in the consolidated statements of comprehensive income:

	For the Year Ended December 31		
	2015	2016	2017
Operating revenue	$ 433	$ 2,533	$ 705
Operating costs	2,826	13,937	6,410
	$ 3,259	$ 16,470	$ 7,115

10. NOTES AND ACCOUNTS RECEIVABLE

	December 31		
	2015	2016	2017
Notes receivable	$ 12,388,583	$ 12,612,965	$ 20,017,541
Accounts receivable	7,062,444	6,905,743	7,201,163
Less: Allowance for impairment loss	(223,334)	(136,005)	(142,242)
	$ 19,227,693	$ 19,382,703	$ 27,076,462
Receivables past due but not impaired	$ 71,632	$ 76,558	$ 90,666

In determining the recoverability of notes and accounts receivable, the Group considered any change in the credit quality of the notes and accounts receivable since the date credit was initially granted to the end of the reporting period. The Group recognized an allowance for impairment loss of 100% against a receivable when there was indication that the receivable was impaired, and the allowance for impairment loss was recognized against the rest of the past due receivables based on the estimated irrecoverable amounts determined by reference to the past default experience with the counterparties and an analysis of their current financial positions.

For the accounts receivable balances that were past due at the end of the reporting period, the Group did not recognize an allowance for impairment loss, because there was no significant change in the credit quality, and the amounts were still considered recoverable.

The Group had a wide range of unrelated customers, hence the concentration in credit risk is relatively limited.

The aging analysis of receivables was as follows:

	December 31		
	2015	**2016**	**2017**
Up to 90 days	$ 14,479,679	$ 13,460,527	$ 20,070,369
91-180 days	4,647,089	5,801,948	6,646,244
181-365 days	27,440	64,135	245,462
Over 365 days	73,485	56,093	114,387
	$ 19,227,693	$ 19,382,703	$ 27,076,462

The above aging schedule was based on the number of days past due from the invoice date.

The movements of the allowance for doubtful notes and accounts receivable were as follows:

	Individually Assessed for Impairment	**Collectively Assessed for Impairment**	**Total**
Balance at January 1, 2015	$ 191,133	$ 33,957	$ 225,090
(Reversals of) provisions	(47)	3,856	3,809
Write-offs	(2,977)	-	(2,977)
Effects of exchange rate changes	(2,588)	-	(2,588)
Balance at December 31, 2015	$ 185,521	$ 37,813	$ 223,334
Balance at January 1, 2016	$ 185,521	$ 37,813	$ 223,334
(Reversals of) allowances	(59,435)	5,754	(53,681)
Write-offs	(5,997)	(6,818)	(12,815)
Effects of exchange rate changes	(20,833)	-	(20,833)
Balance at December 31, 2016	$ 99,256	$ 36,749	$ 136,005
Balance at January 1, 2017	$ 99,256	$ 36,749	$ 136,005
(Reversals of) allowances	(1,951)	3,662	1,711
Write-offs	(1,114)	(1,299)	(2,413)
Effects of exchange rate changes	6,939	-	6,939
Balance at December 31, 2017	$ 103,130	$ 39,112	$ 142,242

11. FINANCE LEASE RECEIVABLES

	December 31		
	2015	2016	2017
Not later than 1 year	$ 4,600,806	$ 4,479,022	$ 4,954,918
Later than 1 year and not later than 5 years	19,581,183	20,559,413	21,155,252
Later than 5 years	44,066,915	38,552,728	33,001,970
	68,248,904	63,591,163	59,112,140
Less: Unearned finance income	33,155,937	29,225,002	25,398,223
Less: Accumulated impairment	47,878	47,878	47,878
Present value of minimum lease payments	$ 35,045,089	$ 34,318,283	$ 33,666,039
Current (included in accounts receivable)	$ 709,680	$ 652,243	$ 1,240,455
Non-current	34,335,409	33,666,040	32,425,584
	$ 35,045,089	$ 34,318,283	$ 33,666,039

After transitioning to IFRSs, the Group's electric power selling contracts with guaranteed power generation periods fall under IFRIC 4 "Determining Whether an Arrangement Contains a Lease" and IAS 17 "Leases". The lease was denominated in New Taiwan dollars, and the term entered into was 25 years.

The interest rate inherent in the lease was fixed at the contract date for the entire lease term. The interest rate inherent in the finance lease was approximately 11.18%.

When the Group evaluated finance lease receivables and recognized the related revenue in 2015, the present value of future cash flows was recalculated based on a modified assumption, and there was a reversal of impairment of $186,035 thousand recognized (included in other income under non-operating income and expenses).

Refer to Note 31 for information relating to financial lease receivables pledged as collateral for bank borrowings, which were recorded under property, plant and equipment before transitioning to IFRSs.

12. INVENTORIES

	December 31		
	2015	2016	2017
Finished goods	$ 2,163,043	$ 1,984,216	$ 1,806,371
Work in process	1,605,119	1,474,511	1,096,548
Raw materials	5,028,394	5,290,667	5,451,603
Buildings and land held for sale	144,571	144,571	-
	$ 8,941,127	$ 8,893,965	$ 8,354,522

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2015, 2016 and 2017 was $73,322,098 thousand, $66,801,553 thousand and $74,376,931 thousand, respectively.

The cost of goods sold included (reversals of) inventory write-downs which were as follows:

	For the Year Ended December 31		
	2015	2016	2017
(Reversals of) inventory write-downs	$ (87,164)	$ 17,956	$ (112,076)

Previous write-downs were reversed because related inventories were sold and there was a rebound in market price resulting in an increase in the respective net realizable value.

Refer to Note 31 for information relating to bills of lading pledged as collateral for bank borrowings.

13. SUBSIDIARIES

a. Subsidiaries included in consolidated financial statements

The consolidated financial statements include subsidiaries which are as follows:

			Proportion of Ownership (%) December 31			
Investor	Investee	Main Business	2015	2016	2017	Remark
Taiwan Cement Corporation	Taiwan Transport & Storage Corporation	Warehousing, transportation and sale of sand and gravel	83.9	83.9	83.9	
	TCC Investment Corporation	Investment	100.0	100.0	100.0	
	Kuan-Ho Refractories Industry Corporation	Production and sale of refractory materials	95.3	95.3	95.3	
	Kuan-Ho Construction & Development Corporation	Construction and lease services	92.9	92.9	92.9	7)
	Hong Kong Cement Manufacturing Co., Ltd. (“HKCMCL”)	Investment holding	84.7	84.7	84.7	
	Ta-Ho Maritime Corporation	Marine transportation	64.8	64.8	64.8	
	Taiwan Cement Engineering Corporation	Engineering services	99.0	99.0	99.0	
	TCC Green Energy Corporation	Renewable energy generation	100.0	100.0	100.0	6)
	TCC Chemical Corporation	Leasing property and energy technology services	100.0	100.0	100.0	7)
	TCC Information Systems Corporation	Information software design	99.4	99.4	99.4	
	Taiwan Prosperity Chemical Corporation	Processing and sale of chemical material	50.0	50.0	50.0	
	Tung Chen Mineral Corporation	Afforestation and sale of limestone	99.5	99.5	99.5	
	Jin Chang Minerals Corporation	Afforestation and sale of limestone	100.0	100.0	100.0	
	Hoping Industrial Port Corporation	Hoping Industrial Port management	100.0	100.0	100.0	
	TCC International Ltd. (“TCCI”)	Investment holding	100.0	100.0	100.0	
	Ho-Ping Power Company	Thermal power generation	59.5	59.5	59.5	
	Ta-Ho Onyx Taitung Environment Co., Ltd.	Waste collection and treatment	100.0	100.0	100.0	
	HPC Power Service Corporation	Business consulting	60.0	60.0	60.0	
	E.G.C. Cement Corporation	Sale of cement	50.6	50.6	50.6	
	Feng Sheng Enterprise Company	Sale of ready-mixed concrete	45.4	45.4	45.4	8)
	Trans Philippines Mineral Corporation (“TPMC”)	Mining excavation	40.0	40.0	40.0	8)
	Taicorn Minerals Corporation (“TMC”)	Mining excavation	72.7	72.7	72.7	
	Ta-Ho Onyx RSEA Environment Co., Ltd.	Waste collection and treatment	66.6	66.6	66.6	
	Ho Sheng Mining Co., Ltd.	Mining excavation	100.0	100.0	100.0	
	TCC International Holdings Ltd. (“TCCIH”)	Investment	-	-	24.1	3)
Taiwan Transport & Storage Corporation	E.G.C. Cement Corporation	Sale of cement	44.4	44.4	44.4	
	Ho Swen Construction Material Co., Ltd.	Sand and gravel filtering and sale	51.0	51.0	51.0	5)
	Ta-Ho Maritime Corporation	Marine transportation	27.5	27.5	27.5	
TCC Investment Corporation	Union Cement Traders Inc.	Import and export trading	100.0	100.0	100.0	
	Ho-Ping Power Company	Thermal power generation	0.5	0.5	0.5	
	Taiwan Prosperity Chemical Corporation	Processing and sale of chemical material	0.5	0.5	0.2	4)
	Ta-Ho Maritime Corporation	Marine transportation	-	-	-	
HKCMCL	TCC Development Ltd.	Property leasing	100.0	100.0	100.0	
Ta-Ho Maritime Corporation	Ta-Ho Maritime Holdings Ltd.	Investment	100.0	100.0	100.0	
Taiwan Cement Engineering Corporation	TCEC Corporation	Investment	100.0	100.0	100.0	
TCC Information Systems Corporation	Taicem Information (Samoa) Pte., Ltd.	Investment	100.0	100.0	100.0	
Hoping Industrial Port Corporation	Taiwan Prosperity Chemical Corporation	Processing and sale of chemical material	2.3	2.3	2.3	
TCCI	TCCIH	Investment holding	56.9	63.1	75.9	3)
Feng Sheng Enterprise Company	Ho Swen Construction Material Co., Ltd.	Sand and gravel filtering and sale	9.0	9.0	9.0	5)
TPMC	TMC	Mining excavation	18.2	18.2	18.2	
Union Cement Traders Inc.	Taiwan Transport & Storage Corporation	Warehousing, transportation and sale of sand and gravel	0.7	0.7	0.7	
Ta-Ho Maritime Holdings Ltd.	Ta-Ho Maritime (Hong Kong) Limited	Marine transportation	100.0	100.0	100.0	
	THC International S.A.	Marine transportation	100.0	100.0	100.0	
	Chi Ho Maritime S.A.	Marine transportation	100.0	100.0	100.0	
	Sheng Ho Maritime S.A.	Marine transportation	100.0	100.0	100.0	
	Ta-Ho Maritime (Singapore) Pte. Ltd.	Marine transportation	100.0	100.0	100.0	
TCEC Corporation	TCEC (Yingde) Machine Co., Ltd.	Production and sale of cement machinery and assembly work	100.0	100.0	100.0	
Taicem Information (Samoa) Pte., Ltd.	Fuzhou TCC Information Technology Co., Ltd.	Software product and equipment maintenance	100.0	100.0	100.0	
Ta-Ho Maritime (Hong Kong) Limited	Da Tong (Guigang) International Logistics Co., Ltd.	Logistics and transportation	100.0	100.0	100.0	
Da Tong (Guigang) International Logistics Co., Ltd.	Da Tong (Ying De) Logistics Co., Ltd.	Logistics and transportation	100.0	100.0	100.0	
	Guigang Da-Ho Shipping Co., Ltd.	Marine transportation	100.0	100.0	100.0	
TCCIH	Chia Hsin Cement Greater China Holding Corporation	Investment holding	100.0	100.0	100.0	
	Upper Value Investment Limited	Investment holding	100.0	100.0	100.0	
	Upper Value Investments Ltd. (“UPPV”)	Investment holding	100.0	100.0	100.0	
	TCC Hong Kong Cement (BVI) Holdings Ltd.	Investment holding	100.0	100.0	100.0	
	Ulexite Investments Ltd.	Investment holding	100.0	100.0	100.0	
Upper Value Investment Limited	Prime York Ltd.	Investment holding	100.0	100.0	100.0	
	Prosperity Minerals (International) Ltd.	Investment holding	100.0	100.0	100.0	
TCC Hong Kong Cement (BVI) Holdings Ltd.	TCC Hong Kong Cement Development Limited	Investment holding	100.0	100.0	100.0	
	TCC Hong Kong Cement (QHC) Ltd.	Investment holding	100.0	100.0	100.0	
	TCC Hong Kong Cement (Yargoon) Ltd.	Investment holding	100.0	100.0	100.0	
	TCC Hong Kong Cement (HKC) Ltd.	Investment holding	100.0	100.0	100.0	
	TCC Hong Kong Cement Trading Ltd.		100.0	-	-	1)
	TCC Hong Kong Cement (Philippines) Ltd.	Investment holding	100.0	100.0	100.0	
	TCC Hong Kong Cement (International) Ltd.	Investment holding	100.0	100.0	100.0	
	Hong Kong Cement Company Limited (“HKCCL”)	Sale of cement	100.0	100.0	100.0	
TCC Hong Kong Cement (QHC) Ltd.	Chiefolk Company, Ltd.	Investment holding	70.0	70.0	70.0	
Chiefolk Co., Ltd.	TCC International (Liuzhou) Ltd.	Investment holding	100.0	100.0	100.0	
TCC International (Liuzhou) Ltd.	TCC Liuzhou Company, Ltd.	Investment holding	100.0	100.0	100.0	

(Continued)

Investor	Investee	Main Business	Proportion of Ownership (%) December 31 2015	2016	2017	Remark
TCC Liuzhou Co., Ltd.	TCC Liuzhou Construction Materials Company Limited	Manufacturing and sale of slag powder	60.0	60.0	60.0	
TCC Hong Kong Cement (HKC) Ltd.	Koning Concrete Ltd.	Investment holding	100.0	100.0	100.0	
TCC Hong Kong Cement (Philippines) Ltd.	TCC Cement Corporation	Cement processing services	100.0	100.0	100.0	
TCC Hong Kong Cement (International) Ltd.	TCC International (Hong Kong) Co., Ltd. (“TCCI (HK)”)	Investment holding	100.0	100.0	100.0	
TCCI (HK)	TCC Guigang Mining Industrial Company Limited	Mining excavation	52.5	52.5	52.5	
	Jiangsu TCC Investment Co., Ltd.	Investment holding	100.0	100.0	100.0	
	Jingyang Industrial Limited	Investment holding	100.0	100.0	100.0	
	TCC International (Guangxi) Ltd.	Investment holding	100.0	100.0	100.0	
	TCC Shaoguan Cement Co., Ltd.	Manufacturing and sale of cement	100.0	100.0	100.0	
	TCC Yingde Mining Industrial Company Limited	Mining excavation	48.9	48.9	48.9	
	TCC Yingde Cement Co., Ltd.	Manufacturing and sale of cement	100.0	100.0	100.0	
	TCC Jiangsu Mining Industrial Company Limited	Mining excavation	100.0	100.0	100.0	
	TCC Fuzhou Yangyu Port Co., Ltd.	Service of port facility	100.0	100.0	100.0	
	TCC (Dong Guan) Cement Co., Ltd.	Manufacturing and sale of cement	100.0	100.0	100.0	
	TCC Fuzhou Cement Co., Ltd.	Manufacturing and sale of cement	100.0	100.0	100.0	
	TCC Huaihua Cement Company Limited	Manufacturing and sale of cement	100.0	100.0	100.0	2)
	Anhui King Bridge Cement Co., Ltd.	Manufacturing and sale of cement	60.0	60.0	60.0	
Jiangsu TCC Investment Co., Ltd.	Jurong TCC Cement Co., Ltd.	Manufacturing and sale of cement	22.4	21.5	21.5	
Jingyang Industrial Limited	Jurong TCC Cement Co., Ltd.	Manufacturing and sale of cement	77.6	78.5	78.5	
TCC International (Guangxi) Ltd.	TCC (Gui Gang) Cement Ltd.	Manufacturing and sale of cement	100.0	100.0	100.0	
TCC (Gui Gang) Cement Ltd.	TCC Huaying Cement Company Limited	Manufacturing and sale of cement	100.0	100.0	100.0	2)
	TCC Guigang Mining Industrial Company Limited	Mining excavation	47.5	47.5	47.5	
TCC Yingde Cement Co., Ltd.	TCC Yingde Mining Industrial Company Limited	Mining excavation	34.8	34.8	34.8	
	Scitus Luzhou Concrete Co., Ltd.	Sale of ready-mixed concrete	25.0	25.0	25.0	
	Scitus Luzhou Cement Co., Ltd.	Manufacturing and sale of cement	10.0	10.0	10.0	
	Scitus Naxi Cement Co., Ltd.	Manufacturing and sale of cement	10.0	10.0	10.0	
	Scitus Hejiang Cement Co., Ltd.	Manufacturing and sale of cement	10.0	10.0	10.0	
TCC Jiangsu Mining Industrial Company Limited	TCC Yingde Mining Industrial Company Limited	Mining excavation	16.3	16.3	16.3	
TCC Huaihua Cement Company Limited	TCC Jingzhou Cement Company Limited	Manufacturing and sale of cement	100.0	100.0	100.0	2)
	TCC Huaihua Concrete Company Limited	Sale of ready-mixed concrete	100.0	100.0	100.0	2)
Ulexite Investments Ltd.	HKC Investments Limited	Investment holding	100.0	100.0	100.0	
UPPV	Wayly Holdings Ltd.	Investment holding	100.0	100.0	100.0	
	TCC International (China) Co., Ltd.	Investment holding	100.0	100.0	100.0	
	Kong On Cement Holdings Ltd.	Investment holding	65.0	65.0	65.0	
	Mega East Ltd.	Investment holding	100.0	100.0	100.0	
	Prosperity Minerals (China) Ltd.	Investment holding	100.0	100.0	100.0	
	Sure Kit Ltd.	Investment holding	100.0	100.0	100.0	
	Hensford Ltd.	Investment holding	100.0	100.0	100.0	
	Kiton Ltd.	Investment holding	100.0	100.0	100.0	
	Prosperity Cement Investment Ltd.	Investment holding	100.0	100.0	100.0	
	Scitus Cement (China) Holdings Ltd. (“Scitus Holdings”)	Investment holding	100.0	100.0	100.0	
Wayly Holdings Ltd.	Guizhou Kaili Rui An Jian Cai Co., Ltd.	Manufacturing and sale of cement	100.0	100.0	100.0	
TCC International (China) Co., Ltd.	TCC New (Hangzhou) Management Company Limited	Operation management	100.0	100.0	100.0	
Kong On Cement Holdings Ltd.	Guizhou Kong On Cement Company Limited	Manufacturing and sale of cement	100.0	100.0	100.0	
Mega East Ltd.	TCC Guangan Cement Company Limited	Manufacturing and sale of cement	100.0	100.0	100.0	
Sure Kit Ltd.	TCC Chongqing Cement Company Limited	Manufacturing and sale of cement	100.0	100.0	100.0	
Hensford Ltd.	TCC Anshun Cement Company Limited	Manufacturing and sale of cement	100.0	100.0	100.0	
Kiton Ltd.	TCC Liaoning Cement Company Limited	Manufacturing and sale of cement	100.0	100.0	100.0	
Prosperity Cement Investment Ltd.	Yingde Dragon Mountain Cement Co, Ltd.	Manufacturing and sale of cement	100.0	100.0	100.0	
TCC Anshun Cement Company Limited	Anshun Xin Tai Construction Materials Company Limited	Filtering of sand and gravel and sale of ready-mixed concrete	100.0	100.0	100.0	
Scitus Holdings	Scitus Cement (China) Operating Co., Ltd.	Investment holding	100.0	100.0	100.0	
	Hexagon XIV Holdings Ltd.	Investment holding	100.0	100.0	100.0	
	Hexagon XIII Holdings Ltd.	Investment holding	100.0	100.0	100.0	
	Hexagon IX Holdings Ltd.	Investment holding	100.0	100.0	100.0	
	Hexagon VIII Holdings Ltd.	Investment holding	100.0	100.0	100.0	
	Hexagon V Holdings Ltd.	Investment holding	100.0	100.0	100.0	
	Hexagon IV Holdings Ltd.	Investment holding	100.0	100.0	100.0	
	Hexagon III Holdings Ltd.	Investment holding	100.0	100.0	100.0	
	Hexagon II Holdings Ltd.	Investment holding	100.0	100.0	100.0	
	Hexagon Holdings Ltd.	Investment holding	100.0	100.0	100.0	
Hexagon IX Holdings Ltd.	Scitus Hejiang Cement Co., Ltd.	Manufacturing and sale of cement	90.0	90.0	90.0	
Hexagon IV Holdings Ltd.	Scitus Luzhou Cement Co., Ltd.	Manufacturing and sale of cement	90.0	90.0	90.0	
Hexagon III Holdings Ltd.	Scitus Naxi Cement Co., Ltd.	Manufacturing and sale of cement	90.0	90.0	90.0	
Hexagon XIV Holdings Ltd.	Scitus Luzhou Concrete Co., Ltd.	Sales of ready-mixed concrete	75.0	75.0	75.0	

(Concluded)

Remarks:

1) For the purpose of streamlining its investment structure, TCC Hong Kong Cement Trading Ltd. decided to dissolve itself in 2016.

2) Refer to Note 26 for the information on the related acquisitions.

3) Refer to Note 27 for information on the related acquisition transaction.

4) TCC Investment Corporation disposed of a part of its interest in Taiwan Prosperity Chemical Corporation in 2017.

5) Ho Swen Construction Material Co., Ltd. is still in the process of liquidation as of December 31, 2017.

6) Tunwoo Company Limited changed its Chinese-language name to TCC Green Energy Corporation in March 2018. Its original main business was warehousing and selling cement. A resolution of its board of directors changed its main business to renewable energy generation in October 2017.

7) TCC Chemical Corporation changed its Chinese-language name in December 2017. Its original main business was processing and selling chemical materials. A resolution of its board of directors changed its main business to leasing property and energy technology services in November 2017. For the propose of streamlining its investment structure, its board of directors approved to merge Kuan-Ho Construction & Development Corporation with TCC Chemical Corporation as the surviving company. The effective date of the merger was January 1, 2018.

8) The Group's percentages of ownership in Feng Sheng Enterprise Company and TPMC were both less than 50% for the years ended December 31, 2015, 2016 and 2017, but the Group has control over those entities. Thus, Feng Sheng Enterprise Company and TPMC are subsidiaries of the Group.

b. Details of subsidiaries with material non-controlling interests

	Proportion of Ownership and Voting Rights Held by Non-controlling Interests		
	December 31		
	2015	2016	2017
Name of Subsidiary			
TCCIH	43.1%	36.9%	-
Taiwan Prosperity Chemical Corporation	47.2%	47.2%	47.5%
Ho-Ping Power Company	40.0%	40.0%	40.0%

Refer to Table 7 following the Notes to Consolidated Financial Statements for the information on the places of incorporation and principal businesses.

The summarized financial information below represents amounts before intragroup eliminations.

TCCIH and TCCIH's subsidiaries

	December 31	
	2015	2016
Current assets	$ 45,131,475	$ 38,257,168
Non-current assets	102,351,224	90,416,308
Current liabilities	(36,253,694)	(20,655,454)
Non-current liabilities	(29,580,393)	(33,476,383)
Equity	$ 81,648,612	$ 74,541,639
Equity attributable to:		
Owners of TCCIH	$ 50,294,953	$ 50,106,259
Non-controlling interests of TCCIH	30,310,451	23,459,020
Non-controlling interests of TCCIH's subsidiaries	1,043,208	976,360
	$ 81,648,612	$ 74,541,639

	For the Year Ended December 31	
	2015	2016
Operating revenue	$ 44,669,914	$ 47,431,654
Profit (loss) for the year	$ (955,013)	$ 960,897
Other comprehensive loss for the year	(1,601,697)	(7,468,674)
Total comprehensive loss for the year	$ (2,556,710)	$ (6,507,777)
Profit (loss) attributable to:		
Owners of TCCIH	$ (394,939)	$ 632,717
Non-controlling interests of TCCIH	(573,295)	230,133
Non-controlling interests of TCCIH's subsidiaries	13,221	98,047
	$ (955,013)	$ 960,897
Total comprehensive loss attributable to:		
Owners of TCCIH	$ (1,123,386)	$ (3,773,888)
Non-controlling interests of TCCIH	(1,422,641)	(2,717,811)
Non-controlling interests of TCCIH's subsidiaries	(10,683)	(16,078)
	$ (2,556,710)	$ (6,507,777)
Net cash inflow (outflow) from:		
Operating activities	$ 6,146,402	$ 7,257,589
Investing activities	(7,081,079)	392,538
Financing activities	3,824,717	(12,463,447)
Net cash inflow (outflow)	$ 2,890,040	$ (4,813,320)
Dividends paid to non-controlling interests of:		
TCCIH	$ 763,119	$ 177,016
TCCIH's subsidiaries	$ 67,232	$ 50,770

Taiwan Prosperity Chemical Corporation

	December 31		
	2015	2016	2017
Current assets	$ 3,098,972	$ 3,216,697	$ 4,015,117
Non-current assets	8,553,906	8,005,327	6,796,106
Current liabilities	(3,359,246)	(4,118,013)	(6,072,209)
Non-current liabilities	(4,553,571)	(3,697,865)	(1,521,222)
Equity	$ 3,740,061	$ 3,406,146	$ 3,217,792
Equity attributable to:			
Owners of Taiwan Prosperity Chemical Corporation	$ 1,974,658	$ 1,798,448	$ 1,690,157
Non-controlling interests of Taiwan Prosperity Chemical Corporation	1,765,403	1,607,698	1,527,635
	$ 3,740,061	$ 3,406,146	$ 3,217,792

	For the Year Ended December 31		
	2015	2016	2017
Operating revenue	$ 11,741,599	$ 9,786,811	$ 13,192,984
Loss for the year	$ (1,862,972)	$ (416,245)	$ (354,571)
Other comprehensive income (loss) for the year	(110,326)	82,330	166,217
Total comprehensive loss for the year	$ (1,973,298)	$ (333,915)	$ (188,354)
Loss attributable to:			
Owners of Taiwan Prosperity Chemical Corporation	$ (983,642)	$ (219,777)	$ (187,325)
Non-controlling interests of Taiwan Prosperity Chemical Corporation	(879,330)	(196,468)	(167,246)
	$ (1,862,972)	$ (416,245)	$ (354,571)
Total comprehensive loss attributable to:			
Owners of Taiwan Prosperity Chemical Corporation	$ (1,041,893)	$ (176,307)	$ (100,076)
Non-controlling interests of Taiwan Prosperity Chemical Corporation	(931,405)	(157,608)	(88,278)
	$ (1,973,298)	$ (333,915)	$ (188,354)
Net cash inflow (outflow) from:			
Operating activities	$ 676,252	$ 614,910	$ 486,812
Investing activities	(369,752)	(116,626)	114,626
Financing activities	(130,538)	(458,650)	(4,479)
Net cash inflow	$ 175,962	$ 39,634	$ 596,959

Ho-Ping Power Company

	December 31		
	2015	2016	2017
Current assets	$ 9,775,108	$ 9,145,127	$ 6,132,653
Non-current assets	34,605,610	34,029,740	32,905,948
Current liabilities	(3,830,137)	(3,975,527)	(3,886,142)
Non-current liabilities	(7,905,824)	(5,880,207)	(3,870,891)
Equity	$ 32,644,757	$ 33,319,133	$ 31,281,568
Equity attributable to:			
Owners of Ho-Ping Power Company	$ 19,583,389	$ 19,988,013	$ 18,765,474
Non-controlling interests of Ho-Ping Power Company	13,061,368	13,331,120	12,516,094
	$ 32,644,757	$ 33,319,133	$ 31,281,568

	For the Year Ended December 31		
	2015	2016	2017
Operating revenue	$ 12,645,730	$ 11,752,037	$ 10,353,637
Profit for the year	$ 6,147,579	$ 5,553,536	$ 2,975,364
Other comprehensive income (loss) for the year	(11,594)	4,493	(14,276)
Total comprehensive income for the year	$ 6,135,985	$ 5,558,029	$ 2,961,088
Profit attributable to:			
Owners of Ho-Ping Power Company	$ 3,688,549	$ 3,332,122	$ 1,785,219
Non-controlling interests of Ho-Ping Power Company	2,459,030	2,221,414	1,190,145
	$ 6,147,579	$ 5,553,536	$ 2,975,364
Total comprehensive income attributable to:			
Owners of Ho-Ping Power Company	$ 3,681,592	$ 3,334,817	$ 1,776,653
Non-controlling interests of Ho-Ping Power Company	2,454,393	2,223,212	1,184,435
	$ 6,135,985	$ 5,558,029	$ 2,961,088
Net cash inflow (outflow) from:			
Operating activities	$ 6,809,480	$ 6,130,880	$ 3,859,757
Investing activities	7,980	(86,523)	(84,128)
Financing activities	(6,419,908)	(6,828,999)	(7,190,080)
Net cash inflow (outflow)	$ 397,552	$ (784,642)	$ (3,414,451)
Dividends paid to non-controlling interests of Ho-Ping Power Company	$ 1,774,472	$ 1,953,460	$ 1,999,461

14. INVESTMENTS ACCOUNTED FOR BY USING THE EQUITY METHOD

	December 31		
	2015	2016	2017
Investments in associates	$ 7,968,261	$ 7,444,947	$ 7,940,701
Investments in joint ventures	45,004	-	-
	$ 8,013,265	$ 7,444,947	$ 7,940,701

a. Investments in associates

	December 31		
	2015	2016	2017
Material associates			
Prosperity Conch Cement Company Limited	$ 3,489,126	$ 3,103,826	$ 3,612,349
Individually immaterial associates			
Yunnan Kungang & K. Wah Cement Construction Materials Co., Ltd.	1,639,841	1,529,975	1,638,323
Baoshan Kungang & K. Wah Cement Construction Materials Co., Ltd.	763,876	752,278	852,560
CCC USA Corporation	693,430	720,290	694,072
ONYX Ta-Ho Environmental Services Co., Ltd.	430,104	444,093	481,263
Quon Hing Concrete Co., Ltd.	367,114	292,066	288,911
Hong Kong Concrete Co., Ltd.	162,077	211,779	211,927
Chia Huan Tung Cement Corporation	233,457	219,588	91,581
Shih Hsin Storage & Transportation Co., Ltd.	179,120	161,118	63,018
Synpac Ltd.	10,116	9,934	6,697
Sichuan Taichang Building Material Group Company Limited	-	-	-
	$ 7,968,261	$ 7,444,947	$ 7,940,701

1) Material associates

	Proportion of Ownership		
	December 31		
	2015	2016	2017
Prosperity Conch Cement Company Limited	25.0%	25.0%	25.0%

Refer to Table 8 "Information on Investments in Mainland China" following the Notes to Consolidated Financial Statements for the nature of activities, principal place of business and country of incorporation of Prosperity Conch Cement Company Limited. The investment accounted for by using the equity method and the share of profit or loss and other comprehensive income (loss) of the investment for the years ended December 31, 2015, 2016 and 2017 was based on the associate's financial statements audited by the auditors for the same years.

Summarized financial information in respect of Prosperity Conch Cement Company Limited were as follows:

	December 31		
	2015	2016	2017
Current assets	$ 7,889,163	$ 6,876,835	$ 9,563,819
Non-current assets	8,228,713	7,823,814	7,220,948
Current liabilities	(1,405,425)	(1,586,799)	(1,650,113)
Non-current liabilities	(755,948)	(698,544)	(685,260)
Equity	$ 13,956,503	$ 12,415,306	$ 14,449,394
Proportion of the Group's ownership	25.0%	25.0%	25.0%
Carrying amount	$ 3,489,126	$ 3,103,826	$ 3,612,349

	For the Year Ended December 31		
	2015	2016	2017
Operating revenue	$ 6,112,815	$ 7,608,795	$ 9,595,223
Net income for the year	$ 948,705	$ 1,333,137	$ 2,347,343
Other comprehensive loss	(68,096)	(941,864)	(313,252)
Total comprehensive income for the year	$ 880,609	$ 391,273	$ 2,034,091

2) Aggregate information of individually immaterial associates

	Proportion of Ownership December 31		
	2015	2016	2017
Yunnan Kungang & K. Wah Cement Construction Materials Co., Ltd.	30.0%	30.0%	30.0%
Baoshan Kungang & K. Wah Cement Construction Materials Co., Ltd.	30.0%	30.0%	30.0%
CCC USA Corporation	33.3%	33.3%	33.3%
ONYX Ta-Ho Environmental Services Co., Ltd.	50.0%	50.0%	50.0%
Quon Hing Concrete Co., Ltd.	50.0%	50.0%	50.0%
Hong Kong Concrete Co., Ltd.	31.5%	31.5%	31.5%
Chia Huan Tung Cement Corporation	33.8%	33.8%	33.8%
Shih Hsin Storage & Transportation Co., Ltd.	18.9%	18.9%	18.9%
Synpac Ltd.	25.0%	25.0%	25.0%
Sichuan Taichang Building Material Group Company Limited	30.0%	30.0%	30.0%

	For the Year Ended December 31		
	2015	2016	2017
The Group's share of:			
Net income for the year	$ 505,403	$ 689,837	$ 684,275
Other comprehensive income (loss)	22,141	(262,976)	(113,008)
Total comprehensive income for the year	$ 527,544	$ 426,861	$ 571,267

The Group's percentage of ownership in Shih Hsin S&T Co., Ltd. is less than 20%, but the Group has significant influence and accounts for the investment by using the equity method.

The investments accounted for by using the equity method and the share of profit or loss and other comprehensive income (loss) of those investments for the years ended December 31, 2015, 2016 and 2017 were based on the associates' audited financial statements for the same years except Yunnan Kungang & K. Wah Cement Construction Materials Co., Ltd. and Baoshan Kungang & K. Wah Cement Construction Materials Co., Ltd. The Group considered that there would be no significant adjustments if such financial statements were to be audited.

b. Investments in joint ventures

Investment in joint ventures of the Group were as follows:

	December 31	
	2015	2016
Unlisted shares		
Guangan Xin Tai Construction Materials Company Limited	$ 45,004	$ -

The Group holds 50% of the issued share capital of Guangan Xin Tai Construction Materials Company Limited and the voting rights.

	For the Year Ended December 31	
	2015	2016
The Group's share of:		
Net loss for the year	$ (5,418)	$ (43,512)
Other comprehensive loss	(578)	(1,492)
Total comprehensive loss for the year	$ (5,996)	$ (45,004)

The investment accounted for by using the equity method and the share of profit or loss and other comprehensive income of the investment for the years ended December 31, 2015 and 2016 were based on the joint ventures' audited financial statements for the same years.

15. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Machinery and Equipment	Miscellaneous Equipment	Property in Construction	Total
Cost						
Balance at January 1, 2015	$ 20,792,683	$ 48,354,354	$ 99,250,242	$ 11,982,639	$ 4,953,142	$ 185,333,060
Additions	-	21,033	211,168	376,508	1,417,295	2,026,004
Disposals	(26,309)	(30,352)	(844,170)	(98,659)	(668)	(1,000,158)
Acquisitions through business combinations	-	5,545,981	4,560,306	192,994	319,168	10,618,449
Reclassification	-	683,862	1,422,358	(270,462)	(1,814,237)	21,521
Effects of exchange rate changes	-	(383,289)	(694,133)	74,472	(25,213)	(1,028,163)
Balance at December 31, 2015	$ 20,766,374	$ 54,191,589	$ 103,905,771	$ 12,257,492	$ 4,849,487	$ 195,970,713
Accumulated depreciation and impairment						
Balance at January 1, 2015	$ 279,917	$ 12,062,053	$ 55,237,193	$ 9,308,334	$ -	$ 76,887,497
Disposals	(5,729)	(9,212)	(759,073)	(93,076)	-	(867,090)
Depreciation expenses	-	1,494,052	4,816,175	685,908	-	6,996,135
Impairment losses	-	-	13,105	-	-	13,105
Reclassification	-	(134)	128,995	(128,861)	-	-
Effects of exchange rate changes	-	(106,108)	(308,092)	45,132	-	(369,068)
Balance at December 31, 2015	$ 274,188	$ 13,440,651	$ 59,128,303	$ 9,817,437	$ -	$ 82,660,579
Carrying amounts at December 31, 2015	$ 20,492,186	$ 40,750,938	$ 44,777,468	$ 2,440,055	$ 4,849,487	$ 113,310,134
Cost						
Balance at January 1, 2016	$ 20,766,374	$ 54,191,589	$ 103,905,771	$ 12,257,492	$ 4,849,487	$ 195,970,713
Additions	6,129	87,729	271,032	114,960	462,473	942,323
Disposals	-	(7,483)	(496,037)	(185,919)	-	(689,439)
Reclassification	(93,551)	138,676	51,412	13,276	(551,045)	(441,232)
Effects of exchange rate changes	-	(2,876,305)	(4,339,023)	(160,719)	(171,368)	(7,547,415)
Balance at December 31, 2016	$ 20,678,952	$ 51,534,206	$ 99,393,155	$ 12,039,090	$ 4,589,547	$ 188,234,950

(Continued)

	Land	Buildings	Machinery and Equipment	Miscellaneous Equipment	Property in Construction	Total
Accumulated depreciation and impairment						
Balance at January 1, 2016	$ 274,188	$ 13,440,651	$ 59,128,303	$ 9,817,437	$ -	$ 82,660,579
Disposals	-	(7,483)	(462,272)	(181,103)	-	(650,858)
Depreciation expenses	-	1,504,445	4,488,513	569,262	-	6,562,220
Impairment losses	-	293,586	180,622	1,983	31,951	508,142
Reclassification	-	(11,752)	-	-	-	(11,752)
Effects of exchange rate changes	-	(553,352)	(1,941,142)	(138,668)	15	(2,633,147)
Balance at December 31, 2016	$ 274,188	$ 14,666,095	$ 61,394,024	$ 10,068,911	$ 31,966	$ 86,435,184
Carrying amounts at December 31, 2016	$ 20,404,764	$ 36,868,111	$ 37,999,131	$ 1,970,179	$ 4,557,581	$ 101,799,766
Cost						
Balance at January 1, 2017	$ 20,678,952	$ 51,534,206	$ 99,393,155	$ 12,039,090	$ 4,589,547	$ 188,234,950
Additions	-	24,997	164,285	209,720	538,431	937,433
Disposals	(1,878)	(360,272)	(697,987)	(239,931)	-	(1,300,068)
Reclassification	(12,045)	40,921	178,064	342,224	(695,316)	(146,152)
Effects of exchange rate changes	-	(652,488)	(955,223)	(208,547)	(30,049)	(1,846,307)
Balance at December 31, 2017	$ 20,665,029	$ 50,587,364	$ 98,082,294	$ 12,142,556	$ 4,402,613	$ 185,879,856
Accumulated depreciation and impairment						
Balance at January 1, 2017	$ 274,188	$ 14,666,095	$ 61,394,024	$ 10,068,911	$ 31,966	$ 86,435,184
Disposals	-	(141,035)	(534,607)	(191,258)	-	(866,900)
Depreciation expenses	-	1,395,261	4,083,937	576,949	-	6,056,147
Impairment losses	-	5,922	32,903	-	55,797	94,622
Reclassification	-	(23)	(208,315)	208,338	-	-
Effects of exchange rate changes	-	(97,095)	(291,847)	(155,560)	(4,099)	(548,601)
Balance at December 31, 2017	$ 274,188	$ 15,829,125	$ 64,476,095	$ 10,507,380	$ 83,664	$ 91,170,452
Carrying amounts at December 31, 2017	$ 20,390,841	$ 34,758,239	$ 33,606,199	$ 1,635,176	$ 4,318,949	$ 94,709,404

(Concluded)

For the years ended December 31, 2015, 2016 and 2017, the Group recognized impairment losses of $13,105 thousand, $508,142 thousand and $94,622 thousand, respectively, because these assets were idle or suffered from natural disasters without value in use.

The above items of property, plant and equipment were depreciated on a straight-line basis over the estimated useful life of the asset:

Buildings	
Main buildings	30-60 years
Main plants	16-50 years
Storage units	10-50 years
Others	20-50 years
Machinery and equipment	2-28 years
Miscellaneous equipment	2-20 years

Property, plant and equipment pledged as collateral for bank borrowings, refer to Note 31.

Acquisitions of property, plant and equipment included non-cash items and were reconciled as follows:

	For the Year Ended December 31		
	2015	2016	2017
Acquisitions of property, plant and equipment	$ 2,026,004	$ 942,323	$ 937,433
Increase in prepayments for equipment	1,490,333	425,001	265,089
Decrease (increase) in payables for equipment	(789,361)	1,628,590	320,506
	$ 2,726,976	$ 2,995,914	$ 1,523,028

16. INVESTMENT PROPERTIES

	Land	Buildings	Total
Cost			
Balance at January 1, 2015	$ 6,362,434	$ 1,399,067	$ 7,761,501
Reclassification	(25,478)	-	(25,478)
Effects of exchange rate changes	-	1,057	1,057
Balance at December 31, 2015	$ 6,336,956	$ 1,400,124	$ 7,737,080
Accumulated depreciation and impairment			
Balance at January 1, 2015	$ 1,066,380	$ 673,825	$ 1,740,205
Depreciation expenses	-	25,543	25,543
Reclassification	(25,478)	-	(25,478)
Effects of exchange rate changes	-	274	274
Balance at December 31, 2015	$ 1,040,902	$ 699,642	$ 1,740,544
Carrying amounts at December 31, 2015	$ 5,296,054	$ 700,482	$ 5,996,536
Cost			
Balance at January 1, 2016	$ 6,336,956	$ 1,400,124	$ 7,737,080
Additions	-	568	568
Reclassification	93,551	19,948	113,499
Effects of exchange rate changes	-	(525)	(525)
Balance at December 31, 2016	$ 6,430,507	$ 1,420,115	$ 7,850,622
Accumulated depreciation and impairment			
Balance at January 1, 2016	$ 1,040,902	$ 699,642	$ 1,740,544
Depreciation expenses	-	25,406	25,406
Reclassification	-	11,752	11,752
Effects of exchange rate changes	-	(136)	(136)
Balance at December 31, 2016	$ 1,040,902	$ 736,664	$ 1,777,566
Carrying amounts at December 31, 2016	$ 5,389,605	$ 683,451	$ 6,073,056
Cost			
Balance at January 1, 2017	$ 6,430,507	$ 1,420,115	$ 7,850,622
Reclassification	368,544	-	368,544
Effects of exchange rate changes	-	(2,342)	(2,342)
Balance at December 31, 2017	$ 6,799,051	$ 1,417,773	$ 8,216,824

(Continued)

	Land	Buildings	Total
Accumulated depreciation and impairment			
Balance at January 1, 2017	$ 1,040,902	$ 736,664	$ 1,777,566
Depreciation expenses	-	24,407	24,407
Reclassification	40,685	-	40,685
Effects of exchange rate changes	-	(754)	(754)
Balance at December 31, 2017	$ 1,081,587	$ 760,317	$ 1,841,904
Carrying amounts at December 31, 2017	$ 5,717,464	$ 657,456	$ 6,374,920

(Concluded)

The buildings of the investment properties were depreciated over their estimated useful lives of 50 years, using the straight-line method.

As of December 31, 2015, 2016 and 2017, the fair values of investment properties were $11,157,619 thousand, $10,901,414 thousand and $14,853,688 thousand, respectively. The fair values of the investment properties were determined by independent qualified professional appraisers or the Group's management using market prices of similar properties.

The investment properties pledged as collateral for bank borrowings refer to Note 31.

17. INTANGIBLE ASSETS

	Goodwill	Operational Concession	Mining Rights	Others	Total
Cost					
Balance at January 1, 2015	$ 10,533,126	$ 7,683,851	$ 2,433,336	$ 876,463	$ 21,526,776
Additions	-	-	375,872	3,775	379,647
Acquisitions through business combinations	2,705,060	-	39,033	335,472	3,079,565
Reclassification	-	-	171,856	-	171,856
Effects of exchange rate changes	(103,250)	-	(28,095)	14,294	(117,051)
Balance at December 31, 2015	$ 13,134,936	$ 7,683,851	$ 2,992,002	$ 1,230,004	$ 25,040,793
Accumulated amortization and impairment					
Balance at January 1, 2015	$ -	$ 453,474	$ 786,387	$ 744,278	$ 1,984,139
Amortization expenses	-	151,157	168,875	77,448	397,480
Reclassification	-	-	51,645	-	51,645
Effects of exchange rate changes	-	-	(7,910)	7,887	(23)
Balance at December 31, 2015	$ -	$ 604,631	$ 998,997	$ 829,613	$ 2,433,241
Carrying amounts at December 31, 2015	$ 13,134,936	$ 7,079,220	$ 1,993,005	$ 400,391	$ 22,607,552
Cost					
Balance at January 1, 2016	$ 13,134,936	$ 7,683,851	$ 2,992,002	$ 1,230,004	$ 25,040,793
Additions	-	-	75,680	3,718	79,398
Decreases	-	(2,375)	-	-	(2,375)
Effects of exchange rate changes	(943,003)	-	(208,631)	(30,003)	(1,181,637)
Balance at December 31, 2016	$ 12,191,933	$ 7,681,476	$ 2,859,051	$ 1,203,719	$ 23,936,179

(Continued)

	Goodwill	Operational Concession	Mining Rights	Others	Total
Accumulated amortization and impairment					
Balance at January 1, 2016	$ -	$ 604,631	$ 998,997	$ 829,613	$ 2,433,241
Amortization expenses	-	151,145	153,150	98,626	402,921
Decreases	-	(221)	-	-	(221)
Effects of exchange rate changes	-	-	(66,012)	(9,032)	(75,044)
Balance at December 31, 2016	$ -	$ 755,555	$ 1,086,135	$ 919,207	$ 2,760,897
Carrying amounts at December 31, 2016	$ 12,191,933	$ 6,925,921	$ 1,772,916	$ 284,512	$ 21,175,282
Cost					
Balance at January 1, 2017	$ 12,191,933	$ 7,681,476	$ 2,859,051	$ 1,203,719	$ 23,936,179
Additions	-	-	280,878	10,333	291,211
Impairment losses	(156,000)	-	-	-	(156,000)
Reclassification	-	-	118,411	-	118,411
Effects of exchange rate changes	(158,976)	-	(43,239)	(24,259)	(226,474)
Balance at December 31, 2017	$ 11,876,957	$ 7,681,476	$ 3,215,101	$ 1,189,793	$ 23,963,327
Accumulated amortization and impairment					
Balance at January 1, 2017	$ -	$ 755,555	$ 1,086,135	$ 919,207	$ 2,760,897
Amortization expenses	-	151,111	138,372	93,756	383,239
Effects of exchange rate changes	-	-	(14,446)	(18,987)	(33,433)
Balance at December 31, 2017	$ -	$ 906,666	$ 1,210,061	$ 993,976	$ 3,110,703
Carrying amounts at December 31, 2017	$ 11,876,957	$ 6,774,810	$ 2,005,040	$ 195,817	$ 20,852,624

(Concluded)

The above items of intangible assets with finite useful lives are amortized on a straight-line basis over their useful lives as follows:

Operational concession	50 years
Mining rights	30-50 years
Others	3-17 years

The Group used a discount rate of 9.3% to assess the recoverable amount of subsidiaries in 2017 and recognized impairment losses of $156,000 thousand.

The intangible assets pledged as collateral for bank borrowings are set out in Note 31.

18. PREPAYMENTS FOR LEASES

	December 31		
	2015	2016	2017
Current (included in prepayments)	$ 238,871	$ 217,214	$ 217,031
Non-current	7,698,950	6,934,059	6,833,745
	$ 7,937,821	$ 7,151,273	$ 7,050,776

The above prepayments for leases are land use rights in China. Prepayments for leases pledged as collateral for bank borrowings are set out in Note 31.

19. BORROWINGS

a. Short-term loans

	December 31		
	2015	2016	2017
Secured borrowings			
Bank loans	$ 12,295,167	$ 150,000	$ 270,000
Unsecured borrowings			
Bank loans - unsecured	9,897,573	20,245,767	19,149,645
Bank loans - letters of credit	132,649	239,557	894,467
	10,030,222	20,485,324	20,044,112
	$ 22,325,389	$ 20,635,324	$ 20,314,112
Interest rate	0.74%-8.10%	0.82%-4.35%	0.81%-4.35%

b. Short-term bills payable

	December 31		
	2015	2016	2017
Commercial paper	$ 6,167,000	$ 5,930,000	$ 8,000,000
Less: Unamortized discount on bills payable	7,220	8,482	8,583
	$ 6,159,780	$ 5,921,518	$ 7,991,417
Interest rate	1.06%-1.50%	0.63%-1.27%	0.65%-2.04%

c. Long-term loans

	December 31		
	2015	2016	2017
Secured borrowings	$ 59,604,442	$ 7,775,503	$ 5,101,655
Unsecured borrowings	17,515,368	53,730,506	52,303,555
	77,119,810	61,506,009	57,405,210
Less: Current portions	19,133,616	8,163,950	13,910,242
	$ 57,986,194	$ 53,342,059	$ 43,494,968
Interest rate	1.23%-2.71%	1.18%-2.90%	1.29%-3.40%

Long-term loans consist of unsecured borrowings, secured borrowings and earmarked loans. The principals of long-term unsecured and secured borrowings are due in December 2021, and the interests are paid monthly. The principals of earmarked loans are due in September 2021, and the interests are paid monthly, quarterly, or semiannually.

To repay loans and provide working capital, the Corporation entered into a 5-year syndicated loan agreement with a bank consortium with a credit line of $43 billion in March 2018.

20. OTHER PAYABLES

	December 31		
	2015	2016	2017
Salaries and bonuses payable	$ 1,096,562	$ 1,134,697	$ 1,438,523
Taxes payable	450,604	748,023	1,133,230
Payables for equipment	3,105,593	1,432,129	1,029,027
Deposits and retention money	742,946	745,642	728,009
Payables for electricity	381,238	374,268	289,016
Fines payable	264,000	264,000	264,000
Freight payables	324,360	150,637	226,334
Others	2,570,357	2,883,461	3,731,269
	$ 8,935,660	$ 7,732,857	$ 8,839,408

21. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

The employees of the Corporation's subsidiaries in China are members of a state-managed retirement benefit plan operated by the government of China. These subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

b. Defined benefit plan

The defined benefit plan adopted by the Corporation and its subsidiaries in the Republic of China, which is in accordance with the Labor Standards Law, is operated by the government. 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 a specified percentage 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. 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 were as follows:

	December 31		
	2015	2016	2017
Present value of defined benefit obligation	$ (1,383,405)	$ (1,229,261)	$ (1,125,032)
Fair value of plan assets	1,547,715	1,872,548	1,810,972
	$ 164,310	$ 643,287	$ 685,940
Net defined benefit asset	$ 451,548	$ 827,402	$ 897,637
Net defined benefit liability	$ 287,238	$ 184,115	$ 211,697

Movements in net defined benefit asset were as follows:

	Present Value of Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Asset
Balance at January 1, 2015	$ (1,487,223)	$ 2,267,589	$ 780,366
Service costs			
Current service costs	(17,091)	-	(17,091)
Net interest income (expense)	(26,301)	40,347	14,046
Recognized in profit or loss	(43,392)	40,347	(3,045)
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(588,635)	(588,635)
Actuarial loss - changes in demographic assumptions	(11,635)	-	(11,635)
Actuarial loss - changes in financial assumptions	(42,337)	-	(42,337)
Actuarial loss - experience adjustments	(10,225)	-	(10,225)
Recognized in other comprehensive income	(64,197)	(588,635)	(652,832)
Contributions from the employer	-	30,034	30,034
Benefits paid	211,407	(201,620)	9,787
Balance at January 1, 2016	(1,383,405)	1,547,715	164,310
Service costs			
Current service costs	(14,824)	-	(14,824)
Net interest income (expense)	(19,416)	21,463	2,047
Recognized in profit or loss	(34,240)	21,463	(12,777)
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	373,790	373,790
Actuarial loss - changes in demographic assumptions	(3,181)	-	(3,181)
Actuarial loss - changes in financial assumptions	(17,691)	-	(17,691)
Actuarial gain - experience adjustments	32,451	-	32,451
Recognized in other comprehensive income	11,579	373,790	385,369
Contributions from the employer	-	100,550	100,550
Benefits paid	176,805	(170,970)	5,835
Balance at December 31, 2016	(1,229,261)	1,872,548	643,287
Service costs			
Current service costs	(13,375)	-	(13,375)
Net interest income (expense)	(15,631)	23,819	8,188
Recognized in profit or loss	(29,006)	23,819	(5,187)
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	56,824	56,824
Actuarial loss - changes in demographic assumptions	(7,076)	-	(7,076)
Actuarial loss - changes in financial assumptions	(14,493)	-	(14,493)
Actuarial loss - experience adjustments	(23,022)	-	(23,022)
Recognized in other comprehensive income (loss)	(44,591)	56,824	12,233

(Continued)

	Present Value of Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Asset
Contributions from the employer	$ -	$ 33,350	$ 33,350
Benefits paid	177,826	(175,569)	2,257
Balance at December 31, 2017	$ (1,125,032)	$ 1,810,972	$ 685,940

(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 salaries of the plan participants will increase the present value of the defined benefit obligation.

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

	December 31		
	2015	2016	2017
Discount rates	1.25%-2.00%	1.13%-1.38%	1.00%-1.63%
Long-term average rates of salary increase	1.50%-2.25%	1.50%-2.25%	1.50%-2.25%

If possible reasonable change 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:

	December 31		
	2015	2016	2017
Discount rates			
0.25% increase	$ (28,946)	$ (26,836)	$ (25,385)
0.25% decrease	$ 30,007	$ 27,754	$ 26,281
Expected rates of salary increase			
0.25% increase	$ 29,229	$ 26,738	$ 25,537
0.25% decrease	$ (28,340)	$ (25,988)	$ (24,795)

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 the changes in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31		
	2015	2016	2017
The expected contributions to the plan for the next year	$ 19,090	$ 46,345	$ 15,290
The average duration of the defined benefit obligation	7.2-18 years	7-18 years	7-15 years

22. EQUITY

a. Ordinary shares

	December 31		
	2015	2016	2017
Number of shares authorized (in thousands)	6,000,000	6,000,000	6,000,000
Shares authorized	$ 60,000,000	$ 60,000,000	$ 60,000,000
Number of shares issued and fully paid (in thousands)	3,692,176	3,692,176	4,246,509
Shares issued	$ 36,921,759	$ 36,921,759	$ 42,465,090

A holder of issued ordinary shares with par value of NT$10 is entitled to the proportional rights to vote and to dividends.

For the year ended December 31, 2017, the shares increased due to the issuance of ordinary shares.

According to the laws of Hong Kong and the Cayman Islands, the Corporation and its subsidiary, TCCI, contemplated privatizing TCCIH by a Scheme of Arrangement under the Companies Law of the Cayman Islands. On October 18, 2017, the Corporation's board of directors resolved to issue 554,333 thousand ordinary shares to acquire part of TCCIH's shares with a par value of $10, which increased the share capital issued and fully paid to $42,465,090 thousand. On November 6, 2017, the above transaction was approved by the FSC.

The Corporation's board of directors resolved to repurchase 6,000 thousand ordinary shares in February 2018 for the purpose of transfer to employees. As of March 31, 2018 were authorized, the repurchase of ordinary shares was completed at an average price of $36.36 per share. Under the Securities and Exchange Act, the Corporation shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as rights to receive dividends and to vote.

b. Capital surplus

	December 31		
	2015	2016	2017
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)			
Issuance of shares	$ 10,435,775	$ 10,435,775	$ 23,863,105
Conversion of bonds	1,520,632	1,520,632	1,520,632
Difference between the consideration and the carrying amount of subsidiaries' net assets during actual acquisitions or disposals	-	1,224,547	-
Treasury share transactions	194,598	194,598	194,598
Donations	31,537	31,537	31,537
May only be used to offset a deficit (2)			
Changes in percentage of ownership interests in subsidiaries	116,238	116,238	116,238
Forfeited share options	10,315	10,315	10,315
Dividends distributed by subsidiaries not yet received by shareholders		-	2,120
May not be used for any purpose			
Changes in interests in associates accounted for by using the equity method	520	520	520
	$ 12,309,615	$ 13,534,162	$ 25,739,065

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

2) Such capital surplus arises from the effect of changes in ownership interest in a subsidiary resulting from equity transactions, other than actual disposals or acquisitions, or from changes in capital surplus of subsidiaries accounted for by using the equity method.

c. Retained earnings and dividend policy

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees. The shareholders held their general meeting in June 2016 and, in that meeting, resolved amendments to the Corporation's Articles of Incorporation (the "Articles"), particularly the amendment to the policy on dividend distribution and the addition of the policy on the distribution of employees' compensation.

Under the dividend policy as set forth in the amended Articles, where the Corporation made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a 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 Corporation's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' general meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors after amendment, refer to "Employee benefits expense" in Note 23b.

In addition to the capital-intensive, mature and stable production and marketing of cement and cement-related products, the Corporation aggressively pursues diversification. For the development of diversified investments or other important capital budgeting plans, the Corporation decided that the payout ratio of cash dividend is to be at least 20% of the total dividends to be distributed to ordinary shareholders; the rest will be paid in share dividends.

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

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

Except for non-ROC resident shareholders, all shareholders receiving dividends are allowed a tax credit equal to their proportionate share of the income tax paid by the Corporation.

The appropriations of earnings for 2014, 2015 and 2016 approved in the shareholders' general meetings in June 2015, 2016 and 2017, respectively, were as follows:

	Appropriation of Earnings			Dividend Per Share (Dollars)		
	For the Year Ended December 31			For the Year Ended December 31		
	2014	2015	2016	2014	2015	2016
Legal reserve	$ 1,082,887	$ 577,599	$ 635,845			
Cash dividends	9,193,518	4,910,594	5,353,655	$2.49	$1.33	$1.45

As of March 28, 2018, the distribution of 2017 earnings had not been approved by the board of directors. The information on the distribution of earnings will be available at the Market Observation Post System website of the Taiwan Stock Exchange.

d. Special reserve

The Corporation appropriated to special reserve the amounts that were the same as the unrealized revaluation increment and cumulative translation adjustments transferred to retained earnings at the first-time adoption of IFRSs, which were $10,454,422 thousand and $2,709,369 thousand, respectively.

The special reserve appropriated at the first-time adoption of IFRSs relating to investment in properties other than land may be reversed according to the period of use. The special reserve relating to land may be reversed upon disposal or reclassification, and such special reserve of $159 thousand, $11 thousand and $849 thousand was reversed for the years ended December 31, 2015, 2016 and 2017, respectively. The special reserve appropriated, due to currency translation adjustments for financial statements of foreign operations (including subsidiaries), shall be reversed based on the Corporation's disposal percentage, and all of the special reserve shall be reversed when the Corporation loses significant influence. There was no such reversal during the years ended December 31, 2015, 2016 and 2017.

e. Other equity items

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

	For the Year Ended December 31		
	2015	2016	2017
Balance at January 1	$ 3,226,509	$ 2,239,093	$ (2,233,617)
Exchange differences on translating foreign operations	(1,002,059)	(4,177,791)	1,487,776
Related income tax	-	-	(1,861)
Share of exchange differences of associates and joint ventures accounted for by using the equity method	14,643	(294,919)	(42,773)
Balance at December 31	$ 2,239,093	$ (2,233,617)	$ (790,475)

2) Unrealized gain (loss) on available-for-sale financial assets

	For the Year Ended December 31		
	2015	2016	2017
Balance at January 1	$ 16,042,717	$ 10,993,974	$ 11,200,323
Unrealized gain (loss) arising on revaluation of available-for-sale financial assets	(5,099,994)	206,776	8,716,880
Reclassification of impairment arising from available-for-sale financial assets	51,296	-	-
Cumulative gain reclassified to profit (loss) on disposal of available-for-sale financial assets	(137)	(382)	325
Share of unrealized gain (loss) on revaluation of available-for-sale financial assets of associates and joint ventures accounted for by using the equity method	92	(45)	(2,514)
Balance at December 31	$ 10,993,974	$ 11,200,323	$ 19,915,014

3) Cash flow hedges

	For the Year Ended December 31		
	2015	2016	2017
Balance at January 1	$ 12,130	$ 5,487	$ 7,900
Changes in fair value of hedging instruments - foreign exchange forward contracts	(8,598)	(7,469)	(12,169)
Reclassified gain from expiration of hedging instruments - foreign exchange forward contracts	1,955	9,882	4,269
Balance at December 31	$ 5,487	$ 7,900	$ -

f. Non-controlling interests

	For the Year Ended December 31		
	2015	2016	2017
Balance at January 1	$ 44,058,811	$ 47,441,267	$ 40,628,620
Attributable to non-controlling interests:			
Share of profit for the year	1,149,637	2,483,623	2,728,553
Exchange differences arising on translation of foreign operations	(826,218)	(2,877,249)	(130,212)
Unrealized gain (loss) on available-for-sale financial assets	(92,506)	37,007	98,221
Changes in cash flow hedges	(4,428)	1,609	(5,267)
Share of other comprehensive loss of associates and joint ventures accounted for by using the equity method	(8,720)	(198,777)	(149,478)
Changes in ownership interests of subsidiaries	-	-	389
Cumulative loss reclassified to profit or loss on disposal of available-for-sale financial assets	-	(20)	(22)
Remeasurement of defined benefit plan	(3,729)	(2,945)	(18,035)
Partial disposals of interests in subsidiaries or acquisitions of non-controlling interests in subsidiaries	-	(2,732,057)	(25,960,152)
Dividends paid by subsidiaries	(2,769,710)	(2,299,291)	(2,258,975)
Capital increase in cash to subsidiaries	6,022,723	-	-
Changes in percentage ownership in subsidiaries	(84,007)	(1,224,547)	1,814,785
Others	(586)	-	(449,415)
Balance at December 31	$ 47,441,267	$ 40,628,620	$ 16,299,012

23. NET INCOME

Net income includes the following items:

a. Depreciation and amortization

	For the Year Ended December 31		
	2015	2016	2017
Property, plant and equipment	$ 6,996,135	$ 6,562,220	$ 6,056,147
Investment properties	25,543	25,406	24,407
Intangible assets	397,480	402,921	383,239
	$ 7,419,158	$ 6,990,547	$ 6,463,793
An analysis of depreciation by function			
Operating costs	$ 6,610,339	$ 6,161,338	$ 5,731,491
Operating expenses	405,207	422,373	345,395
Non-operating expenses	6,132	3,915	3,668
	$ 7,021,678	$ 6,587,626	$ 6,080,554

(Continued)

	For the Year Ended December 31		
	2015	2016	2017
An analysis of amortization by function			
Operating costs	$ 363,831	$ 347,442	$ 332,084
Operating expenses	33,649	55,479	51,155
	$ 397,480	$ 402,921	$ 383,239

(Concluded)

b. Employee benefits expense

	For the Year Ended December 31		
	2015	2016	2017
Retirement benefit plans			
Defined contribution plans	$ 368,117	$ 397,109	$ 351,663
Defined benefit plan	3,045	12,777	5,187
	371,162	409,886	356,850
Other employee benefits	4,861,982	4,828,943	4,751,784
	$ 5,233,144	$ 5,238,829	$ 5,108,634
An analysis of employee benefits expense by function			
Operating costs	$ 3,629,326	$ 3,669,757	$ 3,384,360
Operating expenses	1,603,818	1,569,072	1,724,274
	$ 5,233,144	$ 5,238,829	$ 5,108,634

The Corporation accrued employees' compensation and remuneration of directors at the rates of 0.01%-3% and no higher than 1%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. The employee's compensation and remuneration of directors for the year ended December 31, 2015, which were approved by the Corporation's board of directors in March 2016, were $28,834 thousand and $50,517 thousand, respectively. The employees' compensation and remuneration of directors for the year ended December 31, 2016, which were approved by the Corporation's board of directors in March 2017, were $37,114 thousand and $55,680 thousand, respectively. The total amount of employees' compensation and remuneration of directors for the year ended December 31, 2017 is estimated to be $90,204 thousand.

For the year ended December 31, 2017, if there is a change in the amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

There was no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2015 and 2016.

Information on the employees' compensation and remuneration of directors resolved by the Corporation's board of directors will be available at the Market Observation Post System website of the Taiwan Stock Exchange.

c. Finance costs

	For the Year Ended December 31		
	2015	2016	2017
Interest on bank borrowings	$ 1,710,690	$ 1,749,047	$ 1,744,478
Other finance costs	163,049	167,790	178,831
	$ 1,873,739	$ 1,916,837	$ 1,923,309

Information about capitalized interest was as follows:

	For the Year Ended December 31		
	2015	2016	2017
Capitalization amount of interest	$ 12,255	$ 7,543	$ 11,081
Capitalization rate of interest	1.58%-1.97%	1.58%-1.66%	0.62%-1.58%

d. Other income

	For the Year Ended December 31		
	2015	2016	2017
Government grants	$ 233,545	$ 217,788	$ 117,263
Net gain of financial asset or financial liability at fair value through profit	-	367,641	-
Reversal of impairment loss on financial assets	186,035	-	-
Others	402,582	342,997	511,210
	$ 822,162	$ 928,426	$ 628,473

e. Other expenses

	For the Year Ended December 31		
	2015	2016	2017
Net loss of financial asset or financial liability at fair value through profit	$ 1,114	$ -	$ 103,169
Loss on disposal of property, plant and equipment	37,513	34,476	196,894
Loss on work stoppages	65,237	190,256	142,854
Others	343,851	248,499	112,273
	$ 447,715	$ 473,231	$ 555,190

24. INCOME TAX

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

	For the Year Ended December 31		
	2015	2016	2017
Current tax			
In respect of the current year	$ 2,150,308	$ 2,513,061	$ 3,066,731
Income tax on unappropriated earnings	52,956	4,138	74,323
Adjustments for prior years	(186,367)	(21,198)	35,544
	2,016,897	2,496,001	3,176,598
Deferred tax	(276,508)	177,259	325,261
Income tax expense recognized in profit or loss	$ 1,740,389	$ 2,673,260	$ 3,501,859

A reconciliation of income before income tax and income tax expense recognized in profit or loss was as follows:

	For the Year Ended December 31		
	2015	2016	2017
Income before tax	$ 8,666,015	$ 11,515,335	$ 13,824,659
Income tax expense at the statutory rate	$ 1,473,222	$ 1,957,607	$ 2,350,192
Non-deductible expenses in determining taxable income	239,538	555,512	506,345
Tax-exempt income	(523,097)	(550,505)	(630,218)
Unrecognized loss carryforwards and deductible temporary differences	508,821	444,695	476,524
Loss carryforwards utilized in the current year	(28,203)	(6,139)	(75,624)
Effects of different tax rate of subsidiaries operating in other jurisdictions	31,785	18,404	634,296
Land value increment tax	(118,566)	-	-
Income tax on unappropriated earnings	52,956	4,138	74,323
Adjustments for prior years	(186,367)	(21,198)	35,128
Others	290,300	270,746	130,893
Income tax expense recognized in profit or loss	$ 1,740,389	$ 2,673,260	$ 3,501,859

The applicable corporate income tax rate used by the group entities in the ROC is 17%, while the applicable tax rate used by subsidiaries in China is 25%. Tax rates used by other group entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

In February 2018, it was announced by the President of the ROC that the Income Tax Act in the ROC was amended and, starting from 2018, the corporate income tax rate will be adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%. Deferred tax assets and deferred tax liabilities recognized as at December 31, 2017 are expected to be adjusted and increase by $79,900 thousand and $719,932 thousand, respectively, in 2018.

As the status of the 2018 appropriation of earnings is uncertain, the potential income tax consequences of the 2017 unappropriated earnings are not reliably determinable.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31		
	2015	2016	2017
Deferred tax in the current year			
Remeasurement on defined benefit plan	$ (110,938)	$ 65,512	$ 2,080
Translation of foreign operations	-	-	1,861
	$ (110,938)	$ 65,512	$ 3,941

c. Current tax assets and liabilities

	December 31		
	2015	2016	2017
Current tax assets			
Tax refund receivable (included in other receivables)	$ 235,090	$ 485,305	$ 443,340
Current tax liabilities			
Current income tax liabilities	$ 1,214,642	$ 1,324,329	$ 1,651,042

d. Deferred income tax assets and liabilities

The movements of deferred income tax assets (included in other non-current assets) and deferred income tax liabilities were as follows:

For the year ended December 31, 2015

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Others	Exchange Differences	Closing Balance
Deferred income tax assets						
Loss carryforwards	$ 223,747	$ 396,776	$ -	$ -	$ (1,970)	$ 618,553
Allowance for impaired receivables	-	(13,017)	-	22,119	(1,311)	7,791
Defined benefit plan	63,081	(3,476)	3,590	-	-	63,195
Inventories	96,144	30,920	-	-	-	127,064
Others	320,052	(52,435)	-	-	(446)	267,171
	$ 703,024	$ 358,768	$ 3,590	$ 22,119	$ (3,727)	$ 1,083,774
Deferred income tax liabilities						
Land value increment tax	$ 5,223,856	$ (118,566)	$ -	$ (12,317)	$ -	$ 5,092,973
Finance leases	2,418,074	147,583	-	-	-	2,565,657
Property, plant and equipment	1,226,835	(34,555)	-	364,713	2,118	1,559,111
Retained earnings from foreign subsidiaries	1,037,543	85,441	-	(139,604)	177	983,557
Defined benefit plan	163,221	1,383	(107,348)	-	-	57,256
Others	9,116	974	-	-	(84)	10,006
	$ 10,078,645	$ 82,260	$ (107,348)	$ 212,792	$ 2,211	$ 10,268,560

For the year ended December 31, 2016

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Others	Exchange Differences	Closing Balance
Deferred income tax assets						
Loss carryforwards	$ 618,553	$ (82,359)	$ -	$ -	$ (21,921)	$ 514,273
Allowance for impaired receivables	7,791	10,550	-	-	(817)	17,524
Defined benefit plan	63,195	(28,850)	(943)	-	-	33,402
Inventories	127,064	6,122	-	-	(4,797)	128,389
Others	267,171	(30,636)	-	-	(14,621)	221,914
	$ 1,083,774	$ (125,173)	$ (943)	$ -	$ (42,156)	$ 915,502
Deferred income tax liabilities						
Land value increment tax	$ 5,092,973	$ -	$ -	$ -	$ -	$ 5,092,973
Finance leases	2,565,657	93,732	-	-	-	2,659,389
Property, plant and equipment	1,559,111	(143,181)	-	-	(90,189)	1,325,741
Retained earnings from foreign subsidiaries	983,557	104,453	-	(76,559)	(4,499)	1,006,952
Defined benefit plan	57,256	(1,050)	64,569	-	-	120,775
Others	10,006	(1,868)	-	-	(1)	8,137
	$ 10,268,560	$ 52,086	$ 64,569	$ (76,559)	$ (94,689)	$ 10,213,967

For the year ended December 31, 2017

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Others	Exchange Differences	Closing Balance
Deferred income tax assets						
Loss carryforwards	$ 514,273	$ (213,146)	$ -	$ -	$ (7,592)	$ 293,535
Allowance for impaired receivables	17,524	10,045	-	-	(127)	27,442
Defined benefit plan	33,402	7,042	9,892	-	-	50,336
Inventories	128,389	(2,312)	-	-	(1,127)	124,950
Others	221,914	110,906	-	-	(982)	331,838
	$ 915,502	$ (87,465)	$ 9,892	$ -	$ (9,828)	$ 828,101
Deferred income tax liabilities						
Land value increment tax	$ 5,092,973	$ -	$ -	$ -	$ -	$ 5,092,973
Finance leases	2,659,389	115,577	-	-	-	2,774,966
Property, plant and equipment	1,325,741	(25,293)	-	-	(15,814)	1,284,634
Retained earnings from foreign subsidiaries	1,006,952	146,205	1,861	(29,504)	(22,504)	1,103,010
Defined benefit plan	120,775	688	11,972	-	-	133,435
Others	8,137	619	-	-	2	8,758
	$ 10,213,967	$ 237,796	$ 13,833	$ (29,504)	$ (38,316)	$ 10,397,776

e. Unrecognized deferred income tax assets in respect of loss carryforwards

	December 31		
	2015	2016	2017
Loss carryforwards			
Expire in 2016	$ 110,010	$ -	$ -
Expire in 2017	212,143	211,686	-
Expire in 2018	621,564	625,564	751,114
Expire in 2019	1,642,094	1,531,826	1,274,833
Expire in 2020	2,875,648	3,041,368	3,519,743
Expire in 2021	253,691	1,315,285	1,273,222
Expire in 2022	720,345	720,688	1,171,098
Expire in 2023	915,452	914,780	792,691
Expire in 2024	567,441	567,440	566,145
Expire in 2025	613,229	1,047,558	1,047,548

(Continued)

	December 31		
	2015	2016	2017
Expire in 2026	$ -	$ 71,572	$ 71,204
Expire in 2027	-	-	411,744
	$ 8,531,617	$ 10,047,767	$ 10,879,342

(Concluded)

f. Unused loss carryforwards information

Loss carryforwards as of December 31, 2017 were comprised of:

Unused Amount	Expiry Year
$ 751,114	2018
1,274,833	2019
3,742,055	2020
1,278,779	2021
1,171,098	2022
825,932	2023
566,145	2024
2,023,187	2025
463,954	2026
412,513	2027
$ 12,509,610	

g. Unrecognized deferred income tax liabilities in respect of investments

As of December 31, 2015, 2016 and 2017, the taxable temporary differences in respect of investments in subsidiaries and associates for which no deferred income tax liabilities have been recognized were $48,943,047 thousand, $50,296,499 thousand and $60,043,392 thousand, respectively.

h. Integrated income tax information

	December 31		
	2015	2016	2017
Unappropriated earnings			
Generated before January 1, 1998	$ 38,366	$ 38,366	$ 38,366
Generated on and after January 1, 1998	19,672,531	20,859,410	21,906,400
	$ 19,710,897	$ 20,897,776	$ 21,944,766
			(Note)
Shareholder-imputed credit accounts	$ 1,396,681	$ 1,702,678	$ 1,682,466
			(Note)

	For the Year Ended December 31		
	2015	2016	2017
Creditable ratio for distribution of earnings	10.57%	10.86%	(Note)

Note: Since the amended Income Tax Act announced in February 2018 abolished the imputation tax system, the related information for 2017 is not applicable.

i. Income tax assessments

The information of income tax assessments for the Group is as follows:

Year	Name of Group Entity
2014	Taiwan Cement Corporation
2015	Taiwan Cement Engineering Corporation, TCC Chemical Corporation, TCC Information Systems Corporation, Taiwan Prosperity Chemical Corporation, Tung Chen Mineral Corporation, Jin Chang Minerals Corporation, Hoping Industrial Port Corporation, Ta-Ho Onyx Taitung Environment Co., Ltd., HPC Power Service Corporation, E.G.C. Cement Corporation, Kuan-Ho Refractories Industry Corporation, TCC Green Energy Corporation, Ta-Ho Maritime Corporation, Taiwan Transport & Storage Corporation, Ho-Ping Power Company, Feng Sheng Enterprise Company
2016	Ta-Ho Onyx RSEA Environment Co., Ltd., Ho Sheng Mining Co., Ltd., Kuan-Ho Construction & Development Corporation, Union Cement Traders Inc., TCC Investment Corporation
2017	Ho Swen Construction Material Co., Ltd.

25. EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Year Ended December 31		
	2015	**2016**	**2017**
Basic earnings per share	$ 1.56	$ 1.72	$ 2.03
Diluted earnings per share	$ 1.56	$ 1.72	$ 2.03

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

	For the Year Ended December 31		
	2015	**2016**	**2017**
Profit for the year attributable to owners of the Corporation	$ 5,775,989	$ 6,358,452	$ 7,594,247
Number of shares (in thousands)			
Weighted average number of ordinary shares in computation of basic earnings per share	3,692,176	3,692,176	3,738,370
Effect of potentially dilutive ordinary shares: Employees' compensation	1,829	1,291	900
Weighted average number of ordinary shares used in the computation of diluted earnings per share	3,694,005	3,693,467	3,739,270

If the Corporation offered to settle compensation paid to employees in cash or shares, the Corporation assumed the entire amount of the compensation or bonus will be settled in shares, and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

26. BUSINESS COMBINATIONS

a. Subsidiaries acquired

	Principle Activity	Date of Acquisition	Proportion of Interest Acquired (%)	Consideration Transferred
TCC Huaying Cement Company Limited	Cement manufacture and sale	2015.1	100	$ 3,266,627
TCC Huaihua Cement Company Limited and its subsidiaries	Cement manufacture and sale of ready-mixed concrete	2015.5	100	5,801,051
				$ 9,067,678

In order to expand the cement and clinker business in China, the Group acquired the interests of TCC Huaying Cement Company Limited and TCC Huaihua Cement Company Limited and its subsidiaries (TCC Jingzhou Cement Company Limited and TCC Huaihua Concrete Company Limited) and completed the acquisition in January and May 2015, respectively.

b. Consideration transferred

	TCC Huaying Cement Company Limited	TCC Huaihua Cement Company Limited and Subsidiaries	Total
Cash	$ 3,266,627	$ 5,801,051	$ 9,067,678

c. Assets acquired and liabilities assumed at the dates of acquisitions

	TCC Huaying Cement Company Limited	TCC Huaihua Cement Company Limited and Subsidiaries	Total
Current assets			
Cash and cash equivalents	$ 69,289	$ 178,019	$ 247,308
Inventories	171,582	536,445	708,027
Accounts and other receivables	112,099	284,995	397,094
Prepayments	194,773	196,066	390,839
Other financial assets	-	544,777	544,777

(Continued)

	TCC Huaying Cement Company Limited	TCC Huaihua Cement Company Limited and Subsidiaries	Total
Non-current assets			
Property, plant and equipment	$ 3,981,022	$ 6,637,427	$ 10,618,449
Mining rights	5,122	33,911	39,033
Intangible assets	-	335,472	335,472
Long-term prepayments for leases	236,762	822,094	1,058,856
Deferred income tax assets	-	28,807	28,807
Other non-current assets	1,774	8,186	9,960
Current liabilities			
Bank borrowings	(1,453,397)	(984,058)	(2,437,455)
Accounts payable	(131,785)	(2,241,335)	(2,373,120)
Other payables	(119,344)	(2,356,686)	(2,476,030)
Other current liabilities	(22,699)	(159,824)	(182,523)
Non-current liabilities			
Long-term loans	-	(98,950)	(98,950)
Deferred income tax liabilities	(44,501)	(320,212)	(364,713)
Other non-current liabilities	-	(83,213)	(83,213)
	$ 3,000,697	$ 3,361,921	$ 6,362,618

(Concluded)

d. Goodwill arising on acquisitions

	TCC Huaying Cement Company Limited	TCC Huaihua Cement Company Limited and Subsidiaries	Total
Consideration transferred	$ 3,266,627	$ 5,801,051	$ 9,067,678
Less: Fair value of identifiable net assets acquired	(3,000,697)	(3,361,921)	(6,362,618)
Goodwill recognized on acquisitions	$ 265,930	$ 2,439,130	$ 2,705,060

Goodwill arose on the acquisition of the aforementioned entities because the cost of the combinations included a control premium. In addition, the consideration paid for the combinations effectively included amounts in relation to the benefits of expected synergies, revenue growth and future market development. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. The total amount of acquisition goodwill was not deductible for tax purposes.

e. Net cash outflow on acquisitions of subsidiaries

	TCC Huaying Cement Company Limited	TCC Huaihua Cement Company Limited and Subsidiaries	Total
Cash consideration	$ 3,266,627	$ 5,801,051	$ 9,067,678
Less: Cash and cash equivalent balances acquired	(69,289)	(178,019)	(247,308)
Prepayments for investments	(1,406,757)	(713,623)	(2,120,380)
Add: Effects of exchange rate changes	-	21,339	21,339
	$ 1,790,581	$ 4,930,748	$ 6,721,329

f. Impact of acquisitions on the results of the Group

The results of the acquirees since the acquisition dates included in the consolidated statements of comprehensive income were as follows:

	TCC Huaying Cement Company Limited	TCC Huaihua Cement Company Limited and Subsidiaries	Total
Operating revenue	$ 1,226,741	$ 1,923,767	$ 3,150,508
Loss for the period	$ (251,951)	$ (183,386)	$ (435,337)

27. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

2016

In September 2016, TCCI acquired shares of TCCIH, increasing its proportionate interest from 56.9% to 63.1%.

	TCCIH
Cash consideration	$ (2,732,057)
The proportionate share of the subsidiary's net assets' carrying amount transferred from non-controlling interests	3,956,604
Differences arising from equity transaction	$ 1,224,547

	TCCIH
Line items adjusted for equity transaction	
Capital surplus - difference between consideration paid and the carrying amount of subsidiaries' net assets during actual disposal or acquisition	$ 1,224,547

The above transactions were accounted for as equity transactions, since there was no change in the Group's control over these subsidiaries.

2017

According to the laws of Hong Kong and the Cayman Islands, the Corporation and its subsidiary, TCCI, contemplated privatizing TCCIH by a Scheme of Arrangement under the Companies Law of the Cayman Islands. On October 18, 2017, the Corporation's board of directors resolved to issue 554,333 thousand ordinary shares to acquire part of TCCIH's 1,319,841 thousand shares with a par value of NT$10, for a consideration of NT$18,970,661 thousand, excluding issuance costs, which increased the share capital issued and fully paid to $42,465,090 thousand. On November 6, 2017, the above transaction was approved by the FSC. TCCI acquired the residual portion of the shares of TCCIH in cash, increasing its proportionate interest from 63.1% to 75.9%.

In 2017, the Group disposed of a portion of its shares of Taiwan Prosperity Chemical Corporation decreasing its proportionate interest from 52.8% to 52.5%.

The above transactions were accounted for as equity transactions, since there was no change in the Group's control over these subsidiaries.

Investor	TCCI	Taiwan Cement Corporation	TCC Investment Corporation	
Investee	TCCIH	TCCIH	Taiwan Prosperity Chemical Corporation	Total
Cash consideration (paid) received	$ (7,006,408)	$	$ 16,917	$ (6,989,491)
Issuance of new shares for the acquisition of shares in subsidiaries	-	(18,970,661)	-	(18,970,661)
The proportionate share of the subsidiary's net assets' carrying amount transferred from (to) non-controlling interests	6,143,410	18,010,172	(8,215)	24,145,367
Differences arising from equity transactions	$ (862,998)	$ (960,489)	$ 8,702	$ (1,814,785)

Investor	TCCI	Taiwan Cement Corporation	TCC Investment Corporation	
Investee	TCCIH	TCCIH	Taiwan Prosperity Chemical Corporation	Total
Line items adjusted for equity transactions				
Capital surplus - difference between consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	$ (862,998)	$ (370,251)	$ 8,702	$ (1,224,547)
Retained earnings	-	(590,238)	-	(590,238)
	$ (862,998)	$ (960,489)	$ 8,702	$ (1,814,785)

	Amount
Cash consideration	$ (6,989,491)
Cost of privatization and issue of new shares	(228,195)
	$ (7,217,686)

28. CAPITAL MANAGEMENT

The Group needs to maintain sufficient capital to fulfill the Group's requirements of business expansion and construction. Therefore, the capital management of the Group shall focus on a comprehensive operational plan to ensure sound profitability and financial structure so as to fulfill the mid- and long-term demand of working capital, capital expenditures, debts repayment and dividend distributions.

29. FINANCIAL INSTRUMENTS

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

The consolidated financial statements included holdings in unlisted shares. The fair values of those unlisted shares estimated through valuation techniques would fluctuate with high volatility, and the management believes that their fair values cannot be reliably measured. Therefore, such investments were measured at cost less accumulated impairment.

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

1) Fair value hierarchy

December 31, 2015

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Mutual funds	$ 147,113	$ -	$ -	$ 147,113
Available-for-sale financial assets				
Domestic listed shares	$ 6,460,049	$ -	$ -	$ 6,460,049
Foreign listed shares	12,197,320	-	-	12,197,320
Domestic emerging market shares	546,719	-	-	546,719
Mutual funds	14,353	-	-	14,353
	$ 19,218,441	$ -	$ -	$ 19,218,441
Derivative financial assets for hedging				
Foreign exchange forward contracts	$ -	$ 9,145	$ -	$ 9,145

December 31, 2016

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Mutual funds	$ 146,841	$ -	$ -	$ 146,841
Derivative instrument - foreign exchange forward contracts	-	1,647	-	1,647
	$ 146,841	$ 1,647	$ -	$ 148,488
Available-for-sale financial assets				
Domestic listed shares	$ 7,338,337	$ -	$ -	$ 7,338,337
Foreign listed shares	11,833,605	-	-	11,833,605
Domestic emerging market shares	536,211	-	-	536,211
Mutual funds	19,395	-	-	19,395
	$ 19,277,548	$ -	$ -	$ 19,727,548
Derivative financial assets for hedging				
Foreign exchange forward contracts	$ -	$ 13,167	$ -	$ 13,167

December 31, 2017

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Mutual funds	$ 147,049	$ -	$ -	$ 147,049
Available-for-sale financial assets				
Domestic listed shares	$ 10,145,547	$ -	$ -	$ 10,145,547
Foreign listed shares	18,238,096	-	-	18,238,096
Domestic emerging market shares	89,037	-	-	89,037
Mutual funds	84,478	-	-	84,478
	$ 28,557,158	$ -	$ -	$ 28,557,158

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

2) Valuation techniques and inputs applied for the purpose of Level 2 fair value measurement

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

c. Categories of financial instruments

	December 31		
	2015	2016	2017
Financial assets			
Financial assets at FVTPL	$ 147,113	$ 148,488	$ 147,049
Derivative financial instruments in designated hedge accounting relationships	9,145	13,167	-
Loans and receivables (1)	96,901,417	83,540,447	88,120,239
Available-for-sale financial assets (2)	20,041,050	20,317,284	29,139,977
Financial liabilities			
Financial liabilities measured at amortized cost (3)	121,621,692	103,695,385	102,339,326

1) The balances include loans and receivables measured at amortized cost, which comprise cash and cash equivalents, notes and accounts receivable, other receivables, other financial assets and long-term finance lease receivables.

2) The balances include the carrying amount of available-for-sale financial assets carried at cost.

3) The balances include financial liabilities measured at amortized cost, which comprise short-term loans, short-term bills payable, notes and accounts payable, other payables and long-term loans (including current portion).

d. Financial risk management objectives and policies

The risk control and hedging strategy performed by the Group are affected by operation environments, and the Group adopts appropriate risk controls and hedging strategies according to its nature of business and risk diversification principles. These risks include market risk, credit risk and liquidity risk.

The Group sought to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The Group did not enter into or trade financial instruments for speculation.

1) Market risk

The Group's financial instruments were mainly comprised of mutual funds and listed shares, and these investments were subject to fluctuations in market prices. The Group has periodically evaluated the investment's performance, and no significant market risk was anticipated.

The Group entered into foreign exchange forward contracts to manage exposure to exchange rate fluctuations, including foreign currency risks of foreign-currency assets and liabilities and price fluctuation risks of forecasted transactions. Since the gain or loss generated from exchange rate fluctuations was mostly offset by the gains or losses of hedged items, the market price risk is expected to be insignificant.

a) Foreign currency risk

The foreign financial assets and liabilities were exposed to risk of foreign currency fluctuations. To lower foreign currency risk, the Group has established control mechanisms to immediately monitor it foreign currency position and exchange rate fluctuations.

To maximize the hedging effectiveness, the Group matched up the conditions of derivative instruments with those in the contracts of hedged items.

The carrying amounts of the significant monetary assets and liabilities not denominated in functional currency (including those eliminated on consolidation) at the end of the reporting period are set out in Note 33.

The Group was mainly exposed to the USD.

The following table details the Group's sensitivity to a 1% increase and decrease in the functional currency against the relevant foreign currencies. The sensitivity analysis included only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. A positive number below indicates an increase in after-tax profit or equity associated with the NTD/RMB/HKD strengthening 1% against the relevant currency.

	USD Impact			HKD Impact		
	For the Year Ended December 31			For the Year Ended December 31		
	2015	2016	2017	2015	2016	2017
NTD	$ (3,106)	$ (2,068)	$ 1,370			
RMB	$ 204,774	$ (19,098)	$ (9,741)	$ 5,708	$ 7,931	$ (3,864)
HKD	$ 204,754	$ 348,772	$ 366,295			

b) Interest rate risk

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

	December 31		
	2015	2016	2017
Cash flow interest rate risk			
Financial assets	$ 29,098,037	$ 17,730,116	$ 15,092,905
Financial liabilities	99,445,199	82,141,333	77,719,322

The interest risk was evaluated based on the position of financial assets and liabilities. The sensitivity analysis below was determined based on the Group's floating interest rate financial assets and liabilities at the end of the reporting period, and a 50-basis point increase or decrease was used, representing management's assessment of reasonably possible change in interest rates. The fair values of fixed interest rate financial assets and liabilities will change due to variances in market interest rates; the future cash flows of floating interest rate financial assets and financial liabilities will change due to variances in effective interest rates, which vary with market interest rates.

For the Group's position of floating interest rate financial assets, if interest rates had been 50 basis points higher/lower, the cash inflows from floating interest rate financial assets for the years ended December 31, 2015, 2016 and 2017 would increase/decrease by $120,757 thousand, $73,580 thousand and $62,636 thousand, respectively.

For the Group's position of floating interest rate financial liabilities, if interest rates had been 50 basis points higher/lower, the cash outflows from floating interest rate financial liabilities for the years ended December 31, 2015, 2016 and 2017 would increase/decrease by $412,698 thousand, $340,887 thousand and $322,535 thousand, respectively.

c) Other price risk

The Group was exposed to equity price risk through its investments in listed shares and emerging market shares. Equity investments are held for strategic rather than trading purposes. The Group does not actively trade these investments. Sensitivity analyses were used for evaluating the exposure to equity price risks.

The sensitivity analyses were based on the exposure of listed shares and emerging market shares at the end of the reporting period. If equity prices had been 5% higher/lower, other comprehensive income for the years ended December 31, 2015, 2016 and 2017 would increase/decrease by $960,204 thousand, $985,408 thousand and $1,423,634 thousand, respectively.

2) Credit risk

Potential impacts on financial assets would occur if the Group's counterparties breach financial instrument contracts, including impacts to the concentration of credit risk, components contractual amounts and other receivables.

As at the end of the reporting period, the Group's maximum exposure to credit risk, which would cause a financial loss to the Group due to the failure of counterparties to discharge an obligation, could arise from the carrying amounts of the respective recognized financial assets as stated in the balance sheets.

The Group transacted with a large number of customers from various industries and geographical locations.

The Group continuously assesses the operations and financial positions of customers and monitors the collectability of accounts receivable. The Group also required credit enhancements by bank guarantees or collateral for certain customers or in certain geographical locations.

The credit risk on liquid funds and derivatives was limited because the counterparties are banks with high credit ratings which were assigned by international credit-rating agencies.

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 facilities and ensures compliance with loan covenants. As of December 31, 2015, 2016 and 2017, the amount of unused financing facilities was $71,492,660 thousand, $66,943,374 thousand and $53,787,990 thousand, respectively.

The following table details the Group's remaining contractual maturity 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 outflows. 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 upon repayment dates.

December 31, 2015

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Non-derivative financial liabilities					
Non-interest bearing liabilities	$ 361,770	$ 13,983,943	$ 4,250,939	$ 698,348	$ 41,141
Variable interest rate liabilities	2,472,751	15,344,623	24,947,039	59,954,978	-
Fixed interest rate liabilities	100,000	5,887,000	180,000	-	-
	$ 2,934,521	$ 35,215,566	$ 29,377,978	$ 60,653,326	$ 41,141

December 31, 2016

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Non-derivative financial liabilities					
Non-interest bearing liabilities	$ 1,063,710	$ 14,197,236	$ 2,739,247	$ 439,094	$ 40,402
Variable interest rate liabilities	1,788,269	18,116,475	10,646,457	55,516,565	-
Fixed interest rate liabilities	705,000	5,225,000	-	-	-
	$ 3,556,979	$ 37,538,711	$ 13,385,704	$ 55,955,659	$ 40,402

December 31, 2017

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Non-derivative financial liabilities					
Non-interest bearing liabilities	$ 1,532,006	$15,322,363	$ 1,402,386	$ 175,479	$ 37,711
Variable interest rate liabilities	5,297,405	12,370,612	18,013,008	45,344,121	-
Fixed interest rate liabilities	2,110,000	4,000,000	1,890,000	-	-
	$ 8,939,411	$31,692,975	$ 21,305,394	$ 45,519,600	$ 37,711

30. TRANSACTIONS WITH RELATED PARTIES

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

a. Name of the related parties and relationship

Related Party	Relationship with the Group
Onyx Ta-Ho Waste Clearance Co., Ltd.	Associates
ONYX Ta-Ho Environmental Services Co., Ltd.	Associates
Shih Hsin Storage & Transportation Co., Ltd.	Associates
Quon Hing Concrete Co., Ltd.	Associates
Prosperity Conch Cement Company Limited	Associates
Yunnan Kungang & K. Wah Cement Construction Materials Co., Ltd.	Associates
Baoshan Kungang & K. Wah Cement Construction Materials Co., Ltd.	Associates
CCC USA Corp.	Associates

(Continued)

Related Party	Relationship with the Group
Chia Hsin R.M.C. Corp.	Management personnel in substance
The Koo Foundation	Management personnel in substance
Chia Hsin Cement Corporation	Management personnel in substance
Dongguan Jinli Cement Company Limited	Management personnel in substance
L'Hotel de Chine Corporation	Management personnel in substance
FDC International Hotels Corporation	Management personnel in substance
Goldsun Building Materials Co., Ltd.	Investors with significant influence over the Group
Top Form Construction Ltd.	Investors with significant influence over the Group
China Hi-Ment Corporation	The Group acts as key management personnel
Rong Gong Enterprise Co.	The Group acts as key management personnel
O-Bank	The Group acts as key management personnel
Pan Asia Corporation	The Group acts as key management personnel
Sole Energy Tech Corp. (dissolved and closed on June 30, 2017)	Same key management personnel
Synpac-Kingdom Pharmaceutical Co., Ltd. (China Synthetic Rubber's subsidiary, disposed of in November 2017)	Same key management personnel
China Synthetic Rubber Corporation	Same key management personnel
Zhong Xin Investment Co., Ltd.	Same key management personnel
E-ONE Moli Energy Corporation	Same key management personnel
Consolidated Resource Company	Same key management personnel
CSRC China Corporation	Same key management personnel
CSRC China (Anshan) Corporation	Same key management personnel
Chienten Temple	Same key management personnel
He Feng Investment Co., Ltd.	Same key management personnel
CSRC China (Chongqing) Corporation	Same key management personnel
Dr. Cecilia Koo Botanic Conservation and Environmental Protection Foundation	Same key management personnel
Continental Carbon India Ltd.	Same key management personnel
Guangan Xin Tai Construction Materials Company Limited	Joint ventures

(Concluded)

a. Operating transactions

	For the Year Ended December 31		
	2015	2016	2017
Sales			
Associates	$ 710,313	$ 679,213	$ 507,116
Management personnel in substance	1,332,490	575,606	452,153
Same key management personnel	165,842	162,174	178,727
The Group acts as key management personnel	176,066	186,206	150,536
Investors with significant influence over the Group	309,909	282,017	81,598
	$ 2,694,620	$ 1,885,216	$ 1,370,130

(Continued)

	For the Year Ended December 31		
	2015	2016	2017
Purchases of goods and operating expenses			
The Group acts as key management personnel	$ 703,366	$ 476,049	$ 441,550
Associates	119,866	100,410	105,648
Same key management personnel	184,975	107,514	62,777
Management personnel in substance	61,643	12,800	29,624
Investors with significant influence over the Group	51,244	120	57
	$ 1,121,094	$ 696,893	$ 639,656

(Concluded)

Notes receivable and accounts receivable from related parties as of December 31, 2015, 2016 and 2017 were as follows:

	December 31		
	2015	2016	2017
Associates			
Quon Hing Concrete Co., Ltd.	$ 51,199	$ 60,656	$ 69,518
Shih Hsin Storage & Transportation Co., Ltd.	68,953	20,895	-
Others	16,080	15,082	19,901
	136,232	96,633	89,419
Management personnel in substance			
Chia Hsin Cement Corporation	94,027	103,221	45,551
Dongguan Jinli Cement Company Limited	645,104	221,660	-
Others	19,871	19,197	19,941
	759,002	344,078	65,492
The Group acts as key management personnel			
China Hi-Ment Corporation	40,725	43,037	46,407
Others	515	515	-
	41,240	43,552	46,407
Investors with significant influence over the Group	36,997	53,788	17,771
Same key management personnel	11,788	8,933	10,613
	$ 985,259	$ 546,984	$ 229,702

Accounts payables from related parties (included in notes and accounts payable) as of December 31, 2015, 2016 and 2017 were as follows:

	December 31		
	2015	2016	2017
The Group acts as key management personnel	$ 119,855	$ 134,365	$ 127,997
Associates	7,515	5,056	11,370
Same key management personnel	9,813	4,188	4,023
Management personnel in substance	-	-	2,413
Others	16	49	10
	$ 137,199	$ 143,658	$ 145,813

The price and terms of the above transactions were similar to those for third parties. Rentals of lease contracts with related parties were based on market prices and the payment terms were determined at arm's length.

b. Loans to related parties (included in other receivables from related parties)

	December 31		
	2015	2016	2017
Management personnel in substance			
Dongguan Jinli Cement Company Limited	$ 524,475	$ 113,565	$ -
Joint ventures			
Guangan Xin Tai Construction Materials Company Limited	26,723	24,701	-
	$ 551,198	$ 138,266	$ -

For the years ended December 31, 2015, 2016 and 2017, the loans to related parties mentioned above were unsecured loans.

	For the Year Ended December 31		
	2015	2016	2017
Interest income	$ 47,154	$ 2,621	$ -

c. Other receivables from related parties

	December 31		
	2015	2016	2017
Associates			
Quon Hing Concrete Co., Ltd.	$ 86,436	$ 33,264	$ 1,561
Others	306	306	307
	86,742	33,570	1,868
Same key management personnel			
China Synthetic Rubber Corporation	449	538	434
E-ONE Moli Energy Corporation	141	252	399
Others	980	907	117
	1,570	1,697	950
Management personnel in substance	21,411	934	274
Joint ventures	7,921	7,530	-
	$ 117,644	$ 43,731	$ 3,092

Other receivables from related parties included dividend receivables and interest receivables.

d. Compensation of key management personnel

The compensation of directors and other key management personnel for the years ended December 31, 2015, 2016 and 2017 were as follows:

	For the Year Ended December 31		
	2015	2016	2017
Short-term employee benefits	$ 331,057	$ 303,226	$ 240,149
Other long-term employee benefits	-	-	25,329
Post-employment benefits	3,188	20,325	4,576
	$ 334,245	$ 323,551	$ 270,054

e. Endorsements and guarantees

Endorsements and guarantees provided by the Group to related parties and actually drawn as of December 31, 2015, 2016 and 2017 were as follows:

	December 31		
	2015	2016	2017
Associates	$ 524,475	$ 415,530	$ -

31. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were pledged or mortgaged as collateral for certain short-term loans, long-term loans, performance bonds and other credit accommodations:

	December 31		
	2015	2016	2017
Available-for-sale financial assets (including current and non-current portion)	$ 274,487	$ 292,098	$ 365,369
Property, plant and equipment	5,273,320	2,763,898	2,552,170
Investment properties	1,235,263	1,227,927	1,142,268
Finance lease receivables (including current and non-current portion)	18,924,695	17,642,251	16,019,540
Prepayments for leases (including current and non-current portion)	266,219	-	-
Pledged bank deposits			
Current (included in other financial assets)	405,199	400,649	385,436
Non-current (included in other non-current assets)	266,854	266,010	273,977
	$ 26,646,037	$ 22,592,833	$ 20,738,760

32. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

a. The balances of the letters of credit for purchase of raw material were as follows:

Name	December 31		
	2015	2016	2017
The Corporation	$ 111,054	$ 418,428	$ 235,248
Taiwan Prosperity Chemical Corporation	902,819	954,111	1,413,476
Ho-Ping Power Company	467,759	340,613	495,020

b. As of December 31, 2015, 2016 and 2017, the Corporation issued bills of lading for finished goods in the amount of 286,000 tons as collateral for its credit facilities with financial institutions.

c. The amounts of letters of guarantee issued by the banks for the Group are as follows:

Name	December 31		
	2015	2016	2017
The Corporation	$ 43,747	$ 39,870	$ 45,990
Ho-Ping Power Company	1,148,000	1,148,000	1,148,000
Taiwan Prosperity Chemical Corporation	103,000	52,400	94,000
TCCI (Group)	89,924	358,025	362,561
Taiwan Transport & Storage Corporation	28,650	28,650	28,150

d. Ta-Ho Onyx RSEA Environment Co., Ltd.

Company Name	Ta-Ho Onyx RSEA Environment Co., Ltd.
Factual Background	In respect of the termination of the "Build-Own-Operate Agreement for Waste Incineration Plant" (the "BOO Agreement") entered into by and between Ta-Ho Onyx RSEA Environment Co., Ltd. and the Yunlin County Government, the arbitration award decided on was that Yunlin County Government shall pay Ta-Ho Onyx RSEA Environment Co., Ltd. $1.5 billion before November 30, 2008 as a Phase I payment and the remainder as a Phase II payment in the aggregate amount of about $1.44 billion (including $1,387,000 thousand, US$1,706 thousand and JPY307 thousand) before June 30, 2009, and Ta-Ho Onyx RSEA Environment Co., Ltd. shall transfer the assets under the BOO Agreement to the Yunlin County Government at the same time.
Amount in Dispute (NT$)	About $2.94 billion
Commencement Date of Litigation	The arbitration award was rendered on October 1, 2008.
Parties	Ta-Ho Onyx RSEA Environment Co., Ltd. and the Yunlin County Government
Status	Ta-Ho Onyx RSEA Environment Co., Ltd. has applied for compulsory execution for the payment awarded by the arbitration and, thus far, has received the principal together with the interest in the amount of about $2.9 billion (tax included). Meanwhile, it continues the negotiations with the Yunlin County Government in respect of the repayment plan.

Company Name	Ta-Ho Onyx RSEA Environment Co., Ltd.
Factual Background	After the award was rendered, the Yunlin County Government filed an objection suit against the enforcement of compulsory execution for the Phase II payment by Ta-Ho Onyx RSEA Environment Co., Ltd. on the ground that certain events have taken place thereafter which would impede the claim of Ta-Ho Onyx RSEA Environment Co., Ltd.
Amount in Dispute (NT$)	About $1.44 billion (including certain payments of $1,387,000 thousand, US$1,706 thousand and JPY307 thousand)
Commencement Date of Litigation	The Yunlin County Government filed the objection suit on February 4, 2016.
Parties	The Yunlin County Government and Ta-Ho Onyx RSEA Environment Co., Ltd.
Status	The Taiwan Yunlin District Court rendered a judgment against the Yunlin County Government on June 3, 2016. The Yunlin County Government then lodged an appeal on June 23, 2016. The Tainan Branch of the Taiwan High Court dismissed the appeal on June 20, 2017 and the Yunlin County Government did not re-appeal, and therefore, the case was finalized. Refer to the "Status" above (within item d) for the updates of the enforcement of compulsory execution.

e. Ho-Ping Power Company

Company Name	Ho-Ping Power Company
Factual Background	The Fair Trade Commission fined Ho-Ping Power Company $1.35 billion for an alleged violation of Article 14 of the Fair Trade Act conducted with other domestic independent power producers.
Amount in Dispute (NT$)	$1.35 billion
Commencement Date of Litigation	March 2013
Parties	Ho-Ping Power Company and the Fair Trade Commission
Status	The Fair Trade Commission made a second administrative disposition in November 2013 and reduced the amount of the fine imposed on Ho-Ping Power Company to $1,320,000 thousand. On June 30, 2015, the Supreme Administrative Court overruled the original judgment in favor of Ho-Ping Power Company and remanded the case for retrial to the Taipei High Administrative Court. On May 25, 2017, the Taipei High Administrative Court ruled in favor of Ho-Ping Power Company by holding that "the original disposition and decision of administrative appeal, which determined that Ho-Ping Power Company committed concerted action, shall be dismissed. The Fair Trade Commission then lodged an appeal, which is now under review by the Supreme Administrative Court. In accordance with the accounting conservatism principle, Ho-Ping Power Company recognized relevant losses in 2012 and paid a fine of $924,000 thousand as of December 31, 2017. The outstanding fine was recognized by Ho-Ping Power Company under (i) other payables of $264,000 thousand and other non-current liabilities of $132,000 thousand as of December 31, 2017 and (ii) other payables of $264,000 thousand and other non-current liabilities of $396,000 thousand as of December 31, 2016.

Company Name	Ho-Ping Power Company
Factual Background	Taiwan Power Company filed a lawsuit against Ho-Ping Power Company at the Taipei High Administrative Court claiming for its losses of at least $5.5 billion plus interest, which was then expanded to $10.7 billion, and filed another civil litigation at the Taipei District Court claiming for $5.5 billion.
Amount in Dispute (NT$)	About $16 billion in total
Commencement Date of Litigation	September 2015
Parties	Ho-Ping Power Company and Taiwan Power Company
Status	1) There are 2 outstanding litigations against Taiwan Power Company: a) In September 2015, Ho-Ping Power Company received an administrative pleading submitted by Taiwan Power Company to the Taipei High Administrative Court, which was transferred to the Taipei District Court in February 2017, and expanded the claim amount to $10.76 billion. The case is now under review by the Taipei District Court after Taiwan Power Company paid court fees in November 2017. b) In November 2015, Ho-Ping Power Company received a complaint of civil litigation brought by Taiwan Power Company at the Taiwan Taipei District Court based on the same ground of the aforementioned administrative litigation. The case is currently under review by the Taipei District Court. 2) Taiwan Power Company filed a lawsuit against other independent power producers based on the same ground, which was overruled by the Taipei District Court on February 8, 2018. Ho-Ping Power Company will report such court decision to the Taipei District Court to pursue a favorable judgment. 3) Given such situations, Ho-Ping Power Company considered the chance of losing the litigations remote and, therefore, did not recognize relevant losses.

f. To execute the cement barge replacement plan, Da-Ho Maritime Corporation, based on its board of directors' resolution dated December 20, 2013, entered into an agreement with Supero Seiki Co., Ltd. for the purchase of two sets of bulk cement handling equipment in the aggregate amount of US$7,600 thousand, among which US$2,628 thousand was paid as of the date that this report was authorized.

Based on another of the board of directors' resolutions dated July 31, 2015, Da-Ho Maritime Corporation entered into an agreement with Cardinal Maritime S.A. for the purchase of two new cement barges in the aggregate amount of JPY7,036,000 thousand, among which JPY2,462,600 thousand was paid as of the date of this report's issue. The board of directors adopted another resolution dated October 15, 2015 to enter into an agreement with Sumitomo Corporation for the purchase of six bulk carriers in the aggregate amount of US$161,520 thousand. Four bulk carrier purchase agreements have been executed, and US$62,262 thousand has been paid as of the date that this report was authorized.

33. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the group entities and the exchange rates between foreign currencies and respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

December 31, 2015

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 50,766	32.825 (USD:NTD)	$ 1,666,394
USD	26,691	6.513 (USD:RMB)	876,032
USD	163,106	7.750 (USD:HKD)	5,353,343
			$ 7,895,769
Financial liabilities			
Monetary items			
USD	39,366	32.825(USD:NTD)	$ 1,292,186
USD	778,385	6.513 (USD:RMB)	25,547,584
USD	914,728	7.750 (USD:HKD)	30,022,516
HKD	162,389	0.840 (HKD:RMB)	687,718
			$ 57,550,004

December 31, 2016

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 50,436	32.250 (USD:NTD)	$ 1,626,561
USD	71,313	6.929 (USD:RMB)	2,300,991
USD	17,682	7.760 (USD:HKD)	570,529
			$ 4,498,081
Financial liabilities			
Monetary items			
USD	42,711	32.250 (USD:NTD)	$ 1,377,441
USD	1,320,000	7.760 (USD:HKD)	42,591,226
HKD	229,815	0.893 (HKD:RMB)	955,571
			$ 44,924,238

December 31, 2017

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 51,421	29.760 (USD:NTD)	$ 1,530,289
USD	39,472	6.508 (USD:RMB)	1,173,601
USD	9,707	7.810 (USD:HKD)	288,622
HKD	269,460	0.833 (HKD:RMB)	1,025,835
			$ 4,018,347
Financial liabilities			
Monetary items			
USD	56,967	29.760 (USD:NTD)	$ 1,695,325
USD	1,494,000	7.810 (USD:HKD)	44,420,609
HKD	147,171	0.833 (HKD:RMB)	560,278
			$ 46,676,212

The realized and unrealized foreign exchange gains and losses were net losses of $1,570,026 thousand, $985,562 thousand and $241,360 thousand for the years ended December 31, 2015, 2016 and 2017, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of foreign currency transactions and functional currencies of the group entities.

34. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees

1) Financing provided to others (Table 1)

2) Endorsements/guarantees provided (Table 2)

3) Marketable securities held (excluding investment in subsidiaries, associates and joint ventures) (Table 3)

4) Marketable securities acquired and disposed of at costs or prices of at least NT$300 million or 20% of the share capital (Table 4)

5) Acquisitions of individual real estate at costs of at least NT$300 million or 20% of the share capital (None)

6) Disposals of individual real estate at prices of at least NT$300 million or 20% of the share capital (None)

7) Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the share capital (Table 5)

8) Receivables from related parties amounting to at least NT$100 million or 20% of the share capital (Table 6)

9) Trading in derivative instruments (Notes 7 and 9)

10) Intercompany relationships and significant intercompany transactions (Table 9)

11) Information on investees (Table 7)

b. Information on investments in mainland China (Table 8)

1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the year, repatriations of investment income, and limit on the amount of investment in the mainland China area.

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:

a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the year.

b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the year.

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 year and the purposes.

e) The highest balance during the year, the end of year balance, the interest rate range, and total current year interest with respect to financing of funds.

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.

34. 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 segment. Specifically, the Group's reportable segments under IFRS 8 "Operating Segments" were as follows:

a. Cement segment - production, processing and sale of cement goods

b. Chemical engineering segment - production, processing and sale of chemical raw materials

c. Electricity segment - thermal power generation

d. Other segments - land and marine transportation
- production and sale of refractory materials
- others

The Group uses the profit from operations as the measure for segment income and the basis of performance assessment. There was no material difference between the accounting policies of the operating segments and the accounting policies described in Note 4.

a. Segments revenue and results

	Segment Revenue			Segment Income		
	For the Year Ended December 31			For the Year Ended December 31		
	2015	2016	2017	2015	2016	2017
Cement segment	$ 66,015,946	$ 65,373,914	$ 71,905,276	$ 2,487,671	$ 5,104,355	$ 9,608,840
Chemical engineering segment	11,741,599	9,786,812	13,192,984	(1,620,047)	(212,321)	(162,677)
Electricity segment	12,645,730	11,752,037	10,353,637	8,468,844	7,895,737	4,326,424
Other segments	3,275,801	2,651,543	2,859,879	387,748	302,045	256,603
	$ 93,679,076	$ 89,564,306	$ 98,311,776	9,724,216	13,089,816	14,029,190
Share of profit of associates and joint ventures				737,161	979,609	1,271,111
Dividend income				958,117	808,767	799,137
Interest income				430,757	267,182	244,041
Impairment loss recognized on financial assets				(51,296)	(619,013)	(110,507)
Impairment loss recognized on non-financial assets				(13,105)	(508,142)	(250,622)
Administrative costs and director's remuneration				(50,517)	(55,680)	(66,305)
Finance costs				(1,873,739)	(1,916,837)	(1,923,309)
Foreign exchange losses, net				(1,570,026)	(985,562)	(241,360)
Other income				374,447	455,195	73,283
Income before income tax				$ 8,666,015	$ 11,515,335	$ 13,824,659

Segment income represented profit before tax earned by each segment without allocation of central administration costs, director's remuneration, share of profits of associates and joint ventures, dividend income, interest income, impairment recognized on financial assets, impairment loss recognized on non-financial assets, finance costs, foreign exchange gains and losses and income tax expense.

b. Geographical information

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

	Revenue from External Customers			Non-current Assets		
	For the Year Ended December 31			December 31		
	2015	2016	2017	2015	2016	2017
Taiwan	$ 48,986,363	$ 42,075,081	$ 43,396,202	$ 58,805,082	$ 57,614,200	$ 56,115,398
Asia	44,692,713	47,489,225	54,915,574	94,970,757	83,856,002	77,590,957
	$ 93,679,076	$ 89,564,306	$ 98,311,776	$ 153,775,839	$ 141,470,202	$ 133,706,355

Non-current assets exclude financial instruments, deferred income tax assets, and net defined benefit asset.

c. Information about major customers

The only single customer who contributed 10% or more to the Group's revenue was as follows:

	For the Year Ended December 31		
	2015	2016	2017
Taiwan Power Company	$ 12,645,730	$ 11,752,037	$ 10,353,637

TAIWAN CEMENT CORPORATION AND SUBSIDIARIES

FINANCINGS PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars)

No.	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate (%)	Nature of Financing	Business Transaction Amount	Reason for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 1)	Aggregate Financing Limit (Note 1)	Note
													Item	Value			
0	Taiwan Cement Corporation	Ta-Ho Onyx RSEA Environment Co., Ltd. (Note 2)	Other receivables - related parties	Yes	$ 40,000	$ -	$ -	-	The need for short-term financing	$ -	Operating capital	$ -		$ -	$ 27,269,641	$ 54,539,282	
1	Taiwan Transport & Storage Corporation	Ta-Ho Onyx RSEA Environment Co., Ltd. (Note 2)	Other receivables - related parties	Yes	340,000	10,000	10,000	1.54	The need for short-term financing	-	Operating capital	-		-	810,508	810,508	
2	Ta-Ho Onyx Taitung Environment Co., Ltd.	Ta-Ho Onyx RSEA Environment Co., Ltd. (Note 2)	Other receivables - related parties	Yes	100,000	-	-	-	The need for short-term financing	-	Operating capital	-		-	118,532	118,532	
3	Taiwan Cement Engineering Corporation	Ta-Ho Onyx RSEA Environment Co., Ltd. (Note 2)	Other receivables - related parties	Yes	250,000	-	-	-	The need for short-term financing	-	Operating capital	-		-	287,782	287,782	
		Kuan-Ho Construction & Development Corporation (Note 2)	Other receivables - related parties	Yes	200,000	200,000	200,000	1.54	The need for short-term financing	-	Operating capital	-		-	287,782	287,782	
4	TCCI	TCCIH (Note 2)	Other receivables - related parties	Yes	3,870,000	-	-	-	The need for short-term financing	-	Operating capital	-		-	24,043,254	24,043,254	
5	TCC (Guigang) Cement Limited	TCC Huaying Cement Company Limited (Note 2)	Other receivables - related parties	Yes	1,329,696	1,315,699	1,288,289	3.48	The need for short-term financing	-	Operating capital	-		-	18,326,537	36,653,074	
		TCC Huaihua Cement Company Limited (Note 2)	Other receivables - related parties	Yes	923,400	913,680	797,643	3.48	The need for short-term financing	-	Operating capital	-		-	18,326,537	36,653,074	
		TCC Jingzhou Cement Company Limited (Note 2)	Other receivables - related parties	Yes	692,550	685,260	685,260	3.48	The need for short-term financing	-	Operating capital	-		-	18,326,537	36,653,074	
		Scitus Luzhou Cement Co., Ltd. (Note 2)	Other receivables - related parties	Yes	1,292,760	1,279,152	68,526	3.48	The need for short-term financing	-	Operating capital	-		-	18,326,537	36,653,074	
		TCC Anshun Cement Co., Ltd. (Note 2)	Other receivables - related parties	Yes	461,700	456,840	-	-	The need for short-term financing	-	Operating capital	-		-	18,326,537	36,653,074	
		Scitus Naxi Cement Co., Ltd. (Note 2)	Other receivables - related parties	Yes	461,700	456,840	319,788	3.48	The need for short-term financing	-	Operating capital	-		-	18,326,537	36,653,074	
		TCC Yingde Cement Co., Ltd. (Note 2)	Other receivables - related parties	Yes	461,700	456,840	-	-	The need for short-term financing	-	Operating capital	-		-	18,326,537	36,653,074	
		Scitus Luzhou Concrete Co., Ltd. (Note 2)	Other receivables - related parties	Yes	92,340	91,368	-	-	The need for short-term financing	-	Operating capital	-		-	18,326,537	36,653,074	
		Guizhou Kong On Cement Co., Ltd. (Note 2)	Other receivables - related parties	Yes	297,059	296,946	251,262	3.48	The need for short-term financing	-	Operating capital	-		-	18,326,537	36,653,074	
6	Yingde Dragon Mountain Cement Co., Ltd.	TCC Yingde Cement Co., Ltd. (Note 2)	Other receivables - related parties	Yes	923,400	913,680	-	-	The need for short-term financing	-	Operating capital	-		-	11,052,600	22,105,200	
		TCC Liaoning Cement Co., Ltd. (Note 2)	Other receivables - related parties	Yes	1,045,608	1,041,595	1,041,595	3.05	The need for short-term financing	-	Operating capital	-		-	11,052,600	22,105,200	
7	TCC Yingde Cement Co., Ltd.	TCC Guangan Cement Co., Ltd. (Note 2)	Other receivables - related parties	Yes	923,400	913,680	91,368	3.48	The need for short-term financing	-	Operating capital	-		-	18,114,757	36,229,514	
		TCC Huaihua Cement Company Limited (Note 2)	Other receivables - related parties	Yes	917,200	913,680	765,207	3.48	The need for short-term financing	-	Operating capital	-		-	18,114,757	36,229,514	
		Scitus Naxi Cement Co., Ltd. (Note 2)	Other receivables - related parties	Yes	230,850	228,420	137,052	3.48	The need for short-term financing	-	Operating capital	-		-	18,114,757	36,229,514	
		TCC Shaoguan Cement Co., Ltd. (Note 2)	Other receivables - related parties	Yes	363,683	338,474	338,474	3.68	The need for short-term financing	-	Operating capital	-		-	18,114,757	36,229,514	
		TCC Jingzhou Cement Company Limited (Note 2)	Other receivables - related parties	Yes	230,850	228,420	123,347	3.48	The need for short-term financing	-	Operating capital	-		-	18,114,757	36,229,514	
		TCC Anshun Cement Co., Ltd. (Note 2)	Other receivables - related parties	Yes	923,400	913,680	-	-	The need for short-term financing	-	Operating capital	-		-	18,114,757	36,229,514	
		TCC (Dong Guan) Cement Co., Ltd. (Note 2)	Other receivables - related parties	Yes	461,700	456,840	-	-	The need for short-term financing	-	Operating capital	-		-	18,114,757	36,229,514	

(Continued)

No.	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate (%)	Nature of Financing	Business Transaction Amount	Reason for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 1)	Aggregate Financing Limit (Note 1)	Note
													Item	Value			
		TCC Chongqing Cement Co., Ltd. (Note 2)	Other receivables - related parties	Yes	$ 461,700	$ 456,840	$ 411,156	3.48	The need for short-term financing	$ -	Operating capital	$ -		$ -	$ 18,114,757	$ 36,229,514	
		Guizhou Kaili Rui An Jian Cai Co., Ltd. (Note 2)	Other receivables - related parties	Yes	685,521	685,260	502,524	3.48	The need for short-term financing	-	Operating capital	-		-	18,114,757	36,229,514	
		Scitus Luzhou Cement Co., Ltd. (Note 2)	Other receivables - related parties	Yes	831,060	822,312	708,102	3.48	The need for short-term financing	-	Operating capital	-		-	18,114,757	36,229,514	
		Guizhou Kong On Cement Co., Ltd. (Note 2)	Other receivables - related parties	Yes	457,014	456,840	379,177	3.48	The need for short-term financing	-	Operating capital	-		-	18,114,757	36,229,514	
8	TCC Fuzhou Cement Co., Ltd.	TCC New (Hangzhou) Management Co., Ltd. (Note 2)	Other receivables - related parties	Yes	461,700	456,840	-	-	The need for short-term financing	-	Operating capital	-		-	902,187	2,706,561	
		TCC Liaoning Cement Co., Ltd. (Note 2)	Other receivables - related parties	Yes	323,190	319,788	159,894	3.48	The need for short-term financing	-	Operating capital	-		-	902,187	2,706,561	
		Guizhou Kaili Rui An Jian Cai Co., Ltd. (Note 2)	Other receivables - related parties	Yes	230,850	228,420	-	-	The need for short-term financing	-	Operating capital	-		-	902,187	2,706,561	
9	TCCIH	TCC Yingde Cement Co., Ltd. (Note 2)	Other receivables - related parties	Yes	241,565	239,022	239,022	-	The need for short-term financing	-	Operating capital	-		-	79,161,857	158,323,714	
10	Prime York Ltd.	Upper Value Investment Limited (Note 2)	Other receivables - related parties	Yes	212,058	194,157	194,157	-	The need for short-term financing	-	Operating capital	-		-	2,759,515	5,519,030	
11	Jurong TCC Cement Co., Ltd.	TCC Huaihua Cement Company Limited (Note 2)	Other receivables - related parties	Yes	1,154,250	1,142,100	1,142,100	3.48	The need for short-term financing	-	Operating capital	-		-	11,044,634	22,089,268	
		Dongguan Jinli Cement Company Limited	Other receivables - related parties	Yes	113,565	-	-	-	The need for short-term financing	-	Operating capital	-		-	4,417,854	4,417,854	
		TCC Liaoning Cement Co., Ltd. (Note 2)	Other receivables - related parties	Yes	323,190	319,788	296,946	3.48	The need for short-term financing	-	Operating capital	-		-	11,044,634	22,089,268	
		Scitus Luzhou Cement Co., Ltd. (Note 2)	Other receivables - related parties	Yes	692,550	685,260	137,052	3.48	The need for short-term financing	-	Operating capital	-		-	11,044,634	22,089,268	
		TCC Huaihua Concrete Company Limited (Note 2)	Other receivables - related parties	Yes	138,510	137,052	50,252	3.48	The need for short-term financing	-	Operating capital	-		-	11,044,634	22,089,268	
		TCC Chongqing Cement Co., Ltd. (Note 2)	Other receivables - related parties	Yes	923,400	913,680	-	-	The need for short-term financing	-	Operating capital	-		-	11,044,634	22,089,268	
		TCC Anshun Cement Co., Ltd. (Note 2)	Other receivables - related parties	Yes	923,400	913,680	-	-	The need for short-term financing	-	Operating capital	-		-	11,044,634	22,089,268	
		TCC Yingde Cement Co., Ltd. (Note 2)	Other receivables - related parties	Yes	461,700	456,840	-	-	The need for short-term financing	-	Operating capital	-		-	11,044,634	22,089,268	
		TCC Guangan Cement Co., Ltd. (Note 2)	Other receivables - related parties	Yes	461,700	456,840	-	-	The need for short-term financing	-	Operating capital	-		-	11,044,634	22,089,268	
		Guizhou Kong On Cement Co., Ltd. (Note 2)	Other receivables - related parties	Yes	323,190	319,788	-	-	The need for short-term financing	-	Operating capital	-		-	11,044,634	22,089,268	
12	TCC Anshun Cement Co., Ltd.	Anshun Xin Tai Construction Materials Company Limited (Note 2)	Other receivables - related parties	Yes	92,340	91,368	-	-	The need for short-term financing	-	Operating capital	-		-	6,502,440	13,004,880	
		Guizhou Kong On Cement Co., Ltd. (Note 2)	Other receivables - related parties	Yes	275,160	274,104	251,262	3.48	The need for short-term financing	-	Operating capital	-		-	6,502,440	13,004,880	
		Scitus Luzhou Cement Co., Ltd. (Note 2)	Other receivables - related parties	Yes	138,510	137,052	91,368	3.48	The need for short-term financing	-	Operating capital	-		-	6,502,440	13,004,880	
		Guizhou Kaili Rui An Jian Cai Co., Ltd. (Note 2)	Other receivables - related parties	Yes	138,510	137,052	91,368	3.48	The need for short-term financing	-	Operating capital	-		-	6,502,440	13,004,880	
		Scitus Luzhou Concrete Co., Ltd. (Note 2)	Other receivables - related parties	Yes	138,510	137,052	-	-	The need for short-term financing	-	Operating capital	-		-	6,502,440	13,004,880	
		TCC Chongqing Cement Co., Ltd. (Note 2)	Other receivables - related parties	Yes	461,700	456,840	228,420	3.48	The need for short-term financing	-	Operating capital	-		-	6,502,440	13,004,880	
13	TCC Guangan Cement Co., Ltd.	Guangan Xin Tai Construction Materials Company Limited	Other receivables - related parties	Yes	24,701	-	-	-	The need for short-term financing	-	Operating capital	-		-	1,234,752	1,234,752	
		Scitus Luzhou Cement Co., Ltd. (Note 2)	Other receivables - related parties	Yes	138,510	137,052	-	-	The need for short-term financing	-	Operating capital	-		-	3,086,879	6,173,758	
		Guizhou Kaili Rui An Jian Cai Co., Ltd. (Note 2)	Other receivables - related parties	Yes	92,340	91,368	-	-	The need for short-term financing	-	Operating capital	-		-	3,086,879	6,173,758	

(Continued)

No.	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate (%)	Nature of Financing	Business Transaction Amount	Reason for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 1)	Aggregate Financing Limit (Note 1)	Note
													Item	Value			
14	Wayly Holdings Ltd.	Guizhou Kaili Rui An Jian Cai Co., Ltd. (Note 2)	Other receivables - related parties	Yes	$ 536,056	$ 59,701	$ 59,701	-	The need for short-term financing	$ -	Operating capital	$ -		$ -	$ 3,025,607	$ 6,051,214	
15	TCC Chongqing Cement Co., Ltd.	Guizhou Kaili Rui An Jian Cai Co., Ltd. (Note 2)	Other receivables - related parties	Yes	230,850	228,420	-	-	The need for short-term financing	-	Operating capital	-		-	5,342,413	10,684,826	
		Scitus Naxi Cement Co., Ltd. (Note 2)	Other receivables - related parties	Yes	138,510	137,052	137,052	3.48	The need for short-term financing	-	Operating capital	-		-	5,342,413	10,684,826	
		TCC Huaihua Cement Company Limited (Note 2)	Other receivables - related parties	Yes	692,550	685,260	561,456	3.48	The need for short-term financing	-	Operating capital	-		-	5,342,413	10,684,826	
		TCC Huaying Cement Company Limited (Note 2)	Other receivables - related parties	Yes	115,425	114,210	-	-	The need for short-term financing	-	Operating capital	-		-	5,342,413	10,684,826	
		TCC Guangan Cement Co., Ltd. (Note 2)	Other receivables - related parties	Yes	461,700	456,840	-	-	The need for short-term financing	-	Operating capital	-		-	5,342,413	10,684,826	
		Scitus Luzhou Cement Co., Ltd. (Note 2)	Other receivables - related parties	Yes	230,850	228,420	-	-	The need for short-term financing	-	Operating capital	-		-	5,342,413	10,684,826	
		TCC Jingzhou Cement Company Limited (Note 2)	Other receivables - related parties	Yes	92,340	91,368	-	-	The need for short-term financing	-	Operating capital	-		-	5,342,413	10,684,826	
		Guizhou Kong On Cement Co., Ltd. (Note 2)	Other receivables - related parties	Yes	137,580	137,052	-	-	The need for short-term financing	-	Operating capital	-		-	5,342,413	10,684,826	
16	TCC New (Hangzhou) Management Co., Ltd.	Scitus Luzhou Cement Co., Ltd. (Note 2)	Other receivables - related parties	Yes	286,254	283,241	237,557	3.48	The need for short-term financing	-	Operating capital	-		-	535,500	1,071,000	
		Scitus Naxi Cement Co., Ltd. (Note 2)	Other receivables - related parties	Yes	253,935	251,262	201,010	3.48	The need for short-term financing	-	Operating capital	-		-	535,500	1,071,000	
		Scitus Luzhou Concrete Co., Ltd. (Note 2)	Other receivables - related parties	Yes	36,936	36,547	-	-	The need for short-term financing	-	Operating capital	-		-	535,500	1,071,000	
17	Prosperity Minerals (China) Ltd.	TCC New (Hangzhou) Management Co., Ltd. (Note 2)	Other receivables - related parties	Yes	368,191	364,315	364,315	-	The need for short-term financing	-	Operating capital	-		-	967,032	1,934,064	
18	Da Tong (Guigang) International Logistics Co., Ltd.	Guigang Da-Ho Shipping Co., Ltd. (Note 2)	Other receivables - related parties	Yes	138,510	137,052	-	-	The need for short-term financing	-	Operating capital	-		-	553,447	1,106,893	
19	Guizhou Kaili Rui An Jian Cai Co., Ltd.	Scitus Naxi Cement Co., Ltd. (Note 2)	Other receivables - related parties	Yes	138,510	137,052	-	-	The need for short-term financing	-	Operating capital	-		-	2,977,539	5,955,078	
20	TCC Investment Corporation	Ta-Ho Onyx RSEA Environment Co., Ltd. (Note 2)	Other receivables - related parties	Yes	180,000	-	-	-	The need for short-term financing	-	Operating capital	-		-	822,643	822,643	
21	TCC International (Guangxi) Ltd.	TCC (Guigang) Cement Limited (Note 2)	Other receivables - related parties	Yes	3,708,750	-	-	-	The need for short-term financing	-	Operating capital	-		-	18,060,826	36,121,652	
22	TCC Huaihua Cement Company Limited	TCC Jingzhou Cement Company Limited (Note 2)	Other receivables - related parties	Yes	92,340	91,368	-	-	The need for short-term financing	-	Operating capital	-		-	2,013,732	4,027,464	
23	Scitus Luzhou Cement Co., Ltd.	Guizhou Kaili Rui An Jian Cai Co., Ltd. (Note 2)	Other receivables - related parties	Yes	92,340	91,368	-	-	The need for short-term financing	-	Operating capital	-		-	2,043,010	4,086,020	

Note 1: "Financing Limits for Each Borrower" and "Aggregate Financing Limits":

A. For Taiwan Cement Corporation, financing limits are as follows:

a. Where a business relationship exists, the individual financing limits were the total transaction amounts with the borrower and 20% of Taiwan Cement Corporation's net equity in the recent year.
b. Where there is a need for a short-term financing facility, the individual financing limits were 20% of Taiwan Cement Corporation's net equity as stated in its latest financial statements.
c. For the above items a and b, the aggregate financing limits were 40% of Taiwan Cement Corporation's net equity as stated in its latest financial statements.

B. The restrictions above in paragraph A, subparagraphs b and c shall not apply to inter-company loans of funds between foreign companies of which Taiwan Cement Corporation holds, directly or indirectly, 100% of the voting shares. The aggregate and individual financing limits for the companies were 200% and 100%, respectively, of the net equity of each company as stated in their respective latest financial statements. In addition, the aggregate and individual financing limits for TCC International Ltd. were both 40% of its net equity as stated in its latest financial statements. The aggregate and individual financing limits for TCC Fuzhou Cement Co., Ltd. were 300% and 100%, respectively, of its net equity as stated in its latest financial statements. The aggregate and individual financing limits for TCC New (Hangzhou) Management Co., Ltd. were 600% and 300%, respectively, of its net equity as stated in its latest financial statements. The aggregate and individual financing limits for Prosperity Minerals (China) Ltd. were 400% and 200%, respectively, of its net equity as stated in its latest financial statements.

C. The individual and aggregate financing limits for the other companies were 40% of the net equity of each respective company.

Note 2: All intercompany transactions have been eliminated upon consolidation.

(Concluded)

TAIWAN CEMENT CORPORATION AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars)

No.	Endorser/Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note 1)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 2)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China	Note
		Name	Relationship (Note 3)											
0	Taiwan Cement Corporation	TCCI	b	$ 68,174,102	$ 45,660,420	$ 28,004,160	$ 16,308,480	$ -	20.54	$ 136,348,204	Y	N	N	
		TCC Investment Corporation	b	68,174,102	2,590,000	2,560,000	1,320,000	-	1.88	136,348,204	Y	N	N	
		TCC Chemical Corporation	b	68,174,102	2,165,000	1,643,000	843,000	-	1.21	136,348,204	Y	N	N	
		Union Cement Traders Inc.	c	68,174,102	1,660,000	1,230,000	620,000	-	0.90	136,348,204	Y	N	N	
		Kuan-Ho Construction & Development Corporation	b	68,174,102	670,000	270,000	225,000	-	0.20	136,348,204	Y	N	N	
		Jin Chang Minerals Corporation	b	68,174,102	68,848	68,848	39,814	39,814	0.05	136,348,204	Y	N	N	
		Ho Sheng Mining Co., Ltd.	b	68,174,102	99,884	99,884	-	99,884	0.07	136,348,204	Y	N	N	
		Feng Sheng Enterprise Company	a	437,489	88,145	-	-	-	-	136,348,204	N	N	N	
1	TCCIH	TCC (Guigang) Cement Limited	c	39,580,929	5,199,931	5,156,430	2,397,519	-	6.51	79,161,857	Y	N	Y	
		TCC Yingde Cement Co., Ltd.	c	39,580,929	2,245,650	1,449,360	300,660	-	1.83	79,161,857	Y	N	Y	
		Jurong TCC Cement Co., Ltd.	c	39,580,929	2,646,988	1,989,246	717,239	-	2.51	79,161,857	Y	N	Y	
		TCC Chongqing Cement Co., Ltd.	c	39,580,929	1,544,625	868,650	809,717	-	1.10	79,161,857	Y	N	Y	
		TCC Fuzhou Cement Co., Ltd.	c	39,580,929	1,536,176	1,199,794	137,052	-	1.52	79,161,857	Y	N	Y	
		Scitus Luzhou Cement Co., Ltd.	c	39,580,929	967,500	892,800	-	-	1.13	79,161,857	Y	N	Y	
		TCC Liaoning Cement Co., Ltd.	c	39,580,929	1,789,050	1,265,580	-	-	1.60	79,161,857	Y	N	Y	
		Guizhou Kaili Rui An Jian Cai Co., Ltd.	c	39,580,929	967,500	595,200	-	-	0.75	79,161,857	Y	N	Y	
		Guizhou Kong On Cement Co., Ltd.	c	39,580,929	733,688	360,096	78,910	-	0.45	79,161,857	Y	N	Y	
		Baoshan Kungang & K. Wah Cement Construction Materials Co., Ltd.	e	39,580,929	618,454	-	-	-	-	79,161,857	N	N	Y	
2	TCC (Guigang) Cement Limited	TCCI (HK)	d	9,163,269	692,550	685,260	685,260	-	3.74	18,326,537	N	Y	N	
3	Ho Sheng Mining Co., Ltd.	Taiwan Cement Corporation	d	69,725	34,549	34,549	34,549	-	49.55	69,725	N	Y	N	

Note 1: Limits on endorsement/guarantee given on behalf of each party were as follows:

a. For Taiwan Cement Corporation, TCCIH and TCC (Guigang) Cement Limited, 50% of the net equity as stated in their respective latest financial statements.
b. For endorsement/guarantee given by Taiwan Cement Corporation due to business transactions, 50% of the business transaction amounts in the previous year.
c. For Ho Sheng Mining Co., Ltd., 100% of its net equity as stated in its latest financial statements.

Note 2: Aggregate endorsement/guarantee limit was the net equity in the latest financial statements.

Note 3: Relationship between the endorser/guarantor and the endorsee/guarantee is classified as follows:

a. Having a business relationship.
b. The endorser/guarantor owns directly more than 50% of the ordinary shares of the endorsee/guarantee.
c. The endorser/guarantor and its subsidiaries jointly own more than 50% of the ordinary shares of the endorsee/guarantee.
d. The endorsee/guarantee directly or indirectly owns more than 50% of the ordinary shares of the endorser/guarantor.
e. Due to joint venture, each shareholder provides endorsements/guarantees to the endorsee/guarantee in proportion to its ownership.

TAIWAN CEMENT CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2017				Note
				Shares/Units (In Thousands)	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Taiwan Cement Corporation	Shares							
	China Hi-Ment Corporation	The Corporation serves as director	Available-for-sale financial assets - current	27,451	$ 1,619,613	-	$ 1,619,613	
	Taishin Financial Holding Co., Ltd.	-	Available-for-sale financial assets - current	58,553	810,956	-	810,956	
	CTCI Corporation	-	Available-for-sale financial assets - current	9,054	408,804	-	408,804	
	Chia Hsin Cement Corporation	Directors	Available-for-sale financial assets - current	27,419	366,049	-	366,049	
	O-Bank	The Corporation serves as director	Available-for-sale financial assets - current	29,719	264,796	-	264,796	
	Chien Kuo Construction Co., Ltd.	-	Available-for-sale financial assets - current	9,403	108,132	-	108,132	
	Taiwan Television Enterprise, Ltd.	The Corporation serves as supervisor	Available-for-sale financial assets - current	13,573	89,037	-	89,037	
	Chinatrust Financial Holding Co., Ltd.	-	Available-for-sale financial assets - current	3,575	73,300	-	73,300	
	China Synthetic Rubber Corporation	The same chairman	Available-for-sale financial assets - non-current	55,180	2,419,650	-	2,419,650	
	IBT II Venture Capital Corporation	-	Financial assets carried at cost - non-current	2,626	20,426	8.3	-	
	Rong Gong Enterprise Co.	The Corporation serves as supervisor	Financial assets carried at cost - non-current	3,390	33,900	4.0	-	
	Chinatrust Investment Co., Ltd.	The Corporation serves as director	Financial assets carried at cost - non-current	27,361	12,156	8.7	-	
	Pan Asia Corporation	The Corporation serves as supervisor	Financial assets carried at cost - non-current	6,204	8,996	5.4	-	
	Taiwan Stock Exchange Corporation	The Corporation serves as director	Financial assets carried at cost - non-current	45,983	8,011	6.6	-	
	E-ONE Moli Energy Corporation	The same chairman	Financial assets carried at cost - non-current	983	1,670	0.4	-	
	Excel Corporation	-	Financial assets carried at cost - non-current	600	-	9.5	-	
Taiwan Transport & Storage Corporation	Shares							
	Chia Hsin Cement Corporation	Director of parent company	Available-for-sale financial assets - current	8,632	115,231	-	115,231	
TCC Investment Corporation	Shares							
	China Conch Venture Holdings Limited	-	Available-for-sale financial assets - current	28,000	1,929,388	-	1,929,388	
	O-Bank	The Corporation serves as director	Available-for-sale financial assets - current	21,934	195,432	-	195,432	21,000 thousand shares were pledged
	Taishin Financial Holding Co., Ltd.	-	Available-for-sale financial assets - current	11,201	155,129	-	155,129	
	Chia Hsin Cement Corporation	Director of parent company	Available-for-sale financial assets - current	8,334	111,258	-	111,258	7,000 thousand shares were pledged
	China Synthetic Rubber Corporation	The same chairman	Available-for-sale financial assets - non-current	14,631	641,574	-	641,574	1,934 thousand shares were pledged
	Chinatrust Investment Co., Ltd.	The Corporation serves as director	Financial assets carried at cost - non-current	10,884	136,378	3.5	-	
	E-ONE Moli Energy Corporation	The same chairman	Financial assets carried at cost - non-current	15,859	26,961	6.3	-	
	Pan Asia Corporation	The Corporation serves as supervisor	Financial assets carried at cost - non-current	1	14	-	-	
Ta-Ho Maritime Corporation	Shares							
	Chia Hsin Cement Corporation	Director of parent company	Available-for-sale financial assets - current	25,761	343,913	-	343,913	
	Prosperity Dielectrics Co., Ltd.	-	Available-for-sale financial assets - current	951	36,621	-	36,621	
	Chinatrust Investment Co., Ltd.	The Corporation serves as director	Financial assets carried at cost - non-current	6,612	76,034	2.1	-	

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2017				Note
				Shares/Units (In Thousands)	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Taiwan Cement Engineering Corporation	Beneficiary certificates							
	Capital Money Market Fund	-	Financial assets at fair value through profit or loss	2,930	$ 46,996	-	$ 46,996	
TCC Chemical Corporation	Shares							
	Taiwan Stock Exchange Corporation	The Corporation serves as director	Financial assets carried at cost - non-current	2,626	44,820	-	-	
TCC Information Systems Corporation	Beneficiary certificates							
	Yuanta De- Bao Money Market Fund	-	Financial assets at fair value through profit or loss	2,575	30,766	-	30,766	
	Fuh Hwa You Li Money Market	-	Financial assets at fair value through profit or loss	2,288	30,668	-	30,668	
	Shares							
	China Synthetic Rubber Corporation	The same chairman	Available-for-sale financial assets - non-current	1,369	60,013	-	60,013	
Taiwan Prosperity Chemical Corporation	Shares							
	Taishin Financial Holding Co., Ltd.	-	Available-for-sale financial assets - current	73,600	1,019,362	-	1,019,362	
Hoping Industrial Port Corporation	Shares							
	Chinatrust Investment Co., Ltd.	The Corporation serves as director	Financial assets carried at cost - non-current	10,444	120,103	3.3	-	
	E-ONE Moli Energy Corporation	The same chairman	Financial assets carried at cost - non-current	5,822	9,897	3.9	-	
E.G.C. Cement Corporation	Beneficiary certificates							
	Nomura Global Short Duration Bond Fund		Available-for-sale financial assets - current	2,367	25,000	-	25,000	
	Nomura Taiwan Money Market	-	Available-for-sale financial assets - current	2,123	34,434	-	34,434	
	UPAMC James Bond Money Market Fund		Available-for-sale financial assets - current	1,205	20,023	-	20,023	
	China-US Money Market		Available-for-sale financial assets - current	511	5,021	-	5,021	
	Shares							
	Der Pao Construction Co., Ltd.	-	Financial assets carried at cost - non-current	34	-	0.1	-	
Union Cement Traders Inc.	Shares							
	Taishin Financial Holding Co., Ltd.	-	Available-for-sale financial assets - current	25,865	358,232	-	358,232	
	CTCI Corporation	-	Available-for-sale financial assets - current	13,365	603,444	-	603,444	
	Chia Hsin Cement Corporation	Director of parent company	Available-for-sale financial assets - current	7,441	99,337	-	99,337	
	China Synthetic Rubber Corporation	The same chairman	Available-for-sale financial assets - non-current	7,633	334,701	-	334,701	
	E-ONE Moli Energy Corporation	The same chairman	Financial assets carried at cost - non-current	15,283	25,982	6.1	-	
	Videoland Inc.	-	Financial assets carried at cost - non-current	6,437	89,990	5.6	-	
TCCI (Group)	Beneficiary certificates							
	Mega Diamond Money Market Fund	-	Financial assets at fair value through profit or loss	3,130	38,619	-	38,619	
	Shares							
	Anhui Conch Cement Co., Ltd.	-	Available-for-sale financial assets - current	116,568	16,308,708	-	16,308,708	
	Yargoon Co., Ltd.	-	Financial assets carried at cost - non-current	-	11,757	24.2	-	

Note 1: Marketable securities in the table refer to shares, bonds, beneficiary certificates and other related securities within the scope of IAS 39 "Financial Instruments: Recognition and Measurement".

Note 2: See Tables 7 and 8 for the information of investments in subsidiaries, associates and joint ventures.

(Concluded)

TAIWAN CEMENT CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT$300 MILLION OR 20% OF THE SHARE CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Other Adjustment (Note 1)	Ending Balance	
					Shares/Units (In Thousands)	Amount	Shares/Units (In Thousands)	Amount	Shares/Units (In Thousands)	Amount	Carrying Amount	Gain/Loss on Disposal		Shares/Units (In Thousands)	Amount
Taiwan Cement Corporation	Shares TCCIH	Investments accounted for by using the equity method	Chia Hsin Cement Group and other shareholders	-	-	$ -	1,319,841	$ 19,125,321	-	$ -	$ -	$ -	$ (71,062)	1,319,841	$ 19,054,259
	TCC Chemical Corporation	Investments accounted for by using the equity method	-	Subsidiaries	118,393	351,508	121,607 (Note 2)	1,176,492	-	-	-	-	11,861	240,000	1,539,861
TCCI	Shares TCCIH	Investments accounted for by using the equity method	Other shareholders	-	3,117,016	40,032,733	1,046,081 (Note 3)	16,384,224	-	-	-	-	3,690,641	4,163,097	60,107,598

Note 1: Including share of profit or loss of subsidiaries, cash dividends, equity adjustments, etc.

Note 2: Including retained earnings transferred to increase the ordinary shares in the form of 3,958 thousand shares of ordinary shares and of cash in the amount of $1,176,492, thousand (or 117,649 thousand ordinary shares).

Note 3: Including 539,473 thousand shares of preference shares.

TAIWAN CEMENT CORPORATION AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE SHARE CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars)

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchases/Sales	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total (Note 1)	
Taiwan Cement Corporation	Chia Hsin Cement Corporation	Director of the Corporation	Sales	$ (349,842)	(2)	65 days after the day delivery was made	$ -	-	$ 45,551	12	
	Feng Shang Enterprise Company	Subsidiary	Sales	(319,122)	(2)	30 days	-	-	79,755	21	Note 2
			Purchases	555,855	4	30 days	-	-	(46,330)	(8)	Note 2
	TCCIH	Subsidiary	Service revenue	(498,914)	(3)	By contract	-	-	42,545	11	Note 2
	Taiwan Transport & Storage Corporation	Subsidiary	Purchases	515,244	4	30 days	-	-	(87,091)	(15)	Note 2
	China Hi-Ment Corporation	The Corporation serves as director	Purchases	441,550	3	60 days	-	-	(127,997)	(22)	
			Sales	(112,652)	(1)	60 days	-	-	37,211	10	
	Hoping Industrial Port Corporation	Subsidiary	Purchases	495,612	3	20 days	-	-	(12,408)	(2)	Note 2
	Ta-Ho Maritime Corporation	Subsidiary	Purchases	850,602	6	30 days	-	-	(160,915)	(27)	Note 2
	Shih Hsin Storage & Transportation Co., Ltd.	Associates	Sales	(108,256)	(1)	60 days	-	-	-	-	
	Kuan-Ho Refractories Industry Corporation	Subsidiary	Purchases	263,752	2	By contract	-	-	(137,116)	(23)	Note 2
	E.G.C. Cement Corporation	Subsidiary	Sales	(544,131)	(3)	50 days after the day delivery was made	-	-	83,933	22	Note 2
	Jin Chang Minerals Corporation	Subsidiary	Purchases	308,191	2	30 days	-	-	(125,895)	(21)	Note 2
	Ho Sheng Mining Co., Ltd.	Subsidiary	Purchases	255,580	2	30 days	-	-	(41,473)	(7)	Note 2
Jin Chang Minerals Corporation	Taiwan Cement Corporation	Parent company	Sales	(308,191)	(100)	30 days	-	-	125,895	100	Note 2
Ho Sheng Mining Co., Ltd.	Taiwan Cement Corporation	Parent company	Sales	(255,580)	(83)	30 days	-	-	41,473	79	Note 2
Kuan-Ho Refractories Industry Corporation	Taiwan Cement Corporation	Parent company	Sales	(263,752)	(23)	By contract	-	-	137,116	89	Note 2
E.G.C. Cement Corporation	Taiwan Cement Corporation	Parent company	Purchases	544,131	100	50 days after the day delivery was made	-	-	(83,933)	(99)	Note 2
Ho-Ping Power Company	Hoping Industrial Port Corporation	The same parent company	Purchases	1,104,763	16	20 days	-	-	(56,617)	(32)	Note 2
	HPC Power Service Corporation	The same parent company	Purchases	400,689	6	By contract	-	-	(107,951)	(60)	Note 2
Hoping Industrial Port Corporation	Ho-Ping Power Company	The same parent company	Sales	(1,104,763)	(68)	20 days	-	-	56,617	79	Note 2
	Taiwan Cement Corporation	Parent company	Sales	(495,612)	(31)	20 days	-	-	12,408	17	Note 2
	Taiwan Transport & Storage Corporation	The same parent company	Purchases	197,875	76	30 days	-	-	(16,904)	(85)	Note 2
Feng Shang Enterprise Company	Taiwan Cement Corporation	Parent company	Sales	(555,855)	(24)	30 days	-	-	46,330	100	Note 2
			Purchases	319,122	14	30 days	-	-	(79,755)	(100)	Note 2
Taiwan Transport & Storage Corporation	Taiwan Cement Corporation	Parent company	Sales	(515,244)	(45)	30 days	-	-	87,091	59	Note 2
	Taiwan Prosperity Chemical Corporation	The same parent company	Sales	(184,277)	(16)	By contract	-	-	31,766	21	Note 2
	Hoping Industrial Port Corporation	The same parent company	Sales	(197,875)	(17)	30 days	-	-	16,904	11	Note 2
	China Synthetic Rubber Corporation	The same chairman	Sales	(109,187)	(10)	30 days	-	-	9,980	7	
Taiwan Prosperity Chemical Corporation	Taiwan Transport & Storage Corporation	The same parent company	Purchases	184,277	1	By contract	-	-	(31,766)	(33)	Note 2

(Continued)

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchases/Sales	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total (Note 1)	
HPC Power Service Corporation	Ho-Ping Power Company	The same parent company	Sales	$ (400,689)	(100)	By contract	$ -	-	$ 107,951	100	Note 2
Ta-Ho Maritime Corporation	Taiwan Cement Corporation	Parent company	Freight revenue	(850,602)	(38)	30 days	-	-	160,915	100	Note 2
	THC International S.A	Subsidiary	Rental expense	168,540	8	By negotiation	-	-	(23,609)	(54)	Note 2
	HKCCL	The same ultimate parent company	Freight revenue	(128,696)	(6)	By negotiation	-	-	-	-	Note 2
THC International S.A	Ta-Ho Maritime Corporation	Parent company	Rental revenue	(168,540)	(100)	By negotiation	-	-	23,609	100	Note 2
HKCCL	Quon Hing Concrete. Ltd.	Associates	Sales	(283,940)	(28)	By negotiation	-	-	69,517	37	
	Ta-Ho Maritime Corporation	The same ultimate parent company	Purchases	128,696	16	By negotiation	-	-	-	-	Note 2
TCC (Guigang) Cement Limited	Guigang Da-Ho Shipping Co., Ltd.	The same ultimate parent company	Purchases	214,855	3	By negotiation	-	-	(45,700)	(18)	Note 2
	Da Tong (Guigang) International Logistics Co., Ltd.	The same ultimate parent company	Purchases	301,041	4	By negotiation	-	-	(64,432)	(25)	Note 2
TCC Yingde Cement Co., Ltd.	Guigang Da-Ho Shipping Co., Ltd.	The same ultimate parent company	Purchases	196,286	3	By negotiation	-	-	(59,349)	(20)	Note 2
Da Tong (Guigang) International Logistics Co., Ltd.	TCC (Guigang) Cement Limited	The same ultimate parent company	Freight revenue	(301,041)	(97)	By negotiation	-	-	64,432	100	Note 2
Guigang Da-Ho Shipping Co., Ltd.	TCC (Guigang) Cement Limited	The same ultimate parent company	Freight revenue	(214,855)	(26)	By negotiation	-	-	45,700	43	Note 2
	TCC Yingde Cement Co., Ltd.	The same ultimate parent company	Freight revenue	(196,286)	(24)	By negotiation	-	-	59,349	56	Note 2
TCCIH	Taiwan Cement Corporation	Parent company	Service expense	498,914	100	By contract	-	-	(42,545)	(100)	Note 2
Yingde Dragon Mountain Cement Co., Ltd.	Prosperity Conch Cement Company Limited	Associates	Purchases	105,436	2	By negotiation	-	-	(11,334)	(2)	-

Note 1: The percentage to total accounts receivable from (payable to) related parties.

Note 2: All intercompany transactions have been eliminated upon consolidation.

(Concluded)

TAIWAN CEMENT CORPORATION AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE SHARE CAPITAL
DECEMBER 31, 2017
(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	Action Taken		
Ta-Ho Maritime Corporation	Taiwan Cement Corporation (Note)	Parent company	$ 160,915	5.4	$ -	-	$ 160,076	$ -
Jin Chang Minerals Corporation	Taiwan Cement Corporation (Note)	Parent company	125,895	4.6	-	-	125,895	-
Kuan-Ho Refractories Industry Corporation	Taiwan Cement Corporation (Note)	Parent company	137,116	2.2	-	-	96,230	-
HPC Power Service Corporation	Ho-Ping Power Company (Note)	The same parent company	107,951	4.6	-	-	107,951	-

Note: All intercompany transactions have been eliminated upon consolidation.

TAIWAN CEMENT CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2017			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2017	December 31, 2016	Shares/Units (In Thousands)	%	Carrying Amount			
Taiwan Cement Corporation	TCCI	British Virgin Islands	Investment holding	$ 18,344,635	$ 18,344,635	600,876	100.00	$ 60,108,134	$ 3,160,518	$ 3,160,518	Note
	Ho-Ping Power Company	Taiwan	Thermal power generation	6,037,720	6,037,720	602,973	59.50	18,612,533	2,975,364	1,770,342	Note
	Hoping Industrial Port Corporation	Taiwan	Hoping Industrial Port management	3,198,500	3,198,500	319,990	100.00	5,525,572	799,221	799,196	Note
	Ta-Ho Maritime Corporation	Taiwan	Marine transportation	528,506	528,506	118,649	64.79	2,029,315	212,635	137,760	Note
	Taiwan Prosperity Chemical Corporation	Taiwan	Processing and sale of chemical material	1,284,143	1,284,143	145,988	50.00	1,608,901	(354,571)	(177,286)	Note
	Taiwan Transport & Storage Corporation	Taiwan	Warehousing, transportation and sale of sand and gravel	90,862	90,862	32,668	83.85	1,698,943	119,815	100,460	Note
	TCC Investment Corporation	Taiwan	Investment	190,000	190,000	54,150	100.00	2,056,607	109,085	109,085	Note
	Ho Sheng Mining Co., Ltd.	Taiwan	Mining and trading	1,414,358	1,414,358	30,100	100.00	1,014,025	(54,247)	(54,247)	Note
	CCC USA Corporation	U.S.A.	Rubber raw materials	481,983	481,983	39	33.33	694,072	82,900	27,633	
	Taiwan Cement Engineering Corporation	Taiwan	Engineering services	319,439	319,439	59,593	99.05	698,982	(2,458)	(1,055)	Note
	Kuan-Ho Construction & Development Corporation	Taiwan	Construction and lease services	248,963	248,963	35,959	92.87	640,228	230,103	213,697	Note
	ONYX Ta-Ho Environmental Services Co., Ltd.	Taiwan	Waste collection and treatment	72,000	72,000	8,000	50.00	481,263	489,881	244,941	
	Kuan-Ho Refractories Industry Corporation	Taiwan	Production and sale of refractory materials	181,050	181,050	18,105	95.29	394,925	79,314	75,578	Note
	Feng Sheng Enterprise Company	Taiwan	Sale of ready-mixed concrete	250,000	250,000	27,261	45.43	347,734	34,768	15,797	Note
	TCC Chemical Corporation	Taiwan	Leasing property and energy technology services	1,510,842	334,350	240,000	100.00	1,539,861	(402,803)	11,861	Note
	Ta-Ho Onyx Taitung Environment Co., Ltd.	Taiwan	Waste collection and treatment	313,187	313,187	37,100	100.00	296,329	1,220	1,220	Note
	TCC Information Systems Corporation	Taiwan	Information software design	71,000	71,000	14,904	99.36	272,046	25,243	25,082	Note
	Ta-Ho Onyx RSEA Environment Co., Ltd.	Taiwan	Waste collection and treatment	666,000	666,000	66,600	66.60	207,094	(17,148)	(11,420)	Note
	HKCMCL	Hong Kong	Investment holding	72,005	72,005	38	84.65	277,915	56,618	47,930	Note
	TCC Green Energy Corporation	Taiwan	Renewable energy generation	46,046	59,880	10,000	100.00	179,619	9,986	9,986	Note
	Jin Chang Minerals Corporation	Taiwan	Afforestation and sale of limestone	18,042	18,042	1,800	100.00	157,214	38,171	38,171	Note
	HPC Power Service Corporation	Taiwan	Business consulting	1,861	1,861	6	60.00	107,200	186,844	112,106	Note
	E.G.C. Cement Corporation	Taiwan	Sale of cement	184,359	184,359	8,063	50.64	98,110	4,839	2,451	Note
	Synpac Ltd.	British Virgin Islands	Investment	70,367	70,367	2,700	25.00	6,697	(612)	(153)	
	Tung Chen Mineral Corporation	Taiwan	Afforestation and sale of limestone	1,989	1,989	20	99.45	1,394	(41)	(41)	Note
	TMC	Philippines	Mining excavation	11,880	11,880	120	72.70	-	-	-	Note
	TPMC	Philippines	Mining excavation	2,105	2,105	20	40.00	-	-	-	Note
	TCCIH	Cayman Islands	Investment holding	19,125,321	-	1,319,841	24.07	19,054,259	1,206,915	290,504	Note
Taiwan Transport & Storage Corporation	Ta-Ho Maritime Corporation	Taiwan	Marine transportation	247,229	247,229	50,311	27.47	860,494	212,635	58,415	Note
	E.G.C. Cement Corporation	Taiwan	Sale of cement	126,518	126,518	7,061	44.36	115,308	4,839	2,146	Note
	Chia Huan Tung Cement Corporation	Taiwan	Manufacturing and sale of cement-related products	97,181	138,830	9,718	12.74	34,574	(52,392)	(6,677)	
	Ho Swen Construction Material Co., Ltd.	Taiwan	Sand and gravel filtering and sale	10,200	10,200	1,020	51.00	174	2,058	1,891	Note
TCC Investment Corporation	Union Cement Traders Inc.	Taiwan	Import and export trading	219,450	219,450	21,945	100.00	700,904	45,203	45,203	Note
	Ho-Ping Power Company	Taiwan	Thermal power generation	68,911	68,911	5,067	0.50	152,941	2,975,364	14,877	Note
	Taiwan Prosperity Chemical Corporation	Taiwan	Processing and sale of chemical material	11,168	24,000	698	0.24	7,692	(354,571)	(1,933)	Note
	Ta-Ho Maritime Corporation	Taiwan	Marine transportation	343	343	34	0.02	587	212,635	40	Note

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2017			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2017	December 31, 2016	Shares/Units (In Thousands)	%	Carrying Amount			
Ta-Ho Maritime Corporation	Ta-Ho Maritime Holdings Ltd.	Samoa	Investment	$ 325,995	$ 325,995	10,300	100.00	$ 3,911,886	$ 58,697	$ 58,697	Note
	Shih Hsin Storage & Transportation Co., Ltd.	Taiwan	Warehousing, transportation and sale of cement	30,952	44,217	3,114	3.34	11,138	(119,067)	(3,992)	
	Chia Huan Tung Cement Corporation	Taiwan	Manufacturing and sale of cement-related products	8,825	12,608	883	1.16	3,148	(52,392)	(616)	
Taiwan Cement Engineering Corporation	TCEC Corporation	Brunei Darussalam	Investment	16,295	16,295	-	100.00	115,233	(225)	(225)	Note
TCC Information Systems Corporation	Taicem Information (Samoa) Pte., Ltd.	Samoa	Investment	3,042	3,042	2,128	100.00	47,560	2,911	2,911	Note
Hoping Industrial Port Corporation	Taiwan Prosperity Chemical Corporation	Taiwan	Processing and sale of chemical material	104,929	104,929	6,675	2.29	73,564	(354,571)	(8,106)	Note
E.G.C. Cement Corporation	Shih Hsin Storage & Transportation Co., Ltd.	Taiwan	Warehousing, transportation and sale of cement	110,128	157,325	11,082	11.87	39,584	(119,067)	(14,129)	
Feng Sheng Enterprise Company	Ho Swen Construction Material Co., Ltd.	Taiwan	Sand and gravel filtering and sale	1,800	1,800	180	9.00	-	2,058	-	Note
Union Cement Traders Inc.	Shih Hsin Storage & Transportation Co., Ltd.	Taiwan	Warehousing, transportation and sale of cement	34,203	48,861	3,442	3.69	12,296	(119,067)	(4,390)	
	Taiwan Transport & Storage Corporation	Taiwan	Warehousing, transportation and sale of sand and gravel	2,612	2,612	261	0.67	13,588	119,815	803	Note
	Chia Huan Tung Cement Corporation	Taiwan	Manufacturing and sale of cement-related products	2,835	4,050	283	0.37	1,008	(52,392)	(195)	
Ta-Ho Maritime Holdings Ltd.	THC International S.A.	Panama	Marine transportation	59,818	64,823	2	100.00	2,459,604	(4,778)	(4,778)	Note
	Sheng Ho Maritime S.A.	Panama	Marine transportation	59,818	64,823	2	100.00	459,286	1,187	1,187	Note
	Ta-Ho Maritime (Hong Kong) Limited	Hong Kong	Marine transportation	151,776	164,475	5,100	100.00	569,874	80,097	80,097	Note
	Chi Ho Maritime S.A.	Panama	Marine transportation	193,738	209,948	7	100.00	341,050	(16,555)	(16,555)	Note
	Ta-Ho Maritime (Singapore) Pte. Ltd.	Singapore	Marine transportation	2,976	3,225	100	100.00	71,335	(1,096)	(1,096)	Note
TCC International Ltd. (Group)	Quon Hing Concrete Co., Ltd.	Hong Kong	Investment holding	169,377	184,994	100	50.00	288,911	210,446	105,223	
	Chia Huan Tung Cement Corporation	Taiwan	Manufacturing and sale of cement-related products	148,554	212,220	14,855	19.48	52,851	(52,392)	(10,206)	
	Hong Kong Concrete Co., Ltd.	Hong Kong	Cement processing services	25,971	28,366	129	31.50	211,927	175,847	55,392	

Note: All intercompany transactions have been eliminated upon consolidation.

(Concluded)

TAIWAN CEMENT CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars)

A.

Investee Company	Main Businesses and Products	Share Capital	Method of Investment (Note 1)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2017 (Note 2)	Investment Flow (Note 2)		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2017 (Note 2)	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 3)	Carrying Amount as of December 31, 2017 (Note 3)	Accumulated Repatriation of Investment Income as of December 31, 2017	Note
					Outflow	Inflow							
Anhui King Bridge Cement Co., Ltd.	Manufacturing and sale of cement	$ 446,400	(a)	$ 151,776	$ -	$ -	$ 151,776	$ (61,165)	60.00	$ (28,257)	$ 235,615	$ -	Note 7
TCC Fuzhou Cement Co., Ltd.	Manufacturing and sale of cement	483,600	(a)	273,234	-	-	273,234	(79,012)	100.00	(42,170)	902,187	-	Note 7
TCC Fuzhou Yangyu Port Co., Ltd.	Port for cement transportation	148,800	(a)	84,072	-	-	84,072	1,603	100.00	1,308	293,011	-	Note 7
TCC Liuzhou Construction Materials Co., Ltd.	Sale of building material	401,760	(a)	96,422	-	-	96,422	89,124	42.00	24,974	397,821	-	Note 7
TCC Yingde Cement Co., Ltd.	Manufacturing and sale of cement	7,570,944	(a)	4,730,679	-	-	4,730,679	1,314,424	100.00	931,832	18,114,757	-	Note 7
Jurong TCC Cement Co., Ltd.	Manufacturing and sale of cement	6,934,080	(a)	4,047,211	-	-	4,047,211	535,774	100.00	390,362	11,044,634	-	Note 7
TCC (Guigang) Cement Limited	Manufacturing and sale of cement	9,906,387	(a)	3,663,453	3,422,400	-	7,085,853	2,123,552	100.00	1,460,742	18,326,537	-	Note 7
Jiangsu TCC Investment Co., Ltd.	Investment	1,488,000	(a)	840,720	-	-	840,720	144,884	100.00	103,156	2,582,668	-	Note 7
Yingde Dragon Mountain Cement Co., Ltd.	Manufacturing and sale of cement	1,954,322	(a)	3,232,921	-	-	3,232,921	1,052,993	100.00	727,583	11,052,600	-	Note 7
TCC Liaoning Cement Co., Ltd.	Manufacturing and sale of cement	1,693,615	(a)	1,326,745	-	-	1,326,745	(201,035)	100.00	(139,644)	1,806,395	-	Note 7
TCC Anshun Cement Co., Ltd.	Manufacturing and sale of cement	4,567,862	(a)	3,327,941	-	-	3,327,941	585,887	100.00	426,218	6,502,440	-	Note 7
TCC Chongqing Cement Co., Ltd.	Manufacturing and sale of cement	3,511,680	(a)	2,539,163	-	-	2,539,163	406,236	100.00	311,944	5,342,413	-	Note 7
TCC Guangan Cement Co., Ltd.	Manufacturing and sale of cement	2,291,222	(a)	1,663,446	-	-	1,663,446	288,550	100.00	216,650	3,086,879	-	Note 7
TCC (Dong Guan) Cement Co., Ltd.	Warehousing and cement technical consulting	595,200	(a)	336,288	-	-	336,288	(238,779)	100.00	(149,497)	313,360	-	Note 7
Guizhou Kong On Cement Co., Ltd.	Manufacturing and sale of cement	604,128	(a)	272,309	-	-	272,309	104,432	65.00	52,286	438,648	-	Note 7
TCC New (Hangzhou) Management Co., Ltd.	Operation management	238,080	(a)	134,515	-	-	134,515	35,921	100.00	25,507	178,500	-	Note 7
Guizhou Kaili Rui An Jian Cai Co., Ltd.	Manufacturing and sale of cement	1,778,800	(a)	1,064,646	-	-	1,064,646	531,951	100.00	369,367	2,977,539	-	Note 7
TCC Shaoguan Cement Co., Ltd.	Manufacturing and sale of cement	1,190,400	(a)	1,060,944	-	-	1,060,944	(8,511)	100.00	(5,651)	1,204,238	-	Note 7
TCC Huaying Cement Company Limited	Manufacturing and sale of cement	4,336,202	(a)	3,048,051	-	-	3,048,051	206,342	100.00	163,649	2,244,389	-	Note 7
TCC Huaihua Cement Company Limited (Note 4)	Manufacturing and sale of cement	424,545	(a)	5,579,738	-	-	5,579,738	39,473	100.00	74,194	2,013,732	-	Note 7
TCC Jingzhou Cement Company Limited (Note 4)	Manufacturing and sale of cement	45,650	(a)	-	-	-	-	69,292	100.00	60,243	1,131,612	-	Note 7
TCC Huaihua Concrete Company Limited (Note 4)	Manufacturing and sale of cement	45,650	(a)	-	-	-	-	(6,257)	100.00	(4,000)	70,159	-	Note 7
TCC Jiangsu Mining Industrial Company Limited	Mining of limestone	119,040	(a)	372,205	-	-	372,205	(11,421)	100.00	(7,885)	299,416	-	Note 7
TCC Yingde Mining Industrial Company Limited	Mining of limestone	342,240	(a)	269,258	-	-	269,258	275	100.00	903	443,320	-	Note 7
TCC Guigang Mining Industrial Company Limited	Mining of limestone	148,800	(a)	128,523	-	-	128,523	37,131	100.00	24,647	378,303	-	Note 7
Scitus Naxi Cement Co., Ltd. (Note 5)	Manufacturing and sale of cement	668,818	(a)	-	-	-	-	23,672	100.00	21,981	137,962	-	Note 7
Scitus Luzhou Cement Co., Ltd. (Note 5)	Manufacturing and sale of cement	1,803,175	(a)	-	-	-	-	232,631	100.00	163,582	2,043,010	-	Note 7
Scitus Hejiang Cement Co., Ltd. (Note 5)	Manufacturing and sale of cement	106,136	(a)	-	-	-	-	(2,095)	100.00	(1,383)	18,188	-	Note 7
Scitus Luzhou Concrete Co., Ltd. (Note 5)	Manufacturing and sale of cement	114,125	(a)	-	-	-	-	13,688	100.00	9,442	140,218	-	Note 7
Anshun Xin Tai Construction Materials Company Limited	Manufacturing and sale of concrete aggregate	68,475	(a)	90,721	-	-	90,721	2,210	100.00	1,705	65,770	-	Note 7
TCEC (Yingde) Machine Co., Ltd. (Note 6)	Production and sale of cement machinery and assembly work	16,295	(b)	16,295	-	-	16,295	(225)	100.00	(225)	115,233	-	Note 7
Fuzhou TCC Information Technology Co., Ltd. (Note 6)	Software product and equipment maintenance	2,976	(c)	2,976	-	-	2,976	3,235	100.00	3,235	40,991	-	Note 7
Da Tong (Guigang) International Logistics Co., Ltd (Note 6)	Logistics and transportation	148,800	(d)	148,800	-	-	148,800	81,345	100.00	81,345	553,447	-	Note 7
Da Tong (Ying De) Logistics Co., Ltd. (Note 6)	Logistics and transportation	22,825	(d)	22,825	-	-	22,825	12,687	100.00	12,687	84,316	-	Note 7
Guigang Da-Ho Shipping Co., Ltd. (Note 6)	Marine transportation	18,260	(d)	18,260	-	-	18,260	60.497	100.00	60,497	277,885	-	Note 7
Prosperity Conch Cement Co., Ltd. (Note 6)	Manufacturing and sale of cement	2,647,700	(a)	2,173,366	-	-	2,173,366	2,347,343	25.00	586,836	3,612,349	-	
Yunnan Kungang & K. Wah Cement Construction Materials Co., Ltd. (Note 6)	Manufacturing and sale of cement	3,766,125	(a)	1,416,940	-	-	1,416,940	564,998	30.00	169,500	1,638,323	-	
Baoshan Kungang & K. Wah Cement Construction Materials Co., Ltd. (Note 6)	Manufacturing and sale of cement	1,883,428	(a)	686,147	-	-	686,147	406,481	30.00	121,944	852,560	-	
Sichuan Taichang Building Material Group Company Limited (Note 6)	Manufacturing and sale of cement	913,000	(a)	342,999	-	-	342,999	86,270	30.00	-	-	-	
Guangan Xin Tai Construction Materials Company Limited (Note 6)	Manufacturing and sale of concrete aggregate	70,758	(a)	46,826	-	-	46,826	-	50.00	-	-	-	

Accumulated Investment in Mainland China as of December 31, 2017	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
$44,199,303	$74,839,080	(Note 8)

(Continued)

Note 1: All investments in mainland China companies were through a company invested and established in a third region.
The method of investments were as follows:

a. Investment through TCCI.
b. Investment through TECE Corporation (Brunei).
c. Investment through Taicem Information (Samoa) Pte. Ltd.
d. Investment through Ta-Ho Maritime (Hong Kong) Limited.

Note 2: Including outward remittance from offshore subsidiaries.

Note 3: Investment gain (loss) was based on the associates' audited financial statements except Yunnan Kungang & K. Wah Cement Construction Materials Co., Ltd. and Baoshan Kungang & K. Wah Cement Construction Materials Co., Ltd. The Group considers that there would be no significant adjustments if such financial statements were to be audited.

Note 4: As of December 31, 2017, the accumulated outward remittance for investments was a total of those from TCC Huaihua Cement Company Limited, TCC Jingzhou Cement Company Limited and TCC Huaihua Concrete Company Limited.

Note 5: As of December 31, 2017, accumulated outward remittance for investments was a total of $2,950,506 thousand from 10 companies, including Zunyi Scitus Cement Co., Ltd., Scitus Bijie Cement Co., Ltd., Scitus Naxi Cement Co., Ltd., Scitus Luzhou Cement Co., Ltd., Scitus Xishui Cement Co., Ltd., Scitus Hejiang Cement Co., Ltd., Guizhou Zunyi Ken On Concrete Co., Ltd., Scitus Bijie Concrete Co., Ltd., Scitus Luzhou Concrete Co., Ltd. and Scitus Cement (Guizhou) Operating Company Limited. Except Scitus Naxi Cement Co., Ltd., Scitus Luzhou Cement Co., Ltd., Scitus Hejiang Cement Co., Ltd. and Scitus Luzhou Concrete Co., Ltd., the other companies were disposed of in March 2013. The investment amounts authorized to be withdrawn are currently being processed by the Investment Commission, MOEA.

Note 6: Including the amounts attributable to non-controlling interests.

Note 7: All intercompany transactions have been eliminated upon consolidation.

Note 8: The Corporation received a confirmation letter of Operation Headquarter from the Industrial Development Bureau of the MOEA in October 2016 stating that the Corporation is not limited by the restriction on the accumulated percentage or amount of investment in mainland China.

B. See Tables 1, 2, 4, 5 and 9 for the information about significant transactions with investees in the mainland China, either directly or indirectly through a third area.

(Concluded)

TAIWAN CEMENT CORPORATION AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars)

No.	Investee Company	Counterparty	Relationship (Note 1)	Transactions Details			
				Financial Statement Account	Amount	Payment Terms	% of Total Sales or Assets
0	Taiwan Cement Corporation	E.G.C. Cement Corporation	1	Operating revenue	$ 544,131	50 days after the day delivery was made	0.6
		Feng Sheng Enterprise Company	1	Operating revenue	319,122	30 days	0.3
				Operating costs and expenses	555,855	30 days	0.6
		Ta-Ho Maritime Corporation	1	Operating costs and expenses	850,602	30 days	0.9
				Payables to related parties	160,915	30 days	0.1
		Taiwan Transport & Storage Corporation	1	Operating costs and expenses	515,244	30 days	0.5
		Hoping Industrial Port Corporation	1	Operating costs and expenses	495,612	20 days	0.5
		Kuan-Ho Refractories Industry Corporation	1	Operating costs and expenses	263,752	By contract	0.3
				Payables to related parties	137,116	By contract	0.1
		TCCIH	1	Operating revenue	498,914	By contract	0.5
		Jin Chang Minerals Corporation	1	Operating costs and expenses	308,191	30 days	0.3
				Payables to related parties	125,895	30 days	-
		Ho Sheng Mining Co., Ltd.	1	Operating costs and expenses	255,580	30 days	0.3
1	Ho-Ping Power Company	Hoping Industrial Port Corporation	3	Operating costs and expenses	1,104,763	20 days	1.1
		HPC Power Service Corporation	3	Operating costs and expenses	400,689	By contract	0.4
				Payables to related parties	107,951	By contract	-
2	To-Ho Maritime Corporation	HKCCL	3	Operating revenue	128,696	By negotiation	0.1
3	THC International S.A.	Ta-Ho Maritime Corporation	3	Operating revenue	168,540	By negotiation	0.2
4	TCC Chemical Corporation	Taiwan Prosperity Chemical Corporation	3	Finance lease receivables	150,093	By contract	0.1
				Long-term finance lease receivables	1,397,901	By contract	0.5
5	Taiwan Transport & Storage Corporation	Taiwan Prosperity Chemical Corporation	3	Operating revenue	184,277	By contract	0.2
		Hoping Industrial Port Corporation	3	Operating revenue	197,875	30 days	0.2
6	Da Tong (Guigang) International Logistics Co., Ltd.	TCC (Guigang) Cement Limited	3	Operating revenue	301,041	By negotiation	0.3
7	Guigang Da-Ho Shipping Co., Ltd.	TCC (Guigang) Cement Limited	3	Operating revenue	214,855	By negotiation	0.2
		TCC Yingde Cement Co., Ltd.	3	Operating revenue	196,286	By negotiation	0.2

Note 1: All intercompany transactions have been eliminated upon consolidation.

Note 2: This table includes transactions for amounts over $100 million.

Taiwan Cement Corporation and Subsidiaries

Consolidated Financial Statements for the Nine Months Ended September 30, 2017 and 2018 and Independent Auditors' Review Report

INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Shareholders
Taiwan Cement Corporation

Introduction

We have reviewed the accompanying consolidated balance sheets of Taiwan Cement Corporation and its subsidiaries (the "Group") as of September 30, 2017 and 2018, the related consolidated statements of comprehensive income for the three months ended September 30, 2017 and 2018, for the nine months ended September 30, 2017 and 2018, and the related consolidated statements of changes in equity and cash flows for the nine months then ended and the related notes, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements"). Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

Except as explained in the following paragraph, we conducted our reviews in accordance with the Statement of Auditing Standard No. 65 "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As disclosed in Note 13 to the consolidated financial statements, the financial statements of some non-significant subsidiaries included in the consolidated financial statements were not reviewed. As of September 30, 2017 and 2018, the combined total assets of these non-significant subsidiaries were NT$75,472,037 thousand and NT$81,559,598 thousand, respectively, representing 28% and 26%, respectively, of the Group's consolidated total assets, and the combined total liabilities of these non-significant subsidiaries as of September 30, 2017 and 2018 were NT$16,385,469 thousand and NT$16,904,370 thousand, respectively, representing 14% and 14%, respectively, of the Group's consolidated total liabilities; for the three months ended September 30, 2017 and 2018 and for the nine months ended September 30, 2017 and 2018, the net comprehensive income of these subsidiaries was NT$1,034,254 thousand, NT$1,624,200 thousand, NT$1,043,702 thousand and NT$5,653,700 thousand, respectively, representing 14%, 63%, 8% and 29%, respectively, of the Group's consolidated comprehensive income. Furthermore, as disclosed in Note 14 to the consolidated financial statements, the carrying amounts of certain investments accounted for by using the equity method as of September 30, 2017 and 2018 were NT$7,096,040 thousand and NT$8,090,914 thousand, respectively, and the Group's related share of comprehensive income of

such equity-method investments for the three months ended September 30, 2017 and 2018 and for the nine months ended September 30, 2017 and 2018 were NT$416,976 thousand, NT$12,766 thousand, NT$848,390 thousand and NT$1,110,662 thousand, respectively. These amounts were based on unreviewed financial statements for the same reporting periods as those of the Group. Moreover, the related information of the above subsidiaries and investees disclosed in Note 35 to the consolidated financial statements for the same reporting periods as those of the Group were also unreviewed.

Qualified Conclusion

Based on our reviews, except for the adjustments, if any, as might have been determined to be necessary had the financial statements of the non-significant subsidiaries and equity-method investments as described in the preceding paragraph been reviewed, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not give a true and fair view of the consolidated financial position of the Group as of September 30, 2017 and 2018, its consolidated financial performance for the three months ended September 30, 2017 and 2018 and its financial performance and its consolidated cash flows for the nine months ended September 30, 2017 and 2018 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting".

The engagement partners on the reviews resulting in this independent auditors' review report are Ya-Ling Wong and Chih-Ming Shao.

Deloitte & Touche
Taipei, Taiwan
Republic of China

November 13, 2018

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 review such consolidated financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' review 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' review report and consolidated financial statements shall prevail.

TAIWAN CEMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands)

ASSETS	September 30, 2017 (Reviewed) NT$	December 31, 2017 (Audited) NT$	September 30, 2018 (Reviewed) NT$	September 30, 2018 (Reviewed) US$ (Note 4)
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 26,608,300	$ 26,331,218	$ 42,980,849	$ 1,411,059
Financial assets at fair value through profit or loss (Notes 3, 4 and 7)	147,571	147,049	600,410	19,711
Financial assets at fair value through other comprehensive income (Notes 3, 4, 8 and 31)	-	-	6,904,065	226,660
Available-for-sale financial assets (Notes 3, 4, 9 and 31)	20,061,583	25,101,220	-	-
Notes receivable (Notes 4 and 10)	15,800,456	20,003,996	26,722,993	877,314
Accounts receivable (Notes 4, 10, 11 and 31)	6,800,265	7,072,466	8,340,760	273,827
Notes and accounts receivable from related parties (Notes 4 and 30)	205,600	229,702	209,009	6,862
Other receivables (Note 4)	410,446	751,932	742,270	24,369
Other receivables from related parties (Notes 4 and 30)	214,394	3,092	519,538	17,056
Inventories (Notes 4, 12 and 32)	9,493,855	8,354,522	9,012,327	295,874
Prepayments (Note 18)	3,967,788	2,914,701	2,964,906	97,338
Other financial assets (Notes 4, 6 and 31)	950,591	1,302,249	3,089,250	101,420
Other current assets	659,353	507,767	713,381	23,420
Total current assets	85,320,202	92,719,914	102,799,758	3,374,910
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income (Notes 3, 4, 8 and 31)	-	-	34,177,250	1,122,037
Available-for-sale financial assets (Notes 3, 4, 9 and 31)	5,587,598	3,455,938	-	-
Financial assets carried at cost (Notes 3 and 4)	583,023	582,819	-	-
Investments accounted for by using the equity method (Notes 4 and 14)	7,808,566	7,940,701	9,491,833	311,616
Property, plant and equipment (Notes 4, 15, 24 and 31)	96,681,867	94,709,404	91,303,900	2,997,502
Investment properties (Notes 4, 16, 24 and 31)	6,065,297	6,374,920	6,349,743	208,462
Intangible assets (Notes 4, 17 and 24)	20,695,038	20,852,624	20,240,191	664,484
Prepayments for property, plant and equipment	2,858,825	2,926,304	1,917,422	62,949
Long-term finance lease receivables (Notes 4, 11 and 31)	32,653,393	32,425,584	31,264,030	1,026,396
Net defined benefit asset (Note 4)	828,266	897,637	900,168	29,552
Long-term prepayments for leases (Note 18)	6,816,018	6,833,745	6,707,302	220,200
Other non-current assets (Notes 4 and 31)	3,559,803	2,837,459	3,217,964	105,646
Total non-current assets	184,137,694	179,837,135	205,569,803	6,748,844
TOTAL	$ 269,457,896	$ 272,557,049	$ 308,369,561	$ 10,123,754

LIABILITIES AND EQUITY	September 30, 2017 (Reviewed) NT$	December 31, 2017 (Audited) NT$	September 30, 2018 (Reviewed) NT$	September 30, 2018 (Reviewed) US$ (Note 4)
CURRENT LIABILITIES				
Short-term loans (Notes 19 and 31)	$ 24,346,180	$ 20,314,112	$ 22,471,574	$ 737,741
Short-term bills payable (Note 19)	7,967,148	7,991,417	6,164,409	202,377
Contract liabilities	-	-	5,850,094	192,058
Notes and accounts payable (Note 30)	8,041,997	7,789,179	7,961,973	261,391
Other payables (Notes 21 and 32)	7,334,015	8,839,408	8,142,087	267,304
Current income tax liabilities (Note 4)	811,229	1,651,042	2,545,873	83,581
Advance receipts	4,396,158	4,548,755	-	-
Long-term loans - current portion (Notes 19 and 31)	12,176,652	13,910,242	9,302,047	305,386
Other current liabilities	194,624	148,805	361,361	11,863
Total current liabilities	65,268,003	65,192,960	62,799,418	2,061,701
NON-CURRENT LIABILITIES				
Corporate bonds payable (Notes 4 and 20)	-	-	11,976,444	393,186
Long-term loans (Notes 19 and 31)	40,246,010	43,494,968	36,055,682	1,183,706
Deferred income tax liabilities (Note 4)	10,282,372	10,397,776	11,201,166	367,733
Net defined benefit liability (Note 4)	160,052	211,697	205,696	6,753
Other non-current liabilities (Note 32)	534,890	612,432	479,830	15,753
Total non-current liabilities	51,223,324	54,716,873	59,918,818	1,967,131
Total liabilities	116,491,327	119,909,833	122,718,236	4,028,832
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE CORPORATION (Notes 3, 4, 23 and 27)				
Share capital	$ 36,921,759	$ 42,465,090	$ 51,080,599	$ 1,676,973
Capital surplus	13,535,897	25,739,065	38,546,478	1,265,479
Retained earnings	46,932,681	49,019,510	54,267,913	1,781,612
Other equity	14,831,885	19,124,539	26,446,314	868,231
Treasury shares	-	-	(218,166)	(7,162)
Equity attributable to shareholders of the Corporation	112,222,222	136,348,204	170,123,138	5,585,133
NON-CONTROLLING INTERESTS (Notes 23 and 27)	40,744,347	16,299,012	15,528,187	509,789
Total equity	152,966,569	152,647,216	185,651,325	6,094,922
TOTAL	$ 269,457,896	$ 272,557,049	$ 308,369,561	$ 10,123,754

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

(With Deloitte & Touche auditors' review report dated November 13, 2018)

TAIWAN CEMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands, Except Earnings Per Share)
(Reviewed, Not Audited)

	For the Three Months Ended September 30			For the Nine Months Ended September 30		
	2017	2018		2017	2018	
	NT$	NT$	US$ (Note 4)	NT$	NT$	US$ (Note 4)
OPERATING REVENUE (Notes 4 and 30)	$ 23,058,257	$ 32,157,108	$ 1,055,716	$ 68,952,108	$ 89,657,354	$ 2,943,446
OPERATING COSTS (Notes 4, 12, 22, 24 and 30)	18,801,014	23,551,890	773,207	56,428,105	64,992,780	2,133,709
GROSS PROFIT	4,257,243	8,605,218	282,509	12,524,003	24,664,574	809,737
OPERATING EXPENSES (Notes 22, 24 and 30)						
Marketing	188,481	234,544	7,700	572,965	636,516	20,897
General and administrative	815,035	1,015,773	33,348	2,678,402	3,027,009	99,377
Research and development	7,878	8,269	271	24,465	24,770	813
Total operating expenses	1,011,394	1,258,586	41,319	3,275,832	3,688,295	121,087
INCOME FROM OPERATIONS	3,245,849	7,346,632	241,190	9,248,171	20,976,279	688,650
NON-OPERATING INCOME AND EXPENSES						
Share of profit of associates and joint ventures (Notes 4 and 14)	330,407	589,468	19,352	996,650	1,663,716	54,619
Interest income (Note 4)	58,830	183,080	6,011	171,328	364,654	11,972
Dividend income (Note 4)	501,087	600,068	19,700	796,998	1,247,451	40,954
Other income	57,942	150,711	4,947	250,955	599,324	19,675
Finance costs (Notes 4 and 24)	(477,503)	(672,562)	(22,080)	(1,420,845)	(1,827,585)	(60,000)
Other expenses (Note 24)	(239,899)	(33,715)	(1,107)	(474,151)	(128,766)	(4,227)
Net gain (loss) on disposal of property, plant and equipment	(1,528)	131,208	4,308	(21,082)	(33,783)	(1,109)
Foreign exchange gains (losses), net	(6,833)	74,230	2,437	(217,619)	(136,169)	(4,470)
Net gain (loss) on financial assets and liabilities at fair value through profit or loss	3,874	(33,924)	(1,114)	(103,849)	50,276	1,651
Total non-operating income and expenses	226,377	988,564	32,454	(21,615)	1,799,118	59,065
INCOME BEFORE INCOME TAX	3,472,226	8,335,196	273,644	9,226,556	22,775,397	747,715
INCOME TAX EXPENSE (Notes 4 and 25)	785,176	1,876,545	61,607	2,305,015	5,740,441	188,458
NET INCOME	2,687,050	6,458,651	212,037	6,921,541	17,034,956	559,257
OTHER COMPREHENSIVE INCOME (LOSS) (Note 4)						
Items that will not be reclassified subsequently to profit or loss:						
Unrealized gain on investments in equity instruments at fair value through other comprehensive income (Note 23)	-	1,249,463	41,020	-	7,208,438	236,653
Share of the other comprehensive income of associates and joint ventures accounted for by using the equity method (Note 23)	-	193	6	-	1,716	56
Income tax expense related to items that will not be reclassified subsequently to profit or loss (Note 25)	-	-	-	-	(7,433)	(244)
	-	1,249,656	41,026	-	7,202,721	236,465

(Continued)

TAIWAN CEMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands, Except Earnings Per Share)
(Reviewed, Not Audited)

	For the Three Months Ended September 30			For the Nine Months Ended September 30		
	2017	2018		2017	2018	
	NT$	NT$	US$ (Note 4)	NT$	NT$	US$ (Note 4)
Items that may be reclassified subsequently to profit or loss:						
Exchange differences on translating foreign operations (Note 23)	$ 2,125,865	$ (4,642,924)	$ (152,427)	$ 517,086	$ (4,353,651)	$ (142,930)
Unrealized gain on available-for-sale financial assets (Note 23)	2,709,169	-	-	5,849,656	-	-
Cash flow hedges (Note 23)	-	-	-	(13,167)	-	-
Share of other comprehensive income (loss) of associates and joint ventures accounted for by using the equity method (Note 23)	91,716	(487,475)	(16,004)	(156,024)	(387,168)	(12,711)
Income tax expense related to items that may be reclassified subsequently to profit or loss (Notes 23 and 25)	-	-	-	-	(328)	(11)
	4,926,750	(5,130,399)	(168,431)	6,197,551	(4,741,147)	(155,652)
Other comprehensive income for the period	4,926,750	(3,880,743)	(127,405)	6,197,551	2,461,574	80,813
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	$ 7,613,800	$ 2,577,908	$ 84,632	$ 13,119,092	$ 19,496,530	$ 640,070
NET INCOME ATTRIBUTABLE TO:						
Shareholders of the Corporation	$ 1,966,857	$ 5,933,938	$ 194,811	$ 4,948,812	$ 15,943,568	$ 523,427
Non-controlling interests	720,193	524,713	17,226	1,972,729	1,091,388	35,830
	$ 2,687,050	$ 6,458,651	$ 212,037	$ 6,921,541	$ 17,034,956	$ 559,257
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:						
Shareholders of the Corporation	$ 6,048,278	$ 2,041,785	$ 67,031	$ 10,806,091	$ 18,332,102	$ 601,842
Non-controlling interests	1,565,522	536,123	17,601	2,313,001	1,164,428	38,228
	$ 7,613,800	$ 2,577,908	$ 84,632	$ 13,119,092	$ 19,496,530	$ 640,070
EARNINGS PER SHARE (NT$, Note 26)						
Basic	$ 0.48	$ 1.20	$ 0.04	$ 1.22	$ 3.35	$ 0.11
Diluted	$ 0.48	$ 1.20	$ 0.04	$ 1.22	$ 3.35	$ 0.11

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

(With Deloitte & Touche auditors' review report dated November 13, 2018) (Concluded)

TAIWAN CEMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands)
(Reviewed, Not Audited)

	Equity Attributable to Shareholders of the Corporation														
			Retained Earnings				Other Equity								
	Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Unrealized Gain on Financial Assets at Fair Value Through Other Comprehensive Income	Cash Flow Hedges	Gain on Hedging Instruments	Treasury Shares	Total	Non-controlling Interests	Total Equity
BALANCE, JANUARY 1, 2017	$ 36,921,759	$ 13,534,162	$ 13,389,264	$ 13,050,484	$ 20,897,776	$ 47,337,524	$ (2,233,617)	$ 11,200,323	$ -	$ 7,900	$ -	$ -	$ 106,768,051	$ 40,628,620	$ 147,396,671
Appropriation of 2016 earnings															
Legal reserve	-	-	635,845	-	(635,845)	-	-	-	-	-	-	-	-	-	-
Cash dividends distributed by the Corporation	-	-	-	-	(5,353,655)	(5,353,655)	-	-	-	-	-	-	(5,353,655)	-	(5,353,655)
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,199,455)	(2,199,455)
Net income for the nine months ended September 30, 2017	-	-	-	-	4,948,812	4,948,812	-	-	-	-	-	-	4,948,812	1,972,729	6,921,541
Other comprehensive income (loss) for the nine months ended September 30, 2017	-	-	-	-	-	-	114,727	5,750,452	-	(7,900)	-	-	5,857,279	340,272	6,197,551
Total other comprehensive income (loss) for the nine months ended September 30, 2017	-	-	-	-	4,948,812	4,948,812	114,727	5,750,452	-	(7,900)	-	-	10,806,091	2,313,001	13,119,092
Difference between consideration received and the carrying amount of subsidiaries' net assets during actual disposals	-	1,735	-	-	-	-	-	-	-	-	-	-	1,735	(1,735)	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	3,916	3,916
BALANCE, SEPTEMBER 30, 2017	$ 36,921,759	$ 13,535,897	$ 14,025,109	$ 13,050,484	$ 19,857,088	$ 46,932,681	$ (2,118,890)	$ 16,950,775	$ -	$ -	$ -	$ -	$ 112,222,222	$ 40,744,347	$ 152,966,569
BALANCE, JANUARY 1, 2018	$ 42,465,090	$ 25,739,065	$ 14,025,109	$ 13,049,635	$ 21,944,766	$ 49,019,510	$ (790,475)	$ 19,915,014	$ -	$ -	$ -	$ -	$ 136,348,204	$ 16,299,012	$ 152,647,216
Adjustments on initial application of IFRS 9	-	-	-	-	654,005	654,005	-	(19,915,014)	24,158,871	-	-	-	4,897,862	16,365	4,914,227
BALANCE, JANUARY 1, 2018 after the impact of retrospective application of IFRS 9	42,465,090	25,739,065	14,025,109	13,049,635	22,598,771	49,673,515	(790,475)	-	24,158,871	-	-	-	141,246,066	16,315,377	157,561,443
Appropriation of 2017 earnings															
Legal reserve	-	-	759,425	-	(759,425)	-	-	-	-	-	-	-	-	-	-
Cash dividends distributed by the Corporation	-	-	-	-	(6,360,764)	(6,360,764)	-	-	-	-	-	-	(6,360,764)	-	(6,360,764)
Share dividends distributed by the Corporation	4,240,509	-	-	-	(4,240,509)	(4,240,509)	-	-	-	-	-	-	-	-	-
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,161,016)	(2,161,016)
Net income for the nine months ended September 30, 2018	-	-	-	-	15,943,568	15,943,568	-	-	-	-	-	-	15,943,568	1,091,388	17,034,956
Other comprehensive income (loss) for the nine months ended September 30, 2018	-	-	-	-	(7,605)	(7,605)	(4,722,354)	-	7,117,634	-	859	-	2,388,534	73,040	2,461,574
Total other comprehensive income for the nine months ended September 30, 2018	-	-	-	-	15,935,963	15,935,963	(4,722,354)	-	7,117,634	-	859	-	18,332,102	1,164,428	19,496,530
Issuance of global depositary shares	4,375,000	12,295,210	-	-	-	-	-	-	-	-	-	-	16,670,210	-	16,670,210
Compensation costs of treasury shares transferred to employees	-	45,448	-	-	-	-	-	-	-	-	-	-	45,448	-	45,448
Organization restructuring	-	-	-	-	(58,513)	(58,513)	-	-	-	-	-	-	(58,513)	(49,150)	(107,663)
Difference between the consideration and the carrying amount of subsidiaries' net assets during actual acquisitions or disposals	-	466,755	-	-	-	-	-	-	-	-	-	-	466,755	258,548	725,303
Disposals of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	(681,779)	(681,779)	-	-	681,779	-	-	-	-	-	-
Reversal of special reserve recognized from asset disposals	-	-	-	(573)	573	-	-	-	-	-	-	-	-	-	-
Buy-back of treasury shares	-	-	-	-	-	-	-	-	-	-	-	(218,166)	(218,166)	-	(218,166)
BALANCE, SEPTEMBER 30, 2018	$ 51,080,599	$ 38,546,478	$ 14,784,534	$ 13,049,062	$ 26,434,317	$ 54,267,913	$ (5,512,829)	$ -	$ 31,958,284	$ -	$ 859	$ (218,166)	$ 170,123,138	$ 15,528,187	$ 185,651,325
BALANCE, SEPTEMBER 30, 2018 (IN US$ - Note 4)	$ 1,676,973	$ 1,265,479	$ 485,375	$ 428,400	$ 867,837	$ 1,781,612	$ (180,986)	$ -	$ 1,049,189	$ -	$ 28	$ (7,162)	$ 5,585,133	$ 509,789	$ 6,094,922

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

(With Deloitte & Touche auditors' review report dated November 13, 2018)

TAIWAN CEMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands)
(Reviewed, Not Audited)

	For the Nine Months Ended September 30		
	2017	2018	
	NT$	NT$	US$ (Note 4)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	$ 9,226,556	$ 22,775,397	$ 747,715
Adjustments for:			
Depreciation expense	4,548,698	4,623,774	151,798
Amortization expense	282,984	293,251	9,627
Net loss (gain) on fair value changes of financial assets and liabilities at fair value through profit or loss	103,849	(50,276)	(1,651)
Finance costs	1,420,845	1,827,585	60,000
Interest income	(171,328)	(364,654)	(11,972)
Dividend income	(796,998)	(1,247,451)	(40,954)
Compensation costs	-	45,448	1,492
Share of profit of associates and joint ventures	(996,650)	(1,663,716)	(54,619)
Loss on disposal of property, plant and equipment, net	21,082	33,783	1,109
Loss on disposal of investment properties, net	-	16,642	546
Loss (gain) on disposal of investments, net	330	(44)	(1)
Write-down of inventories recognized (reversed)	13,689	(49,208)	(1,615)
Unrealized loss (gain) on foreign exchange, net	156,560	(97,310)	(3,195)
Others	163,771	172,409	5,660
Changes in operating assets and liabilities:			
Financial assets held for trading	(107,769)	-	-
Financial assets mandatorily classified as at fair value through profit or loss	-	(10,517)	(345)
Notes receivable	(4,028,430)	(7,488,525)	(245,848)
Accounts receivable	(45,707)	(1,269,221)	(41,668)
Notes and accounts receivable from related parties	322,903	20,056	658
Other receivables	361,031	105,880	3,476
Other receivables from related parties	27,668	(24,198)	(794)
Inventories	(949,699)	(749,170)	(24,595)
Prepayments	(1,165,931)	12,340	405
Contract liabilities	-	1,367,679	44,901
Other current assets	(219,017)	(195,690)	(6,425)
Notes and accounts payable	683,752	274,903	9,025
Other payables	(321,385)	(211,523)	(6,944)
Advance receipts	1,138,837	-	-
Other current liabilities	120,262	212,309	6,970
Net defined benefit liability	(24,927)	(8,532)	(280)
Cash generated from operations	9,764,976	18,351,421	602,476
Income tax paid	(2,673,298)	(3,859,946)	(126,722)
Net cash generated from operating activities	7,091,678	14,491,475	475,754

(Continued)

TAIWAN CEMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands)
(Reviewed, Not Audited)

	For the Nine Months Ended September 30		
	2017	2018	
	NT$	NT$	US$ (Note 4)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of financial assets at fair value through other comprehensive income	$ -	$ (241,094)	$ (7,915)
Purchase of available-for-sale financial assets	(220,004)	-	-
Proceeds from disposal of available-for-sale financial assets	32,597	-	-
Proceeds from financial assets carried at cost	5,833	-	-
Acquisition of long-term equity investments accounted for by using the equity method	-	(474,421)	(15,575)
Proceeds from capital return of investments accounted for using equity method	75,590	-	-
Payments for property, plant and equipment	(953,929)	(2,589,848)	(85,025)
Proceeds from disposal of property, plant and equipment	85,878	410,801	13,487
Increase in other receivables from related parties	-	(511,421)	(16,790)
Payments for intangible assets	(9,045)	(54,012)	(1,774)
Decrease in long-term finance lease receivables	1,012,647	1,161,554	38,134
Increase in other financial assets	(206,446)	(2,062,114)	(67,699)
Decrease (increase) in other non-current assets	30,629	(296,409)	(9,731)
Increase in prepayments for leases	(150,039)	(259,670)	(8,525)
Interest received	184,571	282,359	9,270
Dividends received	1,126,636	1,518,177	49,842
Net cash generated from (used in) investing activities	1,014,918	(3,116,098)	(102,301)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in short-term loans	4,317,617	2,002,160	65,731
Issuance of corporate bonds	-	11,976,000	393,171
Increase in long-term loans	3,618,087	14,030,000	460,604
Repayment of long-term loans	(9,966,009)	(26,925,181)	(883,952)
Increase (decrease) in short-term bills payable	2,045,630	(1,827,008)	(59,980)
Decrease in other non-current liabilities	(207,846)	(136,870)	(4,493)
Cash dividends paid	(7,553,110)	(8,521,780)	(279,770)
Issuance of ordinary shares for cash	-	16,670,210	547,282
Payment for buy-back of treasury shares	-	(218,166)	(7,162)
Acquisition of subsidiaries	-	(170,899)	(5,611)
Partial disposal of interests in subsidiaries without a loss of control	3,916	788,539	25,888
Interest paid	(1,378,184)	(1,702,732)	(55,901)
Net cash generated from (used in) financing activities	(9,119,899)	5,964,273	195,807

(Continued)

TAIWAN CEMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands)
(Reviewed, Not Audited)

	For the Nine Months Ended September 30		
	2017	2018	
	NT$	NT$	US$ (Note 4)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	$ (558,155)	$ (690,019)	$ (22,653)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,571,458)	16,649,631	546,607
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	28,179,758	26,331,218	864,452
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	$ 26,608,300	$ 42,980,849	$ 1,411,059

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

(With Deloitte & Touche auditors' review report dated November 13, 2018) (Concluded)

1. GENERAL INFORMATION

Taiwan Cement Corporation (the "Corporation") was incorporated in 1946 and restructured as a corporation in 1951, which was jointly operated by the Ministry of Economics Resource Committee and the Taiwan Provincial Government. In 1954, the Corporation privatized as a result of the Taiwan government's land reform program, land-to-the-tiller policy. The Corporation engages in the manufacture and marketing of cement, cement-related products and ready-mixed concrete. The Corporation's shares have been listed on the Taiwan Stock Exchange since February 1962.

The consolidated financial statements of the Corporation and its subsidiaries, collectively referred to as the "Group", are presented in New Taiwan dollars, the functional currency of the Corporation.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Corporation's board of directors on November 13, 2018.

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

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

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

1) IFRS 9 "Financial Instruments" and related amendments

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

Classification, measurement and impairment of financial assets

On the basis of the facts and circumstances that existed as at January 1, 2018, the Group has performed an assessment of the classification of recognized financial assets and has elected not to restate prior reporting periods.

The following table shows the original measurement categories and carrying amounts under IAS 39 and the new measurement categories and carrying amounts under IFRS 9 for each class of the Group's financial assets as of January 1, 2018.

Financial Asset	Measurement Category		Carrying Amount		Remark
	IAS 39	IFRS 9	IAS 39	IFRS 9	
Equity securities	Available-for-sale	Mandatorily at fair value through profit or loss (i.e. Mandatorily at FVTPL)	$ 307,090	$ 307,090	a)
	Available-for-sale	At fair value through other comprehensive income (i.e. FVTOCI) - equity instruments	28,165,590	28,165,590	a)
	Available-for-sale (recognized as financial assets carried at cost)	At FVTOCI - equity instruments	582,819	5,497,046	a)
Mutual funds	Held-for-trading	Mandatorily at FVTPL	147,049	147,049	
	Available-for-sale	Mandatorily at FVTPL	84,478	84,478	b)
Cash and cash equivalents, notes receivable, accounts receivable, other receivables, other financial assets, long-term finance lease receivables and loans and receivables measured at amortized cost	Loans and receivables	At amortized cost	88,120,239	88,120,239	c)

Financial Asset	IAS 39 Carrying Amount as of January 1, 2018	Reclassification	Remeasurement	IFRS 9 Carrying Amount as of January 1, 2018	Retained Earnings Effect on January 1, 2018	Other Equity Effect on January 1, 2018	Remark
FVTPL	$ 147,049	$ -	$ -	$ 147,049	$ -	$ -	
Add: Reclassification from available-for-sale (IAS 39)							
Required reclassification	-	391,568	-	391,568	152,191	-	a) and b)
	147,049	391,568	-	538,617	152,191	-	
FVTOCI							
Equity instruments							
Add: Reclassification from available-for-sale (IAS 39)	-	28,165,590	-	28,165,590	-	-	a)
Add: Reclassification from financial assets carried at cost (IAS 39)	-	582,819	4,914,227	5,497,046	501,814	4,243,857	a)
	-	28,748,409	4,914,227	33,662,636	501,814	4,243,857	
Amortized cost							
Add: Reclassification from loans and receivables (IAS 39)	-	88,120,239	-	88,120,239	-	-	c)
	$ 147,049	$ 117,260,216	$ 4,914,227	$ 122,321,492	$ 654,005	$ 4,243,857	

a) The Group elected to designate its investments in equity securities previously classified as available-for-sale under IAS 39 as at FVTPL and FVTOCI under IFRS 9. As a result, the related other equity - unrealized gain (loss) on available-for-sale financial assets of $19,914,980 thousand was reclassified to retained earnings of $152,157 thousand and other equity - unrealized gain (loss) on financial assets at FVTOCI of $19,762,823 thousand.

   Investments in unlisted shares previously measured at cost under IAS 39 have been designated as at FVTOCI under IFRS 9 and were remeasured at fair value. Consequently, an increase of $4,243,857 thousand was recognized in both financial assets at FVTOCI and other equity - unrealized gain (loss) on financial assets at FVTOCI on January 1, 2018.

   The Group recognized under IAS 39 impairment loss on certain investments in equity securities previously measured at cost and the loss was accumulated in retained earnings. Since those investments were designated as at FVTOCI under IFRS 9 and no impairment assessment is required, an adjustment was made that resulted in a decrease of $501,814 thousand in other equity - unrealized gain (loss) on financial assets at FVTOCI and an increase of $501,814 thousand in retained earnings on January 1, 2018.

b) Mutual funds previously classified as available-for-sale under IAS 39 were classified mandatorily as at FVTPL under IFRS 9, because the contractual cash flows are not solely payments of principal and interest on the principal outstanding and they are not equity instruments. The retrospective adjustment resulted in a decrease of $34 thousand in other equity - unrealized gain (loss) on available-for-sale financial assets and an increase of $34 thousand in retained earnings on January 1, 2018.

c) Notes receivable, accounts receivable (including related parties transactions), other receivables (including related parties transactions), other financial assets and long-term finance lease receivables that were previously classified as loans and receivables under IAS 39 were classified as measured at amortized cost with an assessment of expected credit losses under IFRS 9.

2) IFRS 15 "Revenue from Contracts with Customers" and related amendments

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers and supersedes IAS 18 "Revenue", IAS 11 "Construction Contracts" and a number of revenue-related interpretations. Refer to Note 4 for related accounting policies.

The application of IFRS 15 has no material impact on the Group. The Group elected only to retrospectively apply IFRS 15 to contracts that were not completed as of January 1, 2018. The transaction price received is recognized as a contract liability until the goods have been delivered to the customer.

Impact on liabilities for current period

	As Originally Stated	Adjustments Arising from Initial Application	Restated
Advance receipts	$ 4,548,755	$ (4,548,755)	$ -
Contract liabilities - current	-	4,548,755	4,548,755
Total effect on liabilities	$ 4,548,755	$ -	$ 4,548,755

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

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

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

Note 2: The FSC permits the election for early adoption of the amendments starting from 2018.

Note 3: The Group shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

IFRS 16 "Leases"

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

Definition of a lease

Upon initial application of IFRS 16, the Group will elect 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 will not be reassessed and will be accounted for in accordance with the transitional provisions under IFRS 16.

The Group as lessee

Upon initial application of IFRS 16, the Group will recognize right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value assets and short-term leases will be recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Group will present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed by using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities will be classified within financing activities; cash payments for the interest portion will be classified within financing activities. Currently, payments under operating lease contracts are recognized as expenses on a straight-line basis. Prepaid lease payments for land use rights of land located in China are recognized as prepayments for leases. The difference between the actual payments and the expenses, as adjusted for lease leveling, is recognized as prepayments for leases. Cash flows for operating leases are classified within operating activities on the consolidated statements of cash flows. Leased assets and finance lease payables are recognized for contracts classified as finance leases.

The Group anticipates applying IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized on January 1, 2019. Comparative information will not be restated.

Lease liabilities will be recognized on January 1, 2019 for leases currently classified as operating leases with the application of IAS 17. Lease liabilities will be measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Right-of-use assets will be measured at their carrying amount as if IFRS 16 had been applied since the commencement date but discounted using the aforementioned incremental borrowing rate. The Group will apply IAS 36 to all right-of-use assets.

The Group expects to apply the following practical expedients:

1) The Group will apply a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.

2) The Group will account for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.

3) The Group will exclude initial direct costs from the measurement of right-of-use assets on January 1, 2019.

4) The Group will use hindsight, such as in determining lease terms, to measure lease liabilities.

The Group as lessor

The Group will not make any adjustments for leases in which it is a lessor and will account for those leases with the application of IFRS 16 starting from January 1, 2019. The application of IFRS 16 is not expected to have a material impact on the accounting of the Group as lessor.

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 FSC

New IFRSs	Effective Date Issued by IASB (Note 1)
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020 (Note 2)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020 (Note 3)

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

Note 2: The 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 3: The Group shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

These interim consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 "Interim Financial Reporting" as endorsed and issued into effect by the FSC. The disclosed information included in these interim consolidated financial statements is less than the disclosed information required in a complete set of annual consolidated financial statements.

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 assets or liabilities which are measured at the present value of the defined benefit obligation less the fair value of the plan assets.

The fair value measurements, which are grouped into Levels 1 to 3 on the basis of the degree to which the fair value measurement inputs are observable and 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 on 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 an 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.

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

The Group engages 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 Corporation and the entities controlled by the Corporation.

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 or 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 Corporation.

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 Corporation and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in its 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 Corporation.

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 if the Group had 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.

Refer to Note 13 for detailed information on subsidiaries (including the percentages of ownership and main businesses).

e. Business combinations

Acquisitions of businesses are accounted for by using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as they are incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interests in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

For each business combination, the Group measures the non-controlling interests at either fair value or the share in the recognized amounts of the acquiree's identifiable net assets. Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets, in the event of liquidation, may be initially measured at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of the measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value.

When a business combination is achieved in stages, the Group's previously held equity interest in an acquiree is remeasured to fair value at the acquisition date, and the resulting gain or loss is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are recognized on the same basis as would be required if those interests were directly disposed of by the Group.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period or additional assets or liabilities are recognized to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized as of that date.

f. Foreign currencies

In preparing the financial statements of each individual group entity, 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 except for exchange differences on transactions entered into in order to hedge certain foreign currency risks.

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, and in which case, 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 Corporation and the group entities (including subsidiaries, associates and joint ventures in other countries that use currencies that are different from the currency of the Corporation) 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; 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 Corporation and non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group'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 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 re-attributed to non-controlling interests of the subsidiary and 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.

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising from the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognized in other comprehensive income.

g. Inventories

Inventories consist of raw materials, supplies, finished goods and work in process and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to 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 end of reporting period.

h. Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. A joint venture is a joint arrangement whereby the Group and other parties that have joint control of the arrangement have rights to the net assets of 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 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 an acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of an associate or 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 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 that associate and 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 the Group's share of equity of associates and joint ventures. 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 if the investee had 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 by using the equity method is insufficient, the shortage is debited to retained earnings.

When the Group's share of losses of an associate and a joint venture equals or exceeds its interest in that associate and joint venture (which includes any carrying amount of the investment accounted for by using the equity method and long-term interests that, in substance, form part of the Group's net investment in the associate and joint venture), the Group discontinues recognizing its share of further losses. 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 deducted from 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 its 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 if that associate had directly disposed of the related assets or liabilities. If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Group continues to apply the equity method and does not remeasure the retained interest.

When a group entity transacts with its associate and joint venture, profit and loss resulting from the transactions with the associate and joint venture are recognized in the Group' consolidated financial statements only to the extent that interests in the associate and the joint venture are not related to the Group.

i. Property, plant and equipment

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

Property, plant and equipment in the course of construction are carried 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.

Freehold land is not depreciated.

Depreciation on property, plant and equipment (including assets held under finance leases) is recognized using the straight-line method. Each significant part is depreciated separately. If a lease term is shorter than the assets' useful lives, such assets are depreciated over the lease term. The estimated useful lives, residual values and depreciation 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.

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.

j. Investment properties

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

Investment properties are initially measured 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.

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

k. Goodwill

Goodwill arising from the acquisition of a business is carried at cost as established at the date of the acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units or groups of cash-generating units (referred to as "cash-generating units") that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit or groups of cash-generating units was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit or groups of cash-generating units is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying

amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

If goodwill has been allocated to a cash-generating unit and the entity disposes of an operation within that unit, the goodwill associated with the operation that is disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal and is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

l. 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.

When the Group has a right to charge for usage of concession infrastructure (as a consideration for providing construction services in a service concession arrangement), it is initially recognized as an intangible asset at its fair value. The intangible asset is subsequently measured at cost less accumulated amortization and any accumulated impairment loss.

2) Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date. Subsequent to initial recognition, they are measured on the same basis as intangible assets that are acquired separately.

3) 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.

m. Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, in order 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. Group assets are allocated to the smallest group of cash-generating units on a reasonable and consistent basis of allocation.

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

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

n. Non-current assets held for sale

Non-current assets 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 non-current asset 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, which should be expected to qualify for recognition as a completed sale within 1 year from the date of classification.

When a sale plan would result in a loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale, regardless of whether the Group will retain a non-controlling interest in that subsidiary after the sale.

When the Group is committed to a sale plan involving the disposal of an investment or a portion of an investment in an associate or a joint venture, only the investment or the portion of the investment that will be disposed of is classified as held for sale when the classification criteria are met, and the Group discontinues the use of the equity method in relation to the portion that is classified as held for sale. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale continues to be accounted for using the equity method. If the Group ceases to have significant influence or joint control over the investment after the disposal takes place, the Group accounts for any retained interest that has not been classified as held for sale in accordance with the accounting policies for financial instruments.

Non-current assets 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.

When a subsidiary, joint operation, joint venture, associate, or a portion of an interest in a joint venture or an associate previously classified as held for sale no longer meets the criteria to be so classified, it is measured at the carrying amount that would have been recognized had such interests not been classified as held for sale. The consolidated financial statements for the periods since classification as held for sale are amended accordingly.

o. Financial instruments

Financial assets and financial liabilities are recognized when a group entity 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 fair value through profit or loss) 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 fair value through profit or loss 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

2018

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 the financial assets are mandatorily classified 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, with any gains or losses arising on their remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 29.

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 and trade receivables at amortized cost, are measured at amortized cost, which equals the gross carrying amount determined by the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

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

i) Purchased or originated credit-impaired financial 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 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.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition and bonds with repurchase agreements, 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 at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

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

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

2017

Financial assets are classified into the following categories: Financial assets at FVTPL, available-for-sale financial assets and loans and receivables.

i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when a financial asset is held for trading.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on their remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 29.

ii. Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Available-for-sale financial assets are measured at fair value. Changes in the carrying amounts of available-for-sale monetary financial assets (relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and dividends on available-for-sale equity investments) are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of or is determined to be impaired.

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are carried at cost less any identified impairment loss at the end of each reporting period and are presented as a separate line item as financial assets carried at cost. If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between carrying amount and fair value of such financial assets is recognized in other comprehensive income. Any impairment losses are recognized in profit and loss.

iii. Loans and receivables

Loans and receivables are measured at amortized cost using the effective interest method less any impairment, except for short-term receivables when the effect of discounting is immaterial.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition and bonds with repurchase agreements, 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.

b) Impairment of financial assets

2018

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including accounts receivable), lease receivables, as well as contract assets.

The Group always recognizes lifetime expected credit losses (i.e. ECLs) for accounts receivable and 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 a 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.

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

2017

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Financial assets at amortized cost are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience with collecting payments, an increase in the number of delayed payments in the portfolio, as well as observable changes in national or local economic conditions that correlate with defaults on receivables.

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

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

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

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

In respect of available-for-sale equity securities, impairment loss previously recognized in profit or loss is not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income. In respect of available-for-sale debt securities, impairment loss is subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

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

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

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.

Before 2017, on derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss. Starting from 2018, on derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss that had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2) Equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by a group entity are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Corporation's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Corporation's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

Except for financial liabilities at FVTPL, all financial liabilities are carried at amortized cost using the effective interest method.

Financial liabilities are classified as at FVTPL when such a financial liability is either held for trading or is designated as at FVTPL.

Financial liabilities held for trading are stated at fair value, with any gain or loss arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 29.

A financial liability may be designated as at FVTPL upon initial recognition when doing so results in more relevant information and if:

i. Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

ii. The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and has performance evaluated on a fair value basis, in accordance with the Corporation's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

iii. The contract contains one or more embedded derivatives so that the entire combined contract (asset or liability) can be designated as at FVTPL.

For a financial liability designated as at fair value through profit or loss, the amount of changes in fair value attributable to changes in the credit risk of the liability is presented in other comprehensive income and will not be subsequently reclassified to profit or loss. The remaining amount of changes in the fair value of that liability is recognized in profit or loss. The gain or loss accumulated in other comprehensive income will be transferred to retained earnings when such financial liabilities are derecognized. If this accounting treatment related to credit risk would create or enlarge an accounting mismatch, all changes in fair value of the liability are presented in profit or loss.

b) Derecognition of financial liabilities

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

4) Derivative financial instruments

The Group enters into derivative financial instruments to manage its exposure to foreign exchange rate risks, including foreign exchange forward contracts.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event, the timing of the recognition in profit or loss depends on the nature of the hedge relationship. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

Before 2018, derivatives embedded in non-derivative host contracts were treated as separate derivatives when: They met the definition of a derivative; their risks and characteristics were not closely related to those of the host contracts; and the contracts were not measured at FVTPL. Starting from 2018, derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of IFRS 9 are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in non-derivative host contracts that are not

financial assets within the scope of IFRS 9 (e.g. financial liabilities) are treated as separate derivatives when: They meet the definition of a derivative; their risks and characteristics are not closely related to those of the host contracts; and the host contracts are not measured at FVTPL.

p. Hedge accounting

The effects of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in other comprehensive income. The gains or losses relating to the ineffective portion is recognized immediately in profit or loss.

The associated gains or losses that were recognized in other comprehensive income are reclassified from equity to profit or loss as a reclassification adjustment in the line item relating to the hedged item in the same period as when the hedged item affects profit or loss. If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, the associated gains and losses that were recognized in other comprehensive income are removed from equity and are included in the initial cost of the non-financial asset or non-financial liability.

Before 2018, hedge accounting was discontinued prospectively when the Group revoked the designated hedging relationship, or when the hedging instrument expired or was sold, terminated, or exercised, or when it no longer met the criteria for hedge accounting. Starting from 2018, the Group discontinues hedge accounting only when the hedging relationship ceases to meet the qualifying criteria; for instance, when the hedging instrument expires or is sold, terminated or exercised. The hedging instrument's cumulative gain or loss previously recognized in other comprehensive income during the period of hedge effectiveness remains separately in equity until the forecasted transaction occurs. When a forecasted transaction is no longer expected to occur, the gain or loss accumulated in equity is then recognized immediately in profit or loss.

q. Revenue recognition

2018

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 is recognized when the goods are delivered to customer' specific location and the ownership of the goods is transferred to customer.

2) Service income is recognized by reference to the stage of completion of the contract or when services are provided. Freight revenue is recognized by reference to the proportion of the voyage period.

3) Revenue from electric power is calculated according to the volume of electric power sold and the energy rate.

2017

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Allowances for sales returns and liabilities for returns are recognized at the time of sale based on the seller's reliable estimate of future returns and based on past experience and other relevant factors.

1) Sale of goods

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

a) The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;

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

c) The amount of revenue can be measured reliably;

d) It is probable that the economic benefits associated with the transaction will flow to the Group; and

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

2) Provision of services

Service income, including that from operating services provided under service concession arrangements, is recognized when services are provided.

Freight revenue is recognized by reference to the proportion of the voyage period completed.

Revenue from a contract to provide services is recognized by reference to the stage of completion of the relevant contract or when services are provided.

3) Sale of electric power

Revenue from electric power is calculated according to the volume of electric power sold and the energy rate.

4) Dividend and interest income

Dividend income from investments is recognized when a shareholder's right to receive payment has been established provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the applicable effective interest rate.

r. Leasing

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. The lease component of all electric power selling contracts identified in accordance with IFRIC 4 "Determining Whether an Arrangement Contains a Lease" is classified as a finance lease.

1) The Group as lessor

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

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

2) The Group as lessee

Assets held under finance leases are initially recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated balance sheet as a finance lease obligation.

Finance expenses implicit in lease payments for each period are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, and in which case they are capitalized.

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

s. Borrowing costs

Borrowing costs directly attributable to the 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 the above-stated, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

t. 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 become receivable. Relevant grants of an asset are recognized as deferred revenue or a reduction of the asset's cost on a straight-line basis.

u. 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 an expense when employees have rendered services entitling them to the contributions.

Pension costs for an interim period are calculated on a year-to-date basis by using the respective actuarially determined annual pension cost discount rate which is the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant plan amendments, settlements, or other significant one-off events.

3) Other long-term employee benefits

Other long-term employee benefits are accounted for in the same way as the accounting required for a defined benefit plan except that remeasurement is recognized in profit or loss.

v. Share-based payment arrangements

The fair value at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share options. It is recognized as an expense in full at the grant date if vested immediately.

w. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. The interim period income tax is assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to the expected total annual earnings. The effect of a change in tax rate resulting from a change in the tax law is recognized consistent with the accounting for the transaction itself which gives rise to the tax consequence, and is recognized in profit or loss and other comprehensive income in full in the period in which the change in tax rate occurs.

1) Current tax

According to the Income Tax Law of the Republic of China, an additional tax of unappropriated earnings is provided for as income tax in the year in which 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 consolidated financial statement carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carryforwards and unused tax credits for research and development expenditures to the extent that it is probable that taxable profit 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, associates and joint ventures, 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. For deferred tax assets arising from deductible temporary differences associated with such investments and equity, the interests are only recognized to the extent that it is probable that there will be sufficient taxable profit 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 profit 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 reporting period

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, and in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

x. U.S. dollar amounts (unreviewed)

The translation of New Taiwan dollar (NT$) amounts into U.S. dollar (US$) amounts in the consolidated financial statements as of and for the nine months ended September 30, 2018 is included solely for the convenience of the readers. The translation was performed at an exchange rate of NT$30.46:US$1.00, which is the September 28, 2018 exchange rate set forth in the statistical release of the U.S. Federal Reserve Board of the United States. The translation should not be seen to represent the past, present or future possible exchange rates for the conversion of NT$ amounts to US$ amounts.

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, estimations 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 revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

a. Impairment loss of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The calculation of the value in use requires management to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

b. Impairment loss of property, plant and equipment

The impairment loss of property, plant and equipment in relation to production was based on the recoverable amounts of those assets, which is the higher of their fair value less costs of disposal and their value in use. Any changes in the market prices or future cash flows will affect the recoverable amounts of those assets and may lead to the recognition of additional impairment losses or the reversal of impairment losses.

6. CASH AND CASH EQUIVALENTS

	September 30, 2017	December 31, 2017	September 30, 2018
Cash on hand	$ 12,518	$ 8,031	$ 8,254
Checking accounts and demand deposits	14,560,153	15,092,905	20,528,984
Cash equivalents			
Time deposits with original maturities of less than 3 months	10,486,213	10,148,250	21,983,326
Bonds with repurchase agreements	1,549,416	1,082,032	460,285
	$ 26,608,300	$ 26,331,218	$ 42,980,849

The market rate intervals of cash in banks and bonds with repurchase agreements at the end of the reporting period were as follows:

	September 30, 2017	December 31, 2017	September 30, 2018
Cash in banks	0.01%-2.60%	0.01%-2.60%	0.01%-2.60%
Bonds with repurchase agreements	0.33%-1.35%	0.34%-2.00%	0.31%-2.20%

As of September 30, 2017, December 31, 2017 and September 30, 2018, time deposits with original maturities of more than 3 months were $553,936 thousand, $916,813 thousand and $2,953,410 thousand, respectively, which were classified to other financial assets.

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	September 30, 2017	December 31, 2017	September 30, 2018
Financial assets held for trading			
Non-derivative financial assets			
Mutual funds	$ 147,571	$ 147,049	$ -
Financial assets mandatorily classified as at FVTPL			
Non-derivative financial assets			
Domestic listed shares	-	-	265,019
Domestic emerging market shares	-	-	92,159
Mutual funds	-	-	243,232
	-	-	600,410
	$ 147,571	$ 147,049	$ 600,410

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (INVESTMENTS IN EQUITY INSTRUMENTS) - 2018

	September 30, 2018
Current	
Domestic investments	
Listed shares	$ 6,904,065
Non-current	
Domestic investments	
Listed shares	$ 3,416,329
Unlisted shares	6,292,192
	9,708,521
Foreign investments	
Listed shares	24,468,000
Unlisted shares	729
	24,468,729
	$ 34,177,250

These investments in equity instruments were classified as available-for-sale and financial assets carried at cost under IAS 39. Refer to Note 3 for information relating to their reclassification and comparative information for 2017.

Based on the Group's future investment strategies, the Group reclassified the investments in the foreign listed companies, Anhui Conch Cement Co., Ltd. and China Conch Venture Holdings Limited, from current assets to non-current assets in March 2018.

During the three months ended March 31, 2018, the Group paid $673,918 thousand to acquire shares of E-ONE Moli Energy Corporation and increased the Group's percentage of ownership from 15.1% to 29.9%. With a significant impact on the investee, the original investments previously recognized as financial assets at FVTOCI were considered as disposed of and reclassified to investments accounted for by using the equity method. The amount of $681,779 thousand, which was previously recognized as other equity - unrealized gain (loss) on financial assets at FVTOCI, was reclassified to retained earnings.

The Group participated in China Synthetic Rubber Corporation's capital increase by cash in October 2018, and the Group's percentage of ownership increased to around 19%. China Synthetic Rubber Corporation changed its name to International CSRC Investment Holdings Co., Ltd. in October 2018. The Group is able to exercise significant influence on the investee; thus the investment is accounted for by the equity method.

Refer to Note 31 for information relating to investments in equity instruments at FVTOCI pledged as collateral for credit accommodations.

9. AVAILABLE-FOR-SALE FINANCIAL ASSETS - 2017

	September 30, 2017	December 31, 2017
Domestic investments		
Listed shares	$ 9,771,204	$ 10,145,547
Emerging market shares	81,979	89,037
Mutual funds	84,425	84,478
	9,937,608	10,319,062
Foreign investments		
Listed shares	15,711,573	18,238,096
	$ 25,649,181	$ 28,557,158
Current	$ 20,061,583	$ 25,101,220
Non-current	5,587,598	3,455,938
	$ 25,649,181	$ 28,557,158

Refer to Note 31 for information relating to available-for-sale financial assets pledged as collateral for credit accommodations.

10. NOTES AND ACCOUNTS RECEIVABLE

	September 30, 2017	December 31, 2017	September 30, 2018
Notes receivable	$ 15,811,144	$ 20,017,541	$ 26,733,611
Accounts receivable	6,946,612	7,201,163	8,380,862
Less: Allowance for impairment loss	(157,035)	(142,242)	(50,720)
	$ 22,600,721	$ 27,076,462	$ 35,063,753

For the nine months ended September 30, 2018

The Group recognizes allowance for impairment loss on account receivable on the basis of individual customers for which credit losses have actually taken place. Moreover, the Group separates all customers into different segments based on their risk and determines their expected credit loss rate by reference to past default experience with the counterparties and on analysis of their current financial positions.

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

	September 30, 2018
Up to 90 days	$ 21,272,427
91-180 days	12,679,537
181-365 days	1,073,412
Over 365 days	38,377
	$ 35,063,753

The above aging schedule was based on the number of days past due from the invoice date.

The movements of the allowance for doubtful notes and accounts receivable were as follows:

	For the Nine Months Ended September 30, 2018
Balance at January 1, 2018 per IAS 39	$142,242
Adjustment on initial application of IFRS 9	-
Balance at January 1, 2018 per IFRS 9	142,242
Less: Impairment losses reversed	(35,922)
Less: Amounts written off	(56,272)
Foreign exchange translation gains and losses	672
Balance at September 30, 2018	$ 50,720

For the nine months ended September 30, 2017

In determining the recoverability of notes and accounts receivable, the Group considered any changes in the credit quality of the notes and accounts receivable since the credit was initially granted to the end of the reporting period. The Group recognized allowance for impairment loss of 100% against a receivable when there was indication that the receivable was impaired, and allowance for impairment loss was recognized against the rest of the past due receivables based on the estimated irrecoverable amounts determined by reference to the past default experience with the counterparties and on analysis of their current financial conditions.

For the accounts receivable balances that were past due at the end of the reporting period, the Group did not recognize an allowance for impairment loss, because there was no significant change in the credit quality, and the amounts were still considered recoverable.

The Group has a wide range of unrelated customers, hence the concentration in credit risk is relatively limited.

The aging analysis of receivables was as follows:

	September 30, 2017	December 31, 2017
Up to 90 days	$ 16,192,943	$ 20,070,369
91-180 days	6,218,662	6,646,244
181-365 days	106,307	245,462
Over 365 days	82,809	114,387
	$ 22,600,721	$ 27,076,462
Receivables past due but not impaired	$ 58,652	$ 90,666

The above aging schedule was based on the number of days past due from the invoice date.

The movements of the allowance for doubtful notes and accounts receivable were as follows:

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at January 1, 2017	$ 99,256	$ 36,749	$ 136,005
Impairment losses recognized (reversed)	22,829	(930)	21,899
Write-offs	(5,902)	(1,835)	(7,737)
Effects of exchange rate changes	6,868	-	6,868
Balance at September 30, 2017	$ 123,051	$ 33,984	$ 157,035

11. FINANCE LEASE RECEIVABLES

	September 30, 2017	December 31, 2017	September 30, 2018
Not later than 1 year	$ 4,974,959	$ 4,954,918	$ 4,937,251
Later than 1 year and not later than 5 years	20,933,301	21,155,252	21,517,037
Later than 5 years	34,238,449	33,001,970	28,717,462
	60,146,709	59,112,140	55,171,750
Less: Unearned finance income	26,259,141	25,398,223	22,470,478
Less: Allowance for impairment loss	47,878	47,878	47,878
Present value of minimum lease payments	$ 33,839,690	$ 33,666,039	$ 32,653,394
Current (included in accounts receivable)	$ 1,186,297	$ 1,240,455	$ 1,389,364
Non-current	32,653,393	32,425,584	31,264,030
	$ 33,839,690	$ 33,666,039	$ 32,653,394

After the adoption of IFRSs, the Group's electric power selling contracts with guaranteed power generation periods fall under IFRIC 4 "Determining Whether an Arrangement Contains a Lease" and IAS 17 "Leases". The lease was denominated in New Taiwan dollars, and the term entered into was 25 years.

The interest rate inherent in the lease was fixed at the contract date for the entire lease term. The interest rate inherent in the finance lease was approximately 11.18%.

Refer to Note 31 for information relating to financial lease receivables pledged as collateral for bank borrowings, which were recorded under property, plant and equipment before transitioning to IFRSs.

12. INVENTORIES

	September 30, 2017	December 31, 2017	September 30, 2018
Finished goods	$ 1,999,259	$ 1,806,371	$ 2,468,007
Work in process	1,495,231	1,096,548	1,334,041
Raw materials	5,854,794	5,451,603	5,210,279
Buildings and land held for sale	144,571	-	-
	$ 9,493,855	$ 8,354,522	$ 9,012,327

The cost of goods sold included reversals of inventory write-downs were as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2018	2017	2018
Write-downs of inventories recognized (reversed)	$ 26,988	$ 13,696	$ 13,689	$ (49,208)

The recovery of inventories' net realizable values was mainly due to the rebound in market price.

Refer to Note 32 for information relating to bills of lading pledged as collateral for bank borrowings.

13. SUBSIDIARIES

a. Subsidiaries included in consolidated financial statements

The consolidated financial statements include subsidiaries as follows:

Investor	Investee	Main Business	Proportion of Ownership (%) September 30, 2017	December 31, 2017	September 30, 2018	Remark
Taiwan Cement Corporation	Taiwan Transport & Storage Corporation	Warehousing, transportation and sale of sand and gravel	83.9	83.9	83.9	
	TCC Investment Corporation	Investment	100.0	100.0	100.0	
	Kuan-Ho Refractories Industry Corporation	Production and sale of refractory materials	95.3	95.3	95.3	
	Kuan-Ho Construction & Development Corporation	Construction and lease services	92.9	92.9	-	5)
	Hong Kong Cement Manufacturing Co., Ltd. ("HKCMCL")	Investment holding	84.7	84.7	84.7	
	Ta-Ho Maritime Corporation	Marine transportation	64.8	64.8	64.8	12)
	Taiwan Cement Engineering Corporation	Engineering services	99.0	99.0	99.0	
	TCC Green Energy Corporation	Renewable energy generation	100.0	100.0	100.0	4)
	TCC Chemical Corporation	Leasing property and energy technology services	100.0	100.0	100.0	5)
	TCC Information Systems Corporation	Information software	99.4	99.4	99.4	
	Taiwan Prosperity Chemical Corporation	Processing and sale of chemical material	50.0	50.0	40.0	2), 8), 12)
	Tung Chen Mineral Corporation	Afforestation and sale of limestone	99.5	99.5	99.5	
	Jin Chang Minerals Corporation	Afforestation and sale of limestone	100.0	100.0	100.0	
	Hoping Industrial Port Corporation	Hoping Industrial Port management	100.0	100.0	100.0	12)
	TCC International Ltd. ("TCCI")	Investment holding	100.0	100.0	100.0	9), 12)
	Ho-Ping Power Company	Thermal power generation	59.5	59.5	59.5	12)
	Ta-Ho Onyx Taitung Environment Co., Ltd.	Waste collection and treatment	100.0	100.0	100.0	
	HPC Power Service Corporation	Business consulting	60.0	60.0	60.0	
	E.G.C. Cement Corporation	Sale of cement	50.6	50.6	50.6	
	Feng Sheng Enterprise Company	Sale of ready-mixed concrete	45.4	45.4	45.4	8)
	Trans Philippines Mineral Corporation ("TPMC")	Mining excavation	40.0	40.0	40.0	8)
	Taicorn Minerals Corporation ("TMC")	Mining excavation	72.7	72.7	72.7	
	Ta-Ho Onyx RSEA Environment Co., Ltd.	Waste collection and treatment	66.6	66.6	66.6	
	Ho Sheng Mining Co., Ltd.	Mining excavation and sale of limestone	100.0	100.0	100.0	
	TCC International Holdings Ltd. ("TCCIH")	Investing holding	-	24.1	33.8	1), 9), 12)

(Continued)

Investor	Investee	Main Business	Proportion of Ownership (%) September 30, 2017	December 31, 2017	September 30, 2018	Remark
Taiwan Transport & Storage Corporation	E.G.C. Cement Corporation	Sale of cement	44.4	44.4	49.4	2)
	Ho Swen Construction Material Co., Ltd.	Sand and gravel filtering and sale	51.0	51.0	51.0	3)
	Ta-Ho Maritime Corporation	Marine transportation	27.5	27.5	29.2	2), 12)
TCC Investment Corporation	Union Cement Traders Inc.	Import and export trading	100.0	100.0	100.0	
	Ho-Ping Power Company	Thermal power generation	0.5	0.5	0.5	12)
	Taiwan Prosperity Chemical Corporation	Processing and sale of chemical material	0.4	0.2	0.2	2), 12)
	Ta-Ho Maritime Corporation	Marine transportation	-	-	-	12)
HKCMCL	TCC Development Ltd.	Property leasing	100.0	100.0	100.0	
Ta-Ho Maritime Corporation	Ta-Ho Maritime Holdings Ltd.	Investment	100.0	100.0	100.0	
Taiwan Cement Engineering Corporation	TCEC Corporation	Investment	100.0	100.0	-	10)
Taiwan Cement Engineering Corporation	TCEC (Yingde) Machine Co., Ltd.	Production and sale of cement machinery and assembly work	-	-	100.0	10)
TCC Information Systems Corporation	Taicem Information (Samoa) Pte., Ltd.	Investment	100.0	100.0	100.0	
Hoping Industrial Port Corporation	Taiwan Prosperity Chemical Corporation	Processing and sale of chemical material	2.3	2.3	2.3	12)
TCCI	TCCIH	Investment holding	63.1	75.9	66.2	1), 9), 12)
Feng Sheng Enterprise Company	Ho Swen Construction Material Co., Ltd.	Sand and gravel filtering and sale	9.0	9.0	9.0	3)
TPMC	TMC	Mining excavation	18.2	18.2	18.2	
Union Cement Traders Inc.	Taiwan Transport & Storage Corporation	Warehousing, transportation and sale of sand and gravel	0.7	0.7	0.7	
Ho-Ping Power Company	Ho-Ping Renewable Energy Company	Renewable energy generation	-	-	100.0	6)
TCC Green Energy Corporation	TCC Chia-Chien Green Energy Corporation	Renewable energy generation	-	-	100.0	7)
	TCC Yun-Kai Green Energy Corporation	Renewable energy generation	-	-	100.0	7)
	TCC Lien-Hsin Green Energy Corporation	Renewable energy generation	-	-	100.0	7)
	TCC Kao-Cheng Green Energy Corporation	Renewable energy generation	-	-	100.0	7)
	TCC Nan-Chung Green Energy Corporation	Renewable energy generation	-	-	100.0	7)
	TCC Chang-Ho Green Energy Corporation	Renewable energy generation	-	-	100.0	7)
Ta-Ho Maritime Holdings Ltd.	Ta-Ho Maritime (Hong Kong) Limited	Marine transportation	100.0	100.0	100.0	
	THC International S.A.	Marine transportation	100.0	100.0	100.0	
	Chi Ho Maritime S.A.	Marine transportation	100.0	100.0	100.0	
	Sheng Ho Maritime S.A.	Marine transportation	100.0	100.0	100.0	
	Ta-Ho Maritime (Singapore) Pte. Ltd.	Marine transportation	100.0	100.0	100.0	
TCEC Corporation	TCEC (Yingde) Machine Co., Ltd.	Production and sale of cement machinery and assembly work	100.0	100.0	-	10)
Taicem Information (Samoa) Pte., Ltd.	Fuzhou TCC Information Technology Co., Ltd.	Software product and equipment maintenance	100.0	100.0	100.0	
Ta-Ho Maritime (Hong Kong) Limited	Da Tong (Guigang) International Logistics Co., Ltd.	Logistics and transportation	100.0	100.0	100.0	
Da Tong (Guigang) International Logistics Co., Ltd.	Da Tong (Ying De) Logistics Co., Ltd.	Logistics and transportation	100.0	100.0	100.0	
	Guigang Da-Ho Shipping Co., Ltd.	marine transportation	100.0	100.0	100.0	
TCCIH	Chia Hsin Cement Greater China Holding Corporation	Investment holding	100.0	100.0	100.0	
	Upper Value Investments Ltd.	Investment holding	100.0	100.0	100.0	
	Upper Value Investments Ltd. ("UPPV")	Investment holding	100.0	100.0	100.0	12)
	TCC Hong Kong Cement (BVI) Holdings Ltd.	Investment holding	100.0	100.0	100.0	12)
	Ulexite Investments Ltd.	Investment holding	100.0	100.0	100.0	
Upper Value Investment Limited	Prime York Ltd.	Investment holding	100.0	100.0	100.0	
	Prosperity Minerals (International) Ltd.	Investment holding	100.0	100.0	100.0	
TCC Hong Kong Cement (BVI) Holdings Ltd.	TCC Hong Kong Cement Development Limited	Investment holding	100.0	100.0	100.0	
	TCC Hong Kong Cement (QHC) Ltd.	Investment holding	100.0	100.0	100.0	

(Continued)

Investor	Investee	Main Business	Proportion of Ownership (%) September 30, 2017	December 31, 2017	September 30, 2018	Remark
	TCC Hong Kong Cement (Yargoon) Ltd.	Investment holding	100.0	100.0	100.0	
	TCC Hong Kong Cement (HKC) Ltd.	Investment holding	100.0	100.0	100.0	
	TCC Hong Kong Cement (Philippines) Ltd.	Investment holding	100.0	100.0	100.0	
	TCC Hong Kong Cement (International) Ltd.	Investment holding	100.0	100.0	100.0	12)
	Hong Kong Cement Company Limited ("HKCCL")	Sale of cement	100.0	100.0	100.0	
TCC Hong Kong Cement (QHC) Ltd.	Chiefolk Co., Ltd.	Investment holding	70.0	70.0	70.0	
Chiefolk Co., Ltd.	TCC International (Liuzhou) Ltd.	Investment holding	100.0	100.0	100.0	
TCC International (Liuzhou) Ltd.	TCC Liuzhou Co., Ltd.	Investment holding	100.0	100.0	100.0	
TCC Liuzhou Co., Ltd.	TCC Liuzhou Construction Materials Company Limited	Manufacturing and sale of slag powder	60.0	60.0	60.0	
TCC Hong Kong Cement (HKC) Ltd.	Koning Concrete Ltd.	Investment holding	100.0	100.0	-	11)
TCC Hong Kong Cement (Philippines) Ltd.	TCC Cement Corporation	Cement processing services	100.0	100.0	100.0	
TCC Hong Kong Cement (International) Ltd.	TCC International (Hong Kong) Co., Ltd. ("TCCI (HK)")	Investment holding	100.0	100.0	100.0	12)
TCCI (HK)	TCC Guigang Mining Industrial Company Limited	Mining excavation	52.5	52.5	52.5	
	Jiangsu TCC Investment Co., Ltd.	Investment holding	100.0	100.0	100.0	
	Jingyang Industrial Limited	Investment holding	100.0	100.0	100.0	
	TCC International (Guangxi) Ltd.	Investment holding	100.0	100.0	100.0	
	TCC Shaoguan Cement Co., Limited	Manufacturing and sale of cement	100.0	100.0	100.0	
	TCC Yingde Mining Industrial Company Limited	Mining excavation	48.9	48.9	48.9	
	TCC Yingde Cement Co., Ltd.	Manufacturing and sale of cement	100.0	100.0	100.0	12)
	TCC Jiangsu Mining Industrial Company Limited	Mining excavation	100.0	100.0	100.0	
	TCC Fuzhou Yangyu Port Co., Ltd.	Service of port facility	100.0	100.0	100.0	
	TCC (Dong Guan) Cement Company Limited	Manufacturing and sale of cement	100.0	100.0	100.0	
	TCC Fuzhou Cement Co., Ltd.	Manufacturing and sale of cement	100.0	100.0	100.0	
	TCC Huaihua Cement Company Limited	Manufacturing and sale of cement	100.0	100.0	100.0	12)
	Anhui King Bridge Cement Co., Ltd.	Manufacturing and sale of cement	60.0	60.0	60.0	
Jiangsu TCC Investment Co., Ltd.	Jurong TCC Cement Co., Ltd.	Manufacturing and sale of cement	21.5	21.5	21.5	12)
Jingyang Industrial Limited	Jurong TCC Cement Co., Ltd.	Manufacturing and sale of cement	78.5	78.5	78.5	12)
TCC International (Guangxi) Ltd.	TCC (Gui Gang) Cement Ltd.	Manufacturing and sale of cement	100.0	100.0	100.0	12)
TCC (Gui Gang) Cement Ltd.	TCC Huaying Cement Company Limited	Manufacturing and sale of cement	100.0	100.0	100.0	
	TCC Guigang Mining Industrial Company Limited	Mining excavation	47.5	47.5	47.5	
TCC Yingde Cement Co., Ltd.	TCC Yingde Mining Industrial Company Limited	Mining excavation	34.8	34.8	34.8	
	Scitus Luzhou Concrete Co., Ltd.	Sale of ready-mixed concrete	25.0	25.0	25.0	
	Scitus Luzhou Cement Co., Ltd.	Manufacturing and sale of cement	10.0	10.0	10.0	
	Scitus Naxi Cement Co., Ltd.	Manufacturing and sale of cement	10.0	10.0	10.0	
	Scitus Hejiang Cement Co., Ltd.	Manufacturing and sale of cement	10.0	10.0	10.0	
TCC Jiangsu Mining Industrial Company Limited	TCC Yingde Mining Industrial Company Limited	Mining excavation	16.3	16.3	16.3	
TCC Huaihua Cement Company Limited	TCC Jingzhou Cement Company Limited	Manufacturing and sale of cement	100.0	100.0	100.0	
	TCC Huaihua Concrete Company Limited	Sale of ready-mixed concrete	100.0	100.0	100.0	
Ulexite Investments Ltd.	HKC Investments Limited	Investment holding	100.0	100.0	100.0	

(Continued)

Investor	Investee	Main Business	Proportion of Ownership (%) September 30, 2017	December 31, 2017	September 30, 2018	Remark
UPPV	Wayly Holdings Ltd.	Investment holding	100.0	100.0	100.0	
	TCC International (China) Co., Ltd.	Investment holding	100.0	100.0	100.0	
	Kong On Cement Holdings Ltd.	Investment holding	65.0	65.0	65.0	
	Mega East Ltd.	Investment holding	100.0	100.0	100.0	
	Prosperity Minerals (China) Ltd.	Investment holding	100.0	100.0	100.0	
	Sure Kit Ltd.	Investment holding	100.0	100.0	100.0	
	Hensford Ltd.	Investment holding	100.0	100.0	100.0	
	Kiton Ltd.	Investment holding	100.0	100.0	100.0	
	Prosperity Cement Investment Ltd.	Investment holding	100.0	100.0	100.0	
	Scitus Cement (China) Holdings Ltd. ("Scitus Holdings")	Investment holding	100.0	100.0	100.0	
Wayly Holdings Ltd.	Guizhou Kaili Rui An Jian Cai Co., Ltd.	Manufacturing and sale of cement	100.0	100.0	100.0	
TCC International (China) Co., Ltd.	TCC New (Hangzhou) Management Company Limited	Operation management	100.0	100.0	100.0	
Kong On Cement Holdings Ltd.	Guizhou Kong On Cement Company Limited	Manufacturing and sale of cement	100.0	100.0	100.0	
Mega East Ltd.	TCC Guangan Cement Company Ltd.	Manufacturing and sale of cement	100.0	100.0	100.0	
Sure Kit Ltd.	TCC Chongqing Cement Company Limited	Manufacturing and sale of cement	100.0	100.0	100.0	12)
Hensford Ltd.	TCC Anshun Cement Company Limited	Manufacturing and sale of cement	100.0	100.0	100.0	12)
Kiton Ltd.	TCC Liaoning Cement Company Limited	Manufacturing and sale of cement	100.0	100.0	100.0	
Prosperity Cement Investment Ltd.	Yingde Dragon Mountain Cement Co, Ltd.	Manufacturing and sale of cement	100.0	100.0	100.0	12)
TCC Anshun Cement Company Limited	Anshun Xin Tai Construction Materials Company Limited	Filtering of sand and gravel and sale of ready-mixed concrete	100.0	100.0	100.0	
Scitus Holdings	Scitus Cement (China) Operating Co., Ltd.	Investment holding	100.0	100.0	100.0	
	Hexagon XIV Holdings Ltd.	Investment holding	100.0	100.0	100.0	
	Hexagon XIII Holdings Ltd.	Investment holding	100.0	100.0	100.0	
	Hexagon IX Holdings Ltd.	Investment holding	100.0	100.0	100.0	
	Hexagon VIII Holdings Ltd.	Investment holding	100.0	100.0	100.0	
	Hexagon V Holdings Ltd.	Investment holding	100.0	100.0	100.0	
	Hexagon IV Holdings Ltd.	Investment holding	100.0	100.0	100.0	
	Hexagon III Holdings Ltd.	Investment holding	100.0	100.0	100.0	
	Hexagon II Holdings Ltd.	Investment holding	100.0	100.0	100.0	
	Hexagon Holdings Ltd.	Investment holding	100.0	100.0	100.0	
Hexagon IX Holdings Ltd.	Scitus Hejiang Cement Co., Ltd.	Manufacturing and sale of cement	90.0	90.0	90.0	
Hexagon IV Holdings Ltd.	Scitus Luzhou Cement Co., Ltd.	Manufacturing and sale of cement	90.0	90.0	90.0	
Hexagon III Holdings Ltd.	Scitus Naxi Cement Co., Ltd.	Manufacturing and sale of cement	90.0	90.0	90.0	
Hexagon XIV Holdings Ltd.	Scitus Luzhou Concrete Co., Ltd.	Sales of ready-mixed concrete	75.0	75.0	75.0	

(Concluded)

Remarks:

1) Refer to Note 27 for information relating to the equity acquisition transaction.

2) Taiwan Cement Corporation and TCC Investment Corporation disposed of a part of their ownership in Taiwan Prosperity Chemical Corporation during 2017 and during the nine months ended September 30, 2018. Taiwan Transport & Storage Corporation acquired a partial shareholding of Ta-Ho Maritime Corporation and E.G.C. Cement Corporation during the nine months ended September 30, 2018.

3) Ho Swen Construction Material Co., Ltd. is still in the process of liquidation.

4) Tunwoo Company Limited changed its Chinese-language name to TCC Green Energy Corporation in March 2018. Its original main business was warehousing and cement selling. A resolution of its board of directors changed its main business to renewable energy generation in October 2017.

5) TCC Chemical Corporation changed its Chinese-language name in December 2017. Its original main business was processing and selling chemical materials. A resolution of its board of directors changed its main business to leasing property and energy technology services in November 2017. For the propose of streamlining its investment structure, its board of directors approved to merge Kuan-Ho Construction & Development Corporation, with TCC Chemical Corporation as the surviving company. The effective date of the merger was on January 1, 2018.

6) Ho-Ping Renewable Energy Company was established in April 2018 and consolidated into these consolidated financial statements.

7) TCC Chia-Chien Green Energy Corporation, TCC Yun-Kai Green Energy Corporation and TCC Lien-Hsin Green Energy Corporation were established in May 2018. TCC Kao-Cheng Green Energy Corporation, TCC Nan-Chung Green Energy Corporation and TCC Chang-Ho Green Energy Corporation were established in July 2018, and consolidated into these consolidated financial statements.

8) Although the Group's percentages of ownership in Taiwan Prosperity Chemical Corporation, Feng Sheng Enterprise Company and TPMC were less than 50% for the nine months ended September 30, 2018, the Group still has control over those entities. Thus, Taiwan Prosperity Chemical Corporation, Feng Sheng Enterprise Company and TPMC are considered as subsidiaries of the Group.

9) Taiwan Cement Corporation increased its investment in the capital of TCCI and TCCIH in August 2018, but TCCI did not simultaneously increase its investment in the capital of TCCIH. Thus, Taiwan Cement Corporation's percentage of ownership in TCCIH increased from 24.1% to 33.8%, and TCCI's percentages of ownership in TCCIH decreased from 75.9% to 66.2%.

10) Taiwan Cement Engineering Corporation originally indirectly owned 100% of shares in TCEC (Yingde) Machine Co., Ltd through TCEC Corporation. The Brunei Darussalam government announced on December 22, 2016 that all international corporations have to wind up their business. Therefore, Taiwan Cement Engineering Corporation's direct ownership in TCEC (Yingde) Machine Co., Ltd. will have to wind up, and relevant procedures are still under process of September 30, 2018.

11) For the purpose of streamlining investment structure, Koning Concrete Ltd. was dissolved and cancelled.

12) Except for the financial statements of TCC Huaihua Cement Company Limited which were not reviewed for the nine months ended September 30, 2017, the financial statements for the nine months ended September 30, 2017 and 2018 of the other consolidated subsidiaries were reviewed.

13) Except for those mentioned directly above in Remark 12, the remaining subsidiaries' financial statements for the nine months ended September 30, 2017 and 2018 were not reviewed by auditors.

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

	Proportion of Ownership and Voting Rights Held by Non-controlling Interests		
	September 30, 2017	December 31, 2017	September 30, 2018
TCCIH	36.9%	-	-
Taiwan Prosperity Chemical Corporation	47.3%	47.5%	57.5%
Ho-Ping Power Company	40.0%	40.0%	40.0%

Refer to Table 7 following the Notes to Consolidated Financial Statements for the information about the principal place of business and country of incorporation.

14. INVESTMENTS ACCOUNTED FOR BY USING THE EQUITY METHOD

	September 30, 2017	December 31, 2017	September 30, 2018
Investments in associates	$ 7,808,566	$ 7,940,701	$ 9,491,833
Investments in associates			
Material associates			
Prosperity Conch Cement Co., Ltd.	$ 3,444,397	$ 3,612,349	$ 4,270,519
Associates that are not individually material			
Yunnan Kungang & K. Wah Cement Construction Materials Co., Ltd.	1,616,249	1,638,323	1,594,535
Baoshan Kungang & K. Wah Cement Construction Materials Co., Ltd.	831,849	852,560	828,870
CCC USA Corp.	712,526	694,072	801,610
ONYX Ta-Ho Environmental Services Co., Ltd.	432,154	481,263	700,051
E-ONE Moli Energy Corporation	-	-	599,309
Quon Hing Concrete Co., Ltd.	264,362	288,911	272,838
Hong Kong Concrete Co., Ltd.	214,885	211,927	223,402
Chia Huan Tung Cement Corporation	211,977	91,581	82,457
Sichuan Taichang Building Material Group Company Limited Ltd.	-	-	55,856
Shih Hsin Storage & Transportation Co.,	70,809	63,018	51,013
Synpac Ltd.	9,358	6,697	6,927
Guigang TCC Donyuan Environmental Technology Limited	-	-	4,446
	$ 7,808,566	$ 7,940,701	$ 9,491,833

a. Material associates

	Proportion of Ownership		
	September 30, 2017	December 31, 2017	September 30, 2018
Prosperity Conch Cement Co., Ltd.	25.0%	25.0%	25.0%

Refer to Table 8 "Information on Investments in Mainland China" following the Notes to Consolidated Financial Statements for the nature of activities, principal place of business and country of incorporation of Prosperity Conch Cement Company Limited. The investment accounted for by using the equity method and the share of profit or loss and other comprehensive income of the investment for the nine months ended September 30, 2017 and 2018 were based on the associate's financial statements for the same reporting periods as those of the Group which were not reviewed by the auditors.

Summarized financial information in respect of Prosperity Conch Cement Company Limited were as follows:

	September 30, 2017	December 31, 2017	September 30, 2018
Current assets	$ 8,138,288	$ 9,563,819	$ 12,663,107
Non-current assets	7,418,242	7,220,948	6,703,434
Current liabilities	(1,093,419)	(1,650,113)	(1,617,395)
Non-current liabilities	(685,521)	(685,260)	(667,071)
Equity	$ 13,777,590	$ 14,449,394	$ 17,082,075
Proportion of the Group's ownership	25%	25%	25%
Carrying amount	$ 3,444,397	$ 3,612,349	$ 4,270,519

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2018	2017	2018
Operating revenue	$ 2,281,776	$ 3,267,301	$ 6,651,504	$ 9,872,520
Net income for the period	$ 587,165	$ 1,147,348	$ 1,648,202	$ 3,366,421
Other comprehensive income (loss)	220,492	(891,516)	(285,916)	(733,740)
Total comprehensive income for the period	$ 807,657	$ 255,832	$ 1,362,286	$ 2,632,681

b. Aggregate information of associates that are not individually material

	Proportion of Ownership		
	September 30, 2017	December 31, 2017	September 30, 2018
Yunnan Kungang & K. Wah Cement Construction Materials Co., Ltd.	30.0%	30.0%	30.0%
Baoshan Kungang & K. Wah Cement Construction Materials Co., Ltd.	30.0%	30.0%	30.0%
CCC USA Corp.	33.3%	33.3%	33.3%
ONYX Ta-Ho Environmental Services Co., Ltd.	50.0%	50.0%	50.0%
E-ONE Moli Energy Corporation	-	-	29.9%
Quon Hing Concrete Co., Ltd.	50.0%	50.0%	50.0%
Hong Kong Concrete Co., Ltd.	31.5%	31.5%	31.5%
Chia Huan Tung Cement Corporation	33.8%	33.8%	33.8%

(Continued)

	Proportion of Ownership		
	September 30, 2017	December 31, 2017	September 30, 2018
Sichuan Taichang Building Material Group Company Limited	30.0%	30.0%	30.0%
Shih Hsin Storage & Transportation Co., Ltd.	18.9%	18.9%	18.9%
Synpac Ltd.	25.0%	25.0%	25.0%
Guigang TCC Donyuan Environmental Technology Limited	-	-	40.0%

(Concluded)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2018	2017	2018
The Group's share of:				
Net income for the period	$ 183,616	$ 302,631	$ 584,600	$ 822,111
Other comprehensive income (loss)	36,593	(264,403)	(84,545)	(202,017)
Total comprehensive income for the period	$ 220,209	$ 38,228	$ 500,055	$ 620,094

The Group's percentage of ownership in Shih Hsin Storage & Transportation Co., Ltd. is less than 20%, but the Group has significant influence and accounts for the investment by using the equity method.

The above investments accounted for by using the equity method and the share of profit or loss and other comprehensive income (loss) of those investments for the nine months ended September 30, 2017 and 2018 were based on the associates' unreviewed financial statements for the same periods except those of CCC USA Corp. and E-ONE Moli Energy Corporation.

The Group participates in the joint venture of Guigang TCC Donyuan Environmental Technology Limited resulting in the Group's percentage of ownership of 40% in June 2018. Under TCC (Gui Gang) Cement Ltd.'s resolution of the Board in October 2018, the original remitted RMB116 million is allotted debentures convertible into shares, and the Group's percentage of ownership increases to 95%.

15. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Machinery and Equipment	Miscellaneous Equipment	Property in Construction	Total
Cost						
Balance at January 1, 2017	$ 20,678,952	$ 51,534,206	$ 99,393,155	$ 12,039,090	$ 4,589,547	$ 188,234,950
Additions	-	24,602	166,543	159,468	410,811	761,424
Disposals	(1,878)	(35,303)	(166,763)	(120,670)	-	(324,614)
Reclassification	(12,046)	8,416	333,818	8,406	(325,458)	13,136
Effects of exchange rate changes	-	(637,634)	(945,295)	(179,405)	(24,829)	(1,787,163)
Balance at September 30, 2017	$ 20,665,028	$ 50,894,287	$ 98,781,458	$ 11,906,889	$ 4,650,071	$ 186,897,733

(Continued)

	Land	Buildings	Machinery and Equipment	Miscellaneous Equipment	Property in Construction	Total
Accumulated depreciation and impairment						
Balance at January 1, 2017	$ 274,188	$ 14,666,095	$ 61,394,024	$ 10,068,911	$ 31,966	$ 86,435,184
Disposals	-	(6,369)	(100,439)	(110,846)	-	(217,654)
Depreciation expenses	-	1,045,990	3,009,154	475,129	-	4,530,273
Reclassification	-	-	15,176	(15,176)	-	-
Effects of exchange rate changes	-	(94,469)	(302,673)	(132,604)	(2,191)	(531,937)
Balance at September 30, 2017	$ 274,188	$ 15,611,247	$ 64,015,242	$ 10,285,414	$ 29,775	$ 90,215,866
Carrying amounts at September 30, 2017	$ 20,390,840	$ 35,283,040	$ 34,766,216	$ 1,621,475	$ 4,620,296	$ 96,681,867
Cost						
Balance at January 1, 2018	$ 20,665,029	$ 50,587,364	$ 98,082,294	$ 12,142,556	$ 4,402,613	$ 185,879,856
Additions	8,000	28,641	219,683	1,882,757	847,058	2,986,139
Disposals	-	(347,114)	(4,118,755)	(1,259,149)	-	(5,725,018)
Reclassification	(7,779)	13,217	455,759	(35,432)	(421,782)	3,983
Effects of exchange rate changes	-	(902,321)	(1,488,717)	19,111	(65,603)	(2,437,530)
Balance at September 30, 2018	$ 20,665,250	$ 49,379,787	$ 93,150,264	$ 12,749,843	$ 4,762,286	$ 180,707,430
Accumulated depreciation and impairment						
Balance at January 1, 2018	$ 274,188	$ 15,829,125	$ 64,476,095	$ 10,507,380	$ 83,664	$ 91,170,452
Disposals	-	(174,159)	(3,916,103)	(1,190,172)	-	(5,280,434)
Depreciation expenses	-	1,058,266	3,086,555	461,443	-	4,606,264
Reclassification	-	-	105,046	(105,046)	-	-
Effects of exchange rate changes	-	(249,257)	(830,086)	(11,033)	(2,376)	(1,092,752)
Balance at September 30, 2018	$ 274,188	$ 16,463,975	$ 62,921,507	$ 9,662,572	$ 81,288	$ 89,403,530
Carrying amounts at January 1, 2018	$ 20,390,841	$ 34,758,239	$ 33,606,199	$ 1,635,176	$ 4,318,949	$ 94,709,404
Carrying amounts at September 30, 2018	$ 20,391,062	$ 32,915,812	$ 30,228,757	$ 3,087,271	$ 4,680,998	$ 91,303,900

(Concluded)

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

Buildings	
Main buildings	30-60 years
Main plants	16-50 years
Storage units	10-50 years
Others	20-50 years
Machinery and equipment	2-28 years
Miscellaneous equipment	2-20 years

With the proposed enhancement of environmental standards and the Corporation's operation strategies adjustment, the Group disposed of old equipment in some of its factories in 2018. The Group also disposed of vessels in July 2018, at a selling price of US$8,050 thousand, recognizing a $33,783 thousand net loss on the disposal of property, plant and equipment in total.

Property, plant and equipment pledged as collateral for bank borrowings are set out in Note 31.

Acquisitions of property, plant and equipment included non-cash items which were reconciled as follows:

	For the Nine Months Ended September 30	
	2017	2018
Acquisitions of property, plant and equipment	$ 761,424	$2,986,139
Increase (decrease) in prepayments for equipment	183,451	(1,005,547)
Decrease in payables for equipment	9,054	609,256
	$ 953,929	$2,589,848

16. INVESTMENT PROPERTIES

	September 30, 2017	December 31, 2017	September 30, 2018
Land	$ 5,401,651	$ 5,717,464	$ 5,725,243
Buildings	663,646	657,456	624,500
	$ 6,065,297	$ 6,374,920	$ 6,349,743

Except for depreciation, the Group did not recognize significant additions, disposals or impairment loss of investment properties during the nine months ended September 30, 2017 and 2018.

The buildings of the investment properties were depreciated using the straight-line method over their estimated useful lives of 50 years.

As of December 31, 2016, the fair value of investment properties was $10,901,414 thousand. The fair value of the investment properties determined by independent qualified professional valuers was $15,253,955 thousand on June 30, 2017. As of December 31, 2017, the fair value of investment properties was $14,853,688 thousand. Management of the Group has assessed such investment properties and determined that there was no significant change in fair value as of September 30, 2018 as compared to the respective value as of December 31, 2017.

The investment properties pledged as collateral for bank borrowings are set out in Note 31.

17. INTANGIBLE ASSETS

	Goodwill	Operational Concession	Mining Rights	Others	Total
Cost					
Balance at January 1, 2017	$ 12,191,933	$ 7,681,476	$ 2,859,051	$ 1,203,719	$ 23,936,179
Additions	-	-	-	9,045	9,045
Effects of exchange rate changes	(166,363)	-	(49,135)	(20,711)	(236,209)
Balance at September 30, 2017	$ 12,025,570	$ 7,681,476	$ 2,809,916	$ 1,192,053	$ 23,709,015
Accumulated amortization and impairment					
Balance at January 1, 2017	$ -	$ 755,555	$ 1,086,135	$ 919,207	$ 2,760,897
Amortization expenses	-	113,333	99,346	70,305	282,984
Effects of exchange rate changes	-	-	(14,325)	(15,579)	(29,904)
Balance at September 30, 2017	$ -	$ 868,888	$ 1,171,156	$ 973,933	$ 3,013,977
Carrying amounts at September 30, 2017	$ 12,025,570	$ 6,812,588	$ 1,638,760	$ 218,120	$ 20,695,038
Cost					
Balance at January 1, 2018	$ 11,876,957	$ 7,681,476	$ 3,215,101	$ 1,189,793	$ 23,963,327
Additions	-	-	48,860	5,152	54,012
Effects of exchange rate changes	(319,856)	-	(80,994)	(3,336)	(404,186)
Balance at September 30, 2018	$ 11,557,101	$ 7,681,476	$ 3,182,967	$ 1,191,609	$ 23,613,153

(Continued)

	Goodwill	Operational Concession	Mining Rights	Others	Total
Accumulated amortization and impairment					
Balance at January 1, 2018	$ -	$ 906,666	$ 1,210,061	$ 993,976	$ 3,110,703
Amortization expenses	-	113,333	126,316	53,602	293,251
Effects of exchange rate changes	-	-	(30,920)	(72)	(30,992)
Balance at September 30, 2018	$ -	$ 1,019,999	$ 1,305,457	$ 1,047,506	$ 3,372,962
Carrying amounts at January 1, 2018	$ 11,876,957	$ 6,774,810	$ 2,005,040	$ 195,817	$ 20,852,624
Carrying amounts at September 30, 2018	$ 11,557,101	$ 6,661,477	$ 1,877,510	$ 144,103	$ 20,240,191

(Concluded)

The above items of intangible assets with finite useful lives are amortized on a straight-line basis, over their useful lives as follows:

Operational concession	50 years
Mining rights	30-50 years
Others	3-17 years

18. PREPAYMENTS FOR LEASES

	September 30, 2017	December 31, 2017	September 30, 2018
Current (included in prepayments)	$ 213,117	$ 217,031	$ 220,332
Non-current	6,816,018	6,833,745	6,707,302
	$ 7,029,135	$ 7,050,776	$ 6,927,634

The above prepayments for leases were mainly for land use rights in China.

19. BORROWINGS

a. Short-term loans

	September 30, 2017	December 31, 2017	September 30, 2018
Secured borrowings			
Bank loans	$ 190,000	$ 270,000	$ 190,000
Unsecured borrowings			
Bank loans - unsecured	23,837,333	19,149,645	21,168,724
Bank loans - letters of credit	318,847	894,467	1,112,850
	24,156,180	20,044,112	22,281,574
	$ 24,346,180	$ 20,314,112	$ 22,471,574
Interest rate range	0.53%-4.35%	0.81%-4.35%	0.82%-4.57%

b. Short-term bills payable

	September 30, 2017	December 31, 2017	September 30, 2018
Commercial paper	$ 7,975,000	$ 8,000,000	$ 6,170,000
Less: Unamortized discount on bills payable	7,852	8,583	5,591
	$ 7,967,148	$ 7,991,417	$ 6,164,409
Interest rate range	0.94%-1.28%	0.65%-2.04%	0.64%-1.24%

c. Long-term loans

	September 30, 2017	December 31, 2017	September 30, 2018
Secured borrowings	$ 5,499,512	$ 5,101,655	$ 2,856,695
Unsecured borrowings	46,923,150	52,303,555	42,501,034
	52,422,662	57,405,210	45,357,729
Less: Current portions	12,176,652	13,910,242	9,302,047
	$ 40,246,010	$ 43,494,968	$ 36,055,682
Interest rate range	1.29%-2.80%	1.29%-3.40%	1.33%-3.92%

Long-term loans consist of unsecured borrowings, secured borrowings and earmarked loans. The principals of long-term unsecured and secured borrowings are due in September 2025, and the interests are paid monthly. The principals of earmarked loans are due in March 2023, and the interests are paid monthly, quarterly or semiannually.

20. BONDS PAYABLE

a. Domestic unsecured bonds

Domestic unsecured bonds were issued on June 21, 2018, with a maturity of 15 years due on June 21, 2033. The bonds total amount is $12,000,000 thousand and has a coupon rate of 1.7%, with bullet repayment and interest paid annually. The remaining balance was $11,976,444 thousand on September 30, 2018.

b. Overseas unsecured convertible bonds

The Corporation's board of directors resolved to issue overseas unsecured convertible bonds with a total amount of up to US$500,000 thousand for the first time issue in June 2018. This was approved by the FSC under letter No. 10703258532 issued on July 25, 2018, and the period of issuing is extended to January 24, 2019 with approval by the FSC under letter No. 10703367941 issued on October 19, 2018.

21. OTHER PAYABLES

	September 30, 2017	December 31, 2017	September 30, 2018
Salaries and bonuses payable	$ 954,145	$ 1,438,523	$ 1,567,709
Taxes payable	861,003	1,133,230	1,058,488
Performance bonds	748,084	728,009	981,592
Payables for equipment	1,329,895	1,029,027	426,704
Freight payables	272,260	226,334	370,095
Payables for electricity	340,207	289,016	285,417
Fines payable	264,000	264,000	198,000
Others	2,564,421	3,731,269	3,254,082
	$ 7,334,015	$ 8,839,408	$ 8,142,087

22. RETIREMENT BENEFIT PLANS

Employee benefits expense in respect of the defined retirement benefit plans applied the respective actuarially determined annual pension cost discount rate as of December 31, 2016 and 2017 and was recognized in the following line items in its respective periods:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2018	2017	2018
Operating costs	$ 1,352	$ 668	$ 3,740	$ 1,966
Operating expenses	363	68	1,037	203
	$ 1,715	$ 736	$ 4,777	$ 2,169

23. EQUITY

a. Share capital

1) Ordinary shares

	September 30, 2017	December 31, 2017	September 30, 2018
Number of shares authorized (in thousands)	6,000,000	6,000,000	7,000,000
Value of shares authorized	$ 60,000,000	$ 60,000,000	$ 70,000,000
Number of shares issued and fully paid (in thousands)	3,692,176	4,246,509	5,108,060
Value of shares issued	$ 36,921,759	$ 42,465,090	$ 51,080,599

A holder of issued ordinary shares with par value of $10 is entitled to the proportional rights to vote and to dividends. The authorized shares including common shares and preferred shares contain 60,000 thousand units retained for the exercise of employee share options.

According to the laws of Hong Kong and the Cayman Islands, the Corporation and its subsidiary, TCCI, contemplated privatizing TCCIH by a Scheme of Arrangement under the Companies Law of the Cayman Islands. On October 18, 2017, the Corporation's board of directors resolved to issue 554,333 thousand ordinary shares to acquire part of TCCIH's shares with a par value of $10, which increased the share capital issued and fully paid to $42,465,090 thousand. On November 6, 2017, the above transaction was approved by the FSC.

The Corporation's shareholders resolved to distribute share dividends of $4,240,509 thousand in June 2018, which was approved by the FSC. The subscription base date was August 1, 2018 as determined by the board of directors.

2) Global depositary shares

The Corporation's board of directors resolved to issue from 375,000 to 468,750 thousand ordinary shares in the form of global depositary shares for the purpose of investing in overseas subsidiaries and to repay borrowings. The transaction was approved by the FSC under letter No. 10703258531 issued on July 25, 2018. The Corporation issued 87,500 units at US$6.27 per share on the Luxembourg Stock Exchange, which amounted to US$548,625 thousand in total in August 2018. One global depositary share represents 5 ordinary shares, and the total global depositary shares represent 437,500 thousand ordinary shares. All outstanding global depositary shares were converted into common shares as of September 30, 2018.

3) Preference shares

In June 2018, the Corporation's board of directors resolved to issue preference shares, which was approved by the FSC under letter No. 1070325853 on July 25, 2018 and expected to issue 200,000 thousand shares at the price of $10 per share, for a consideration of $2,000,000 thousand in November 2018.

b. Capital surplus

	September 30, 2017	December 31, 2017	September 30, 2018
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (Note 1)			
Issuance of ordinary shares	$ 10,435,775	$ 23,863,105	$ 36,158,315
Conversion of bonds	1,520,632	1,520,632	1,520,632
Difference between the consideration and the carrying amount of subsidiaries' net assets during actual acquisitions or disposals	1,226,282	-	466,755
Treasury share transactions	194,598	194,598	194,598
Donations	31,537	31,537	31,537
May be used to offset a deficit only (Note 2)			
Changes in percentage of ownership interests in subsidiaries	116,238	116,238	116,238
Forfeited share options	10,315	10,315	10,315
Dividends distributed by subsidiaries not yet received by shareholders	-	2,120	2,120

(Continued)

	September 30, 2017	December 31, 2017	September 30, 2018
May not be used for any purpose			
Employee share options	$ -	$ -	$ 45,448
Changes in interests in associates accounted for by using the equity method	520	520	520
	$ 13,535,897	$ 25,739,065	$ 38,546,478

(Concluded)

Note 1: Such capital surplus may be used to offset a deficit; in addition, when the Corporation has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Corporation's capital surplus).

Note 2: Such capital surplus arises from the effect of changes in ownership interest in a subsidiary resulting from equity transactions, other than actual disposals or acquisitions, or from changes in capital surplus of subsidiaries accounted for by using the equity method.

c. Retained earnings and dividend policy

Under the dividend policy as set in the amended Articles, where the Corporation made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and any remaining profit together with any undistributed retained earnings shall be used by the Corporation's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of preference shares then dividends and bonuses to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors, refer to "Employee benefits expense" in Note 24c.

In addition to the capital-intensive, mature and stable production and marketing of cement and cement-related products, the Corporation aggressively pursues diversification. For the development of diversified investments or other important capital budgeting plans, the Corporation decided that the payout ratio of cash dividend is to be at least 20% of the total dividends to be distributed to ordinary shareholders; the rest will be paid in share dividends.

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

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

The appropriations of earnings for 2016 and 2017, which were approved in the shareholders' general meeting in June 2017 and June 2018, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT$)	
	For the Year Ended December 31		For the Year Ended December 31	
	2016	2017	2016	2017
Legal reserve	$ 635,845	$ 759,425		
Cash dividends	5,353,655	6,360,764	$ 1.45	$ 1.50
Share dividends	-	4,240,509	$ -	$ 1.00

d. Special reserve

The Corporation appropriated to special reserve the amounts that were the same as the unrealized revaluation increment and cumulative translation adjustments transferred to retained earnings at the first-time adoption of IFRSs, which were $10,454,422 thousand and $2,709,369 thousand, respectively.

The special reserve appropriated at the first-time adoption of IFRSs relating to investment in properties other than land may be reversed according to the period of use. The special reserve relating to land may be reversed upon disposal or reclassification. The special reserve was reversed $573 thousand for the nine months ended September 30, 2018. The special reserve appropriated due to currency translation adjustments for financial statements of foreign operations (including subsidiaries) shall be reversed based on the Corporation's disposal percentage, and all of the special reserve shall be reversed when the Corporation loses significant influence.

e. Other equity items

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

	For the Nine Months Ended September 30	
	2017	2018
Balance at January 1	$ (2,233,617)	$ (790,475)
Effect of change in tax rate	-	(328)
Recognized during the period		
Exchange differences on translating foreign operations	229,736	(4,334,858)
Share of exchange differences of associates and joint ventures accounted for by using the equity method	(115,009)	(387,168)
Balance at September 30	$ (2,118,890)	$ (5,512,829)

2) Unrealized gain (loss) on available-for-sale financial assets

	For the Nine Months Ended September 30, 2017
Balance at January 1	$ 11,200,323
Unrealized gain arising on revaluation of available-for-sale financial assets	5,750,256
Cumulative loss reclassified to profit or loss on disposal of available-for-sale financial assets	351
Share of unrealized loss on revaluation of available-for-sale financial assets of associates accounted for by using the equity method	(155)
Balance at September 30	$ 16,950,775

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

	For the Nine Months Ended September 30, 2018
Balance at January 1 per IAS 39	$ 19,915,014
Adjustment on initial application of IFRS 9	4,243,857
Balance at January 1 per IFRS 9	24,158,871
Recognized during the period	
Unrealized gain - equity instruments	7,117,634
Cumulative unrealized loss of equity instruments transferred to retained earnings due to disposal	681,779
Other comprehensive income recognized in the period	7,799,413
Balance at September 30	$ 31,958,284

4) Cash flow hedges

	For the Nine Months Ended September 30	
	2017	2018
Balance at January 1	$ 7,900	$ -
Loss on changes in the fair value of hedging instruments	(12,169)	
Loss on changes in the fair value of hedging instruments reclassified to profit or loss	4,269	-
Share from associates accounted for by using the equity method	-	859
Balance at September 30	$ -	$ 859

f. Non-controlling interests

	For the Nine Months Ended September 30	
	2017	2018
Balance at January 1 per IAS 39	$ 40,628,620	$ 16,299,012
Adjustment on initial application of IFRS 9	-	16,365
Balance at January 1 per IFRS 9	40,628,620	16,315,377
Attributable to non-controlling interests:		
Share of profit for the period	1,972,729	1,091,388
Other comprehensive income (loss) in the period		
Effect of change in tax rate	-	1,029
Exchange differences on translating foreign operations	287,350	(18,793)
Unrealized gain on available-for-sale financial assets	99,070	-
Unrealized gain on financial assets at FVTOCI	-	90,804
Loss on fair value changes of cash flow hedges	(5,267)	-
Share of other comprehensive income (loss) of associates and joint ventures accounted for by using the equity method	(40,860)	-
Cumulative gain reclassified to profit or loss on sale of available-for-sale financial assets	(21)	-
Dividends paid by subsidiaries	(2,199,455)	(2,161,016)
Organizational restructuring of subsidiaries	-	(49,150)
Disposal and acquisition of non-controlling interests in subsidiaries	2,181	258,548
Balance at September 30	$ 40,744,347	$ 15,528,187

g. Treasury shares

	Total (In Thousands of Shares)
Number of shares at January 1, 2018	-
Increase during the period	6,000
Number of shares at September 30, 2018	6,000

In February 2018, the Corporation's board of directors resolved to buy back 6,000 thousand treasury shares, and its execution had been done in the same month. The average buy-back price per shares was $36.36, which will be transferred to employees but have not been transferred as of September 30, 2018. The Corporation recognized compensation costs of $45,448 thousand for the nine months ended September 30, 2018. Under the Securities Exchange Act, the Corporation shall neither pledge treasury shares nor exercise shareholder's rights on these shares, such as rights to dividends and to vote.

24. NET INCOME

Net income includes the following items:

a. Depreciation and amortization

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2018	2017	2018
Property, plant and equipment	$ 1,521,471	$ 1,535,427	$ 4,530,273	$ 4,606,264
Investment properties	6,024	5,454	18,425	17,510
Intangible assets	94,692	94,928	282,984	293,251
	$ 1,622,187	$ 1,635,809	$ 4,831,682	$ 4,917,025
An analysis of depreciation by function				
Operating costs	$ 1,430,187	$ 1,491,332	$ 4,252,757	$ 4,382,849
Operating expenses	96,392	49,225	293,178	238,792
Non-operating expenses	916	324	2,763	2,133
	$ 1,527,495	$ 1,540,881	$ 4,548,698	$ 4,623,774
An analysis of amortization by function				
Operating costs	$ 80,894	$ 82,719	$ 243,823	$ 254,522
Operating expenses	13,798	12,209	39,161	38,729
	$ 94,692	$ 94,928	$ 282,984	$ 293,251

b. Employee benefits expense

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2018	2017	2018
Retirement benefit plans				
Defined contribution plans	$ 88,647	$ 90,447	$ 262,858	$ 270,914
Defined benefit plan	1,715	736	4,777	2,169
	90,362	91,183	267,635	273,083
Share-based payments				
Equity-settled	-	45,448	-	45,448
Other employee benefits	1,350,729	1,603,070	3,578,898	4,167,191
	$ 1,441,091	$ 1,739,701	$ 3,846,533	$ 4,485,722
An analysis of employee benefits expense by function				
Operating costs	$ 1,094,450	$ 1,220,101	$ 2,811,884	$ 3,170,793
Operating expenses	346,641	519,600	1,034,649	1,314,929
	$ 1,441,091	$ 1,739,701	$ 3,846,533	$ 4,485,722

c. Employees' compensation and remuneration of directors

The Corporation accrued employees' compensation and remuneration of directors at the rates of 0.01-3% and no higher than 1%, respectively, of net profit before income tax, employees' compensation and remuneration of directors for the three months ended September 30, 2017 and 2018 and the nine months ended September 30, 2017 and 2018. The employees' compensation and the remuneration of directors for said periods were as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2018	2017	2018
Employees' compensation	$ 11,434	$ 13,387	$ 29,343	$ 40,160
Remuneration of directors	$ 17,151	$ 17,835	$ 44,014	$ 53,505

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

The employees' compensation and remuneration of directors for the years ended December 31, 2016 and 2017 to be paid in cash, which have been resolved by the board of directors in March 2017 and May 2018, respectively, were as follows:

	For the Year Ended December 31	
	2016	2017
Employees' compensation	$ 37,114	$ 23,899
Remuneration of directors	$ 55,680	$ 66,305

There was no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2016 and 2017.

Information on the employees' compensation and remuneration of directors resolved by the Corporation's board of directors in 2017 and 2018 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

d. Finance costs

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2018	2017	2018
Interest on bank borrowings	$ 446,156	$ 634,501	$ 1,333,322	$ 1,715,917
Other finance costs	31,347	38,061	87,523	111,668
	$ 477,503	$ 672,562	$ 1,420,845	$ 1,827,585

Information about capitalized interest was as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2018	2017	2018
Capitalized interest	$ -	$ 1,945	$ 6,150	$ 7,315
Capitalization rate	-	0.94%-1.00%	0.98%-1.58%	0.94%-1.00%

25. INCOME TAX

a. Income tax recognized in profit or loss

Major components of income tax expense were as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2018	2017	2018
Current tax				
In respect of the current period	$ 745,399	$ 1,826,573	$ 2,170,929	$ 4,784,682
Adjustments for prior periods	364	7,072	14,790	26,841
	745,763	1,833,645	2,185,719	4,811,523
Deferred tax				
In respect of the current period	39,413	42,900	119,296	296,647
Adjustments to deferred tax attributable to changes in tax rates and laws	-	-	-	632,271
	39,413	42,900	119,296	928,918
	$ 785,176	$ 1,876,545	$ 2,305,015	$ 5,740,441

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. The effect of the change in tax rate on deferred tax expenses to be recognized in profit or loss is recognized in full in the period in which the change in the tax rate occurs. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%.

b. Income tax recognized in other comprehensive income

	For the Nine Months Ended September 30	
	2017	2018
Deferred tax		
Effect of change in tax rate		
Remeasurement of defined benefit plan	$ -	$ 7,433
Translation of foreign operations	-	328
	$ -	$ 7,761

c. Income tax return assessments

The information of the years through which the income tax returns have been assessed for the group entities is as follows:

Year	Company
2015	TCC Information Systems Corporation
2016	Taiwan Cement Corporation, Ta-Ho Onyx RSEA Environment Co., Ltd., Ho Sheng Mining Co., Ltd., Union Cement Traders Inc., TCC Investment Corporation, Taiwan Cement Engineering Corporation, TCC Chemical Corporation, Taiwan Prosperity Chemical Corporation, Tung Chen Mineral Corporation, Jin Chang Minerals Corporation, Hoping Industrial Port Corporation, Ta-Ho Onyx Taitung, HPC Power Service Corporation, E.G.C. Cement Corporation, Ho-Ping Power Company, Feng Sheng Enterprise Company, TCC Green Energy Corporation, Kuan-Ho Refractories Industry Corporation, Taiwan Transport & Storage Corporation, Ta-Ho Maritime Corporation
2017	Ho Swen Construction Material Co., Ltd.

26. EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2018	2017	2018
Basic earnings per share	$ 0.48	$ 1.20	$ 1.22	$ 3.35
Diluted earnings per share	$ 0.48	$ 1.20	$ 1.22	$ 3.35

The weighted average number of shares outstanding used in the earnings per share computation was adjusted retrospectively for the issuance of bonus shares on August 1, 2018. The basic and diluted earnings per share adjusted retrospectively for the three months and the nine months ended September 30, 2017 were as follows:

Unit: NT$ Per Share

	Before Retrospective Adjustment		After Retrospective Adjustment	
	For the Three Months Ended September 30, 2017	For the Nine Months Ended September 30, 2017	For the Three Months Ended September 30, 2017	For the Nine Months Ended September 30, 2017
Basic earnings per share	$ 0.53	$ 1.34	$ 0.48	$ 1.22
Diluted earnings per share	$ 0.53	$ 1.34	$ 0.48	$ 1.22

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2018	2017	2018
Profit for the period attributable to owners of the Corporation	$ 1,966,857	$ 5,933,938	$ 4,948,812	$ 15,943,568
Number of shares				
Weighted average number of ordinary shares in computation of basic earnings per share	4,061,394	4,956,227	4,061,394	4,763,115
Effect of potentially dilutive ordinary shares:				
Employees' compensation	868	977	1,194	1,261
Weighted average number of ordinary shares used in the computation of diluted earnings per share	4,062,262	4,957,204	4,062,588	4,764,376

If the Corporation offered to settle compensation paid to employees in cash or shares and assumed the entire amount of the compensation or bonus will be settled in shares, and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

27. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

During the nine months ended September 30, 2018, the Group acquired a portion of the shares of Ta-Ho Maritime Corporation and E.G.C. Cement Corporation, and increased its proportionate ownership interests from 92.3% to 94% and 95% to 100%. During the nine months ended September 30, 2018, the Group disposed of a portion of the shares of Taiwan Prosperity Chemical Corporation, and decreased its proportionate ownership interests from 52.5% to 42.5%.

For the nine months ended September 30, 2017

According to the laws of Hong Kong and the Cayman Islands, the Corporation and its subsidiary, TCCI, contemplated privatizing TCCIH by a Scheme of Arrangement under the Companies Law of the Cayman Islands. On October 18, 2017, the Corporation's board of directors resolved to issue 554,333 thousand ordinary shares to acquire part of TCCIH's 1,319,841 thousand shares with a par value of $10, for a consideration of $18,970,661 thousand, excluding issuance costs, which increased the share capital issued and fully paid to $42,465,090 thousand. On November 6, 2017, the above transaction was approved by the FSC. TCCI acquired the residual portion of the shares of TCCIH in cash, increasing its proportionate interest from 63.1% to 75.9%. In 2017, the Group disposed of a portion of its shares of Taiwan Prosperity Chemical Corporation, decreasing its proportionate interest from 52.8% to 52.5%.

For the nine months ended September 30, 2018

Investor	Taiwan Transport and Storage Corporation		Taiwan Cement Corporation	TCC Investment Corporation	
Investee	Ta-Ho Maritime Corporation	E.G.C. Cement Corporation	Taiwan Prosperity Chemical Corporation	Taiwan Prosperity Chemical Corporation	Total
Cash consideration (paid) received	$ (53,278)	$ (9,958)	$ 787,369	$ 1,170	$ 725,303
The proportionate share of subsidiaries' net assets' carrying amount transferred from (to) non-controlling interests	53,483	10,044	(321,659)	(416)	(258,548)
Differences arising from equity transactions	$ 205	$ 86	$ 465,710	$ 754	$ 466,755

Investor	Taiwan Transport and Storage Corporation		Taiwan Cement Corporation	TCC Investment Corporation	
Investee	Ta-Ho Maritime Corporation	E.G.C. Cement Corporation	Taiwan Prosperity Chemical Corporation	Taiwan Prosperity Chemical Corporation	Total
Line items adjusted for equity transactions					
Capital surplus - difference between the consideration and the carrying amount of subsidiaries' net assets during actual acquisitions or disposals	$ 205	$ 86	$ 465,710	$ 754	$ 466,755

The above transactions were accounted for as equity transactions since there was no change in the Group's control over these subsidiaries.

For the propose of streamlining its investment structure, the Corporation's board of directors approved the merger with Kuan-Ho Construction & Development Corporation and TCC Chemical Corporation with TCC Chemical Corporation as the surviving company on January 1, 2018. Since the merge is considered as a group reorganization, the carrying amount method is taken as the applicable accounting policy.

Acquirer	TCC Chemical Corporation
Acquiree	Kuan-Ho Construction & Development
Cash consideration paid	$ (107,663)
The proportionate share of subsidiaries' net assets' carrying amount transferred from non-controlling interests	49,150
Differences arising from equity transactions	$ (58,513)
Line items adjusted for equity transactions	
Retained earnings	$ (58,513)

28. CAPITAL MANAGEMENT

The Group needs to maintain sufficient capital to fulfill the Group's requirements of business expansion and construction. Therefore, the capital management of the Group shall focus on a comprehensive operational plan to ensure sound profitability and financial structure so as to fulfill the mid- and long-term demand of working capital, capital expenditures, debts repayment and dividend distributions.

29. FINANCIAL INSTRUMENTS

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

The Group believes that the carrying amount of financial assets and liabilities not measured at fair value approaches to their fair value.

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

1) Fair value hierarchy

September 30, 2017

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Mutual funds	$ 147,571	$ -	$ -	$ 147,571
Available-for-sale financial assets				
Domestic listed shares	$ 9,771,204	$ -	$ -	$ 9,771,204
Foreign listed shares	15,711,573	-	-	15,711,573
Domestic emerging market shares	81,979	-	-	81,979
Mutual funds	84,425	-	-	84,425
	$ 25,649,181	$ -	$ -	$ 25,649,181

December 31, 2017

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Mutual funds	$ 147,049	$ -	$ -	$ 147,049
Available-for-sale financial assets				
Domestic listed shares	$ 10,145,547	$ -	$ -	$ 10,145,547
Foreign listed shares	18,238,096	-	-	18,238,096
Domestic emerging market shares	89,037	-	-	89,037
Mutual funds	84,478	-	-	84,478
	$ 28,557,158	$ -	$ -	$ 28,557,158

September 30, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Domestic listed shares	$ 265,019	$ -	$ -	$ 265,019
Domestic emerging market shares	92,159	-	-	92,159
Mutual funds	243,232	-	-	243,232
	$ 600,410	$ -	$ -	$ 600,410
Financial assets at FVTOCI				
Equity instrument investment				
Domestic listed shares	$ 10,320,394	$ -	$ -	$ 10,320,394
Foreign listed shares	24,468,000	-	-	24,468,000
Domestic unlisted shares	-	-	6,292,192	6,292,192
Foreign unlisted shares	-	-	729	729
	$ 34,788,394	$ -	$ 6,292,921	$ 41,081,315

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

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

The Corporation measures investments in equity instruments at FVTOCI as Level 3 fair value measurements of financial instruments.

	For the Nine Months Ended September 30, 2018
Balance at January 1, 2018	$ 5,497,046
Additional	241,094
Recognized in other comprehensive income	623,722
Reclassification	(69,171)
Effect of exchange rate	230
Balance at September 30, 2018	$ 6,292,921

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

The Group measures the fair value of its investments on domestic and foreign unlisted shares by using the asset-based approach, the market approach, and the dividend discount model.

Under the asset-based approach, the total value of an investment is based on the fair value of its assets and liabilities. The significant unobservable inputs used are listed in the table below.

	September 30, 2018
Comprehensive discount for lack of marketability and non-controlling interests	10%

If the inputs to the valuation model were changed to reflect reasonably possible alternative assumptions while all the other variables were held constant, the fair value of the shares would increase (decrease) as follows:

	September 30, 2018
Comprehensive discount for lack of marketability and non-controlling interests	
1% increase	$ (23,917)
1% decrease	$ 23,917

The market approach involves comparing a target company with companies that have similar business models in the open market, similar selling prices of similar items, or similar past share prices to that of the target company. The significant unobservable inputs used are listed in the table below.

	September 30, 2018
Discount for lack of marketability	20%-30%

If the inputs to the valuation model were changed to reflect reasonably possible alternative assumptions while all the other variables were held constant, the fair value of the shares would increase (decrease) as follows:

	September 30, 2018
Discount for lack of marketability	
1% increase	$ (5,586)
1% decrease	$ 5,586

The dividend discount model values a target company based on its stability of dividend payments in the past.

	September 30, 2018
Discount rate	7.6%
Dividend growth rate	1.9%
Discount for lack of marketability	10.0%

If the inputs to the valuation model were changed to reflect reasonably possible alternative assumptions while all the other variables were held constant, the fair value of the shares would increase (decrease) as follows:

	September 30, 2018
Discount for lack of marketability	
1% increase	$ (40,706)
1% decrease	$ 40,706

c. Categories of financial instruments

	September 30, 2017	December 31, 2017	September 30, 2018
Financial assets			
Financial assets at FVTPL			
Held for trading	$ 147,571	$ 147,049	$ -
Mandatorily at FVTPL	-	-	600,410
Loans and receivables (1)	83,643,445	88,120,239	-
Available-for-sale (2)	26,232,204	29,139,977	-
Financial assets at amortized cost (3)	-	-	113,868,699
Financial assets at FVTOCI			
Equity instruments	-	-	41,081,315
Financial liabilities			
Financial liabilities at amortized cost (4)	100,112,002	102,339,326	102,074,216

1) The balances include loans and receivables measured at amortized cost, which comprise cash and cash equivalents, notes and accounts receivable, other receivables, other financial assets and long-term finance lease receivables.

2) The balances include the carrying amount of available-for-sale financial assets carried at cost.

3) The balances include financial assets measured at amortized cost, which comprise cash and cash equivalents, notes and accounts receivable, other receivables, other financial assets and long-term finance lease receivables.

4) The balances include financial liabilities measured at amortized cost, which comprise short-term loans, short-term bills payable, notes and accounts payable, other payables, bonds payable and long-term loans (including current portion).

d. Financial risk management objectives and policies

The risk control and hedging strategy performed by the Group were affected by operation environments, and the Group adopted appropriate risk controls and hedging strategies according to its nature of business and risk diversification principles. These risks include market risk, credit risk and liquidity risk.

The Group sought to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The Group did not enter into or trade financial instruments for speculation.

1) Market risk

The Group's financial instruments were mainly comprised of mutual funds and listed shares, and these investments were subject to fluctuations in market prices. The Group has periodically evaluated the investment's performance, and no significant market risk was anticipated.

The Group entered into foreign exchange forward contracts to manage exposure to exchange rate fluctuations, including foreign currency risks of foreign-currency assets and liabilities and price fluctuation risks of forecasted transactions. Since the gain or loss generated from exchange rate fluctuations was mostly offset by the gains or losses of hedged items, the market price risk is expected to be insignificant.

a) Foreign currency risk

The foreign financial assets and liabilities were exposed to risk of foreign currency fluctuations. To lower foreign currency risk, the Group has established control mechanisms to immediately monitor its foreign currency position and exchange rate fluctuations.

To maximize the hedging effectiveness, the Group matched up the conditions of derivative instruments with those in the contracts of hedged items.

The carrying amounts of the significant monetary assets and liabilities not denominated in the functional currency (including those eliminated on consolidation) at the end of reporting period are set out in Note 34.

The Group was mainly exposed to the USD.

The following table details the Group's sensitivity to a 1% increase and decrease in the functional currency against the relevant foreign currencies. The sensitivity analysis included only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. A positive number below indicates an increase in after-tax profit or equity associated with the TWD/RMB/HKD strengthening 1% against the relevant currency.

	USD Impact		HKD Impact	
	For the Nine Months Ended September 30		For the Nine Months Ended September 30	
	2017	2018	2017	2018
NTD	$ (305)	$ (21,727)	$ -	$ -
RMB	$ (12,765)	$ (11,446)	$ 3,287	$ 42
HKD	$ 331,835	$ 239,265	$ -	$ -

b) Interest rate risk

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

	September 30, 2017	December 31, 2017	September 30, 2018
Cash flow interest rate risk			
Financial assets	$ 14,560,153	$ 15,092,905	$ 20,528,984
Financial liabilities	76,768,842	77,719,322	67,829,303

The interest risk was evaluated based on the position of financial assets and liabilities. The sensitivity analysis below was determined based on the Group's floating interest rate financial assets and liabilities at the end of the reporting period, and a 50-basis point increase or decrease was used, representing management's assessment of reasonably possible change in interest rates. The fair values of fixed interest rate financial assets and liabilities will change due to variances in market interest rates; the future cash flows of floating interest rate financial assets and financial liabilities will change due to variances in effective interest rates, which vary with market interest rates.

For the Group's portion of floating interest rate financial assets, if interest rates had been 50 basis points higher/lower, the cash inflows from floating interest rate financial assets for the nine months ended September 30, 2017 and 2018 would increase/decrease by $45,318 thousand and $61,587 thousand, respectively.

For the Group's portion of floating interest rate financial liabilities, if interest rates had been 50 basis points higher/lower, the cash outflows from floating interest rate financial liabilities for the nine months ended September 30, 2017 and 2018 would increase/decrease by $238,943 thousand and $203,488 thousand, respectively.

c) Other price risk

The Group was exposed to equity price risk through its investments. Equity investments are held for strategic rather than trading purposes. The Group does not actively trade these investments. Sensitivity analyses were used for evaluating the exposure to equity price risks.

The sensitively analyses were based on the exposure of equity price at the end of reporting period. If equity prices of financial assets at FVTPL had been 5% higher/lower, profit or loss for the nine months ended September 30, 2018 would increase/decrease by $17,859 thousand. If equity prices of financial assets at FVTOCI had been 5% higher/lower, other comprehensive income (loss) for the nine months ended September 30, 2018 would increase/decrease by $2,054,066 thousand.

If equity price of available-for-sale financial assets had been 5% higher/lower, other comprehensive income (loss) for the nine months ended September 30, 2017 would increase/decrease by $1,278,238 thousand.

2) Credit risk

Potential impacts on financial assets would occur if the Group's counterparties breach financial instrument contracts, including impacts to the concentration of credit risk, components, contractual amounts and other receivables.

As at the end of the reporting period, the Group's maximum exposure to credit risk, which would cause a financial loss to the Group due to the failure of counterparties to discharge an obligation, could arise from the carrying amounts of the respective recognized financial assets as stated in the balance sheets.

The Group transacted with a large number of customers from various industries and geographical locations.

The credit risk on liquid funds and derivatives was limited because the counterparties are banks with high credit ratings which were assigned by international credit-rating agencies.

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 facilities and ensures compliance with loan covenants. As of September 30, 2017, December 31, 2017 and September 30, 2018, the amount of unused financing facilities was $87,846,348 thousand, $53,787,990 thousand and $92,111,586 thousand, respectively.

The following table details the Group's remaining contractual maturity 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 upon repayment dates.

September 30, 2017

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Non-derivative financial liabilities					
Non-interest bearing	$ 810,403	$ 14,468,525	$ 1,480,875	$ 301,821	$ 38,645
Variable interest rate liabilities	3,222,637	19,821,501	14,342,359	42,419,103	-
Fixed interest rate liabilities	2,200,000	5,775,000	-	-	-
	$ 6,233,040	$ 40,065,026	$ 15,823,234	$ 42,720,924	$ 38,645

December 31, 2017

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Non-derivative financial liabilities					
Non-interest bearing liabilities	$ 1,532,006	$ 15,322,363	$ 1,402,386	$ 175,479	$ 37,711
Variable interest rate liabilities	5,297,405	12,370,612	18,013,008	45,344,121	-
Fixed interest rate liabilities	2,110,000	4,000,000	1,890,000	-	-
	$ 8,939,411	$ 31,692,975	$ 21,305,394	$ 45,519,600	$ 37,711

September 30, 2018

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Non-derivative financial liabilities					
Non-interest bearing liabilities	$ 1,189,495	$ 12,323,146	$ 1,622,605	$ 53,994	$ 17,972
Variable interest rate liabilities	4,886,459	13,552,558	14,318,897	38,010,282	176,218
Fixed interest rate liabilities	660,000	3,550,000	2,164,000	816,000	14,040,000
	$ 6,735,954	$ 29,425,704	$ 18,105,502	$ 38,880,276	$ 14,234,190

30. TRANSACTIONS WITH RELATED PARTIES

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

a. Name of the related parties and relationship

Related Party	Relationship with the Group
Onyx Ta-Ho Waste Clearance Co., Ltd.	Subsidiary of associates
ONYX Ta-Ho Environmental Services Co., Ltd.	Associates
Shih Hsin Storage & Transportation Co., Ltd.	Associates
Quon Hing Concrete Co., Ltd.	Associates
Prosperity Conch Cement Company Limited	Associates
Yunnan Kungang & K. Wah Cement Construction Materials Co., Ltd.	Associates
Baoshan Kungang & K. Wah Cement Construction Marterials Co., Ltd.	Associates
CCC USA Corp.	Associates
Guigang TCC Donyuan Environmental Technology Limited	Associates
E-ONE Moli Energy Corporation	Associates (same key management personnel in 2017)
Chia Hsin R.M.C. Corp.	Management personnel in substance
The Koo Foundation	Management personnel in substance
Chia Hsin Cement Corporation	Management personnel in substance
L'Hotel de Chine Corporation	Management personnel in substance
FDC International Hotels Corporation	Management personnel in substance
Jiangsu Union Cement Co., Ltd	Management personnel in substance
Goldsun Development & Construction Co., Ltd.	Investors with significant influence over the Group
China Hi-Ment Corporation	Group as key management personnel
Rong Gong Enterprise Co.	Group as key management personnel
O-Bank Co., Ltd.	Group as key management personnel
Pan Asia Corp.	Group as key management personnel
Sole Energy Tech Corp. (dissolved and closed on September 30, 2017)	Same key management personnel
Synpac-Kingdom Pharmaceutical Co., Ltd. (China Synthetic Rubber's subsidiary, disposed of in November 2017)	Same key management personnel
China Synthetic Rubber Corporation	Same key management personnel
Zhong Xin Investment Co., Ltd.	Same key management personnel
Consolidated Resource Company	Same key management personnel
CSRC China Corporation (Changed name to International CSRC Investment Holdings Co., Ltd. in October 2018)	Same key management personnel
CSRC China (Anshan) Corporation	Same key management personnel
Chienten Temple	Same key management personnel
He Feng Investment Co., Ltd.	Same key management personnel
CSRC China (Chongqing) Corporation	Same key management personnel
Dr. Cecilia Koo Botanic Conservation and Environmental Protection Foundation	Same key management personnel
Continental Carbon India Ltd.	Same key management personnel
Guangan Xin Tai Construction Materials Company Limited	Joint ventures

b. Operating transactions

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2018	2017	2018
Sales				
Management personnel in substance	$ 102,631	$ 121,560	$ 366,619	$ 365,649
Associates	102,003	67,331	394,355	232,348
Group as key management personnel	11,017	49,108	103,220	142,862
Same key management personnel	48,758	34,277	132,152	118,833
Investors with significant influence over the Group	22,467	14,092	64,167	45,067
	$ 286,876	$ 286,368	$ 1,060,513	$ 904,759
Purchases of goods and operating expenses				
Group as key management personnel	$ 108,170	$ 131,948	$ 323,665	$ 372,670
Associates	39,196	30,655	83,559	92,046
Same key management personnel	25,161	32,889	50,826	70,820
Others	14,956	48,921	19,838	78,462
	$ 187,483	$ 244,413	$ 477,888	$ 613,998

Notes receivable and accounts receivable from related parties were as follows:

	September 30, 2017	December 31, 2017	September 30, 2018
Management personnel in substance			
Chia Hsin Cement Corporation	$ 67,700	$ 45,551	$ 87,759
Chia Hsin R.M.C Corporation	10,372	19,941	22,654
	78,072	65,492	110,413
Associates			
Quon Hing Concrete Co., Ltd.	55,330	69,518	30,458
Others	3,482	19,901	11,165
	58,812	89,419	41,623
Group as key management personnel			
China Hi-Ment Corporation	41,070	46,407	35,012
Others	-	-	514
	41,070	46,407	35,526
Investors with significant influence over the Group	13,472	17,771	10,899
Same key management personnel	14,174	10,613	10,548
	$ 205,600	$ 229,702	$ 209,009

Accounts payable to related parties (included in notes and accounts payable) were as follows:

	September 30, 2017	December 31, 2017	September 30, 2018
The Group acts as key management personnel	$ 79,025	$ 127,997	$ 144,109
Associates	19,475	11,370	13,439
Same key management personnel	5,308	4,023	14,661
Management personnel in substance	-	2,413	2,172
Others	-	10	-
	$ 103,808	$ 145,813	$ 174,381

The price and terms of the above transactions were similar to those for third parties. Rentals of lease contracts with related parties were based on market prices and the payment terms were determined at arm's length.

c. Loans to related parties (included in other receivables from related parties)

	September 30, 2018
Associates	
Guigang TCC Donyuan Environmental Technology Limited	$ 511,421

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2018	2017	2018
Interest revenue	$ -	$ 4,569	$ -	$ 4,569

TCC (Gui Gang) Cement Ltd.'s board of director resolved to allotted debentures convertible into shares in October 2018.

d. Other receivables from related parties

	September 30, 2017	December 31, 2017	September 30, 2018
Associates			
Quon Hing Concrete Co., Ltd.	$ 117,778	$ 1,561	$ 1,599
Others	307	307	5,047
	118,085	1,868	6,646
Same key management personnel	95,579	950	488
Management personnel in substance	730	274	983
	$ 214,394	$ 3,092	$ 8,117

The above other receivables from related parties included dividend receivables and interest receivables.

e. Compensation of key management personnel

The compensation of directors and other key management personnel for the nine months ended September 30, 2017 and 2018 were as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2018	2017	2018
Short-term employee benefits	$ 73,741	$ 84,937	$ 194,050	$ 244,755
Other long-term employee benefits	-	-	25,329	-
Post-employment benefits	1,110	1,106	3,265	15,882
	$ 74,851	$ 86,043	$ 222,644	$ 260,637

f. Endorsements and guarantees

Endorsements and guarantees provided by the Group to related parties and actually drawn as of September 30, 2017, December 31, 2017 and September 30, 2018 were as follows:

	September 30, 2017	December 31, 2017	September 30, 2018
Associates			
Baoshan Kungang & K. Wah Cement Construction Materials Co., Ltd.	$ 176,864	$ -	$ -

31. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were pledged or mortgaged as collateral for certain short-term loans, long-term loans, performance bonds and other credit accommodations:

	September 30, 2017	December 31, 2017	September 30, 2018
Available-for-sale financial assets (including current and non-current portion)	$ 356,694	$ 365,369	$ -
Financial assets at fair value through other comprehensive income (including current and non-current portion)	-	-	347,173
Property, plant and equipment	2,598,360	2,552,170	2,434,380
Investment properties	1,224,877	1,142,268	278,679
Finance lease receivables (including current and non-current portion)	16,365,896	16,019,540	14,969,649
Pledged bank deposits			
Current (included in other financial assets)	396,655	385,436	135,840
Non-current (included in other non-current assets)	287,247	273,977	467,717
	$ 21,229,729	$ 20,738,760	$ 18,633,438

32. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

a. The balances of the letters of credit for purchase of raw material were as follows:

Name	September 30, 2017	December 31, 2017	September 30, 2018
The Corporation	$ 216,888	$ 235,248	$ 422,351
Taiwan Prosperity Chemical Corporation	1,395,492	1,413,476	2,023,879
Ho-Ping Power Company	813,574	495,020	1,210,840

b. As of September 30, 2017, December 31, 2017 and September 30, 2018, the Corporation has issued bills of lading for finished goods in the amount of 286,000 tons as collateral for its credit facilities with financial institutions.

c. The amounts of letters of guarantee granted for bonds issued by the banks for the Group are as follows:

Name	September 30, 2017	December 31, 2017	September 30, 2018
The Corporation	$ 39,870	$ 45,990	$ 40,220
Ho-Ping Power Company	1,148,000	1,148,000	1,148,000
Taiwan Prosperity Chemical Corporation.	74,000	94,000	202,955
TCCI (Group)	353,948	362,561	88,116
Taiwan Transport & Storage Corporation	28,150	28,150	28,150

d. Ta-Ho Onyx RSEA Environment Co., Ltd.

Company Name	Ta-Ho Onyx RSEA Environment Co., Ltd.
Factual background	In respect of the termination of the "Build-Own-Operate Agreement for Waste Incineration Plant" (the "BOO Agreement") entered into by and between Ta-Ho Onyx RSEA Environment Co., Ltd. and the Yunlin County Government, the arbitration award decided on was that Yunlin County Government shall pay Ta-Ho Onyx RSEA Environment Co., Ltd. $1.5 billion before November 30, 2008 as a Phase I payment and the remainder as a Phase II payment in the aggregate amount of about $1.44 billion (including $1,387,000 thousand, US$1,706 thousand and JPY307 thousand) before June 30, 2009, and Ta-Ho Onyx RSEA Environment Co., Ltd. shall transfer the assets under the BOO Agreement to the Yunlin County Government at the same time.
Amount in dispute (NT$)	About $2.94 billion.
Commencement date of litigation	The arbitration award was rendered on October 1, 2008.
Parties	Ta-Ho Onyx RSEA Environment Co., Ltd. and the Yunlin County Government.
Status	Ta-Ho Onyx RSEA Environment Co., Ltd. has applied for compulsory execution for the total payment awarded by the arbitration and, thus far, has received the principal together with the interest in the amount of about $3.54 billion (tax included). Furthermore, the dispute of the interest in the amount of about $270,000 thousand is now under review of interlocutory appeal. If the order is in favor of Ta-Ho Onyx RSEA Environment Co., Ltd., it will continue to execute the compensation plan.

(Continued)

Company Name	Ta-Ho Onyx RSEA Environment Co., Ltd.
Factual background	After the award was rendered, the Yunlin County Government filed an objection suit against the enforcement of compulsory execution for the Phase II payment by Ta-Ho Onyx RSEA Environment Co., Ltd. on the ground that certain events have taken place thereafter which would impede the claim of Ta-Ho Onyx RSEA Environment Co., Ltd.
Amount in dispute (NT$)	About $1.44 billion (including $1,387,000 thousand, US$1,706 thousand and JPY307 thousand).
Commencement date of litigation	The Yunlin County Government filed the objection suit on February 4, 2016.
Parties	The Yunlin County Government and Ta-Ho Onyx RSEA Environment Co., Ltd.
Status	The Taiwan Yunlin District Court rendered a judgment against the Yunlin County Government on June 3, 2016. The Yunlin County Government then lodged an appeal on June 23, 2016. The Tainan Branch of the Taiwan High Court dismissed the appeal on June 20, 2017 and the Yunlin County Government did not re-appeal, and therefore, the case was finalized. Refer to the "Status" above (within item d) for the updates of the enforcement of compulsory execution.

(Concluded)

e. Ho-Ping Power Company

Company Name	Ho-Ping Power Company
Factual background	The Fair Trade Commission fined Ho-Ping Power Company $1.35 billion for an alleged violation of Article 14 of the Fair Trade Act conducted with other domestic independent power producers.
Amount in dispute (NT$)	$1.35 billion.
Commencement date of litigation	March 2013
Parties	Ho-Ping Power Company and the Fair Trade Commission
Status	The Fair Trade Commission made a second administrative disposition in November 2013 and reduced the amount of the fine imposed on Ho-Ping Power Company to $1,320,000 thousand. On June 30, 2015, the Supreme Administrative Court overruled the original judgment in favor of Ho-Ping Power Company and remanded the case for retrial to the Taipei High Administrative Court. On May 25, 2017, the Taipei High Administrative Court ruled in favor of Ho-Ping Power Company by ruling that "the original disposition and decision of administrative appeal, which determined that Ho-Ping Power Company committed concerted action, shall be dismissed." The Fair Trade Commission then lodged an appeal. In September 2018, the Supreme Administrative Court remanded the original case for retrial to the Taipei High Administrative Court.

(Continued)

Company Name	Ho-Ping Power Company
	In accordance with the accounting conservatism principle, Ho-Ping Power Company recognized relevant losses in 2012 and paid a fine of $1,122,000 thousand as of September 30, 2018. The outstanding fine was recognized by Ho-Ping Power Company under (i) other payables of $198,000 thousand as of June 30, 2018;(ii) other payables of $264,000 thousand and other non-current liabilities of $132,000 thousand as of December 31, 2017, and (iii) other payables of $264,000 thousand and other non-current liabilities of $264,000 thousand as of September 30, 2017.
Factual background	Taiwan Power Company filed a lawsuit against Ho-Ping Power Company at the Taipei High Administrative Court claiming for its losses of at least $5.2 billion plus interest, which was then expanded to $10.76 billion, and filed another civil litigation at the Taipei District Court claiming for $5.5 billion.
Amount in dispute (NT$)	About $16 billion in total.
Commencement date of litigation	September 2015
Parties	Ho-Ping Power Company and Taiwan Power Company.
Status	1) There are 2 outstanding litigations against Taiwan Power Company: a) In September 2015, Ho-Ping Power Company received an administrative pleading submitted by Taiwan Power Company to the Taipei High Administrative Court, which was transferred to the Taipei District Court in February 2017, and expanded the claim amount to $10.76 billion. The case is now under review by the Taipei District Court after Taiwan Power Company paid court fees in November 2017. b) In November 2015, Ho-Ping Power Company received a complaint of civil litigation brought by Taiwan Power Company at the Taipei District Court based on the same ground of the aforementioned administrative litigation. The case is currently under review by the Taipei District Court. 2) Taiwan Power Company filed a lawsuit against other independent power producers based on the same ground, which was overruled by the Taipei District Court on February and June 2018. Ho-Ping Power Company will report such court decision to the Taipei District Court to pursue a favorable judgment. 3) Given such situations, Ho-Ping Power Company considered the chance of losing the litigations remote and, therefore, did not recognize relevant losses.

(Concluded)

f. To execute the cement barge replacement plan, Da-Ho Maritime Corporation, based on its board of directors' resolution dated December 20, 2013, entered into an agreement with Supero Seiki Co., Ltd. for the purchase of two sets of bulk cement handling equipment in the aggregate amount of US$7,600 thousand, among which US$4,380 thousand was paid as of the date that this report was authorized.

Based on another resolution from the board of directors dated July 31, 2015, Da-Ho Maritime Corporation entered into an agreement with Cardinal Maritime S.A. for the purchase of two new cement barges in the aggregate amount of JPY7,036,000 thousand, among which JPY2,462,600 thousand had been paid as of the date of this financial report was authorized. The board of directors adopted resolution dated October 15, 2015 to purchase six bulk carriers from Sumitomo Corporation. The actual agreement with Sumitomo Corporation is to purchase four bulk carriers in the aggregate amount of US$107,680 thousand, and US$75,966 thousand has been paid as of the date this report was authorized for issue.

33. SIGNIFICANT EVENTS AFTER REPORTING PERIODS

The Corporation's board of directors approved to set up a new subsidiary "Taiwan Cement (Dutch) Holdings B.V." in October 2018. This subsidiary and Ordu Yardimlasma Kurumu will establish a new corporation through joint venture. The total amount of cash injection will not be over US$1,100 million, and the Corporation will acquire 40% of equity in this new joint venture corporation and indirectly get cement investment projects in areas such as Turkey.

34. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the group entities and the exchange rates between foreign currencies and respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

September 30, 2017

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 43,468	30.260 (USD:NTD)	$ 1,315,342
USD	50,910	6.610 (USD:RMB)	1,537,971
USD	54,635	7.800 (USD:HKD)	1,650,480
			$ 4,503,793
Financial liabilities			
Monetary items			
USD	42,253	30,260 (USD:NTD)	$ 1,278,572
USD	1,378,067	7.800 (USD:HKD)	41,630,578
HKD	102,264	0.847 (HKD:RMB)	396,068
			$ 43,305,218

December 31, 2017

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 51,421	29.760 (USD:NTD)	$ 1,530,289
USD	39,472	6.508 (USD:RMB)	1,173,601
USD	9,707	7.810 (USD:HKD)	288,622
HKD	269,460	0.833 (HKD:RMB)	1,025,835
			$ 4,018,347
Financial liabilities			
Monetary items			
USD	56,967	29.760 (USD:NTD)	$ 1,695,325
USD	1,494,000	7.810 (USD:HKD)	44,420,609
HKD	147,171	0.833 (HKD:RMB)	560,278
			$ 46,676,212

September 30, 2018

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 157,715	30.525 (USD:NTD)	$ 4,814,250
USD	46,722	6.886 (USD:RMB)	1,430,771
USD	2,716	7.850 (USD:HKD)	83,162
HKD	138,437	0.877 (HKD:RMB)	540,042
			$ 6,868,225
Financial liabilities			
Monetary items			
USD	68,742	30.525 (USD:NTD)	$ 2,098,354
USD	979,375	7.850 (USD:HKD)	29,991,254
HKD	139,783	0.877 (HKD:RMB)	545,293
			$ 32,634,901

For the three months ended September 30, 2017 and 2018 and the nine months ended September 30, 2017 and 2018, realized and unrealized net foreign exchange gains (losses) were $(6,833) thousand, $74,230 thousand, $(217,619) thousand and $(136,169) thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the group entities.

35. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees

1) Financing provided to others (Table 1)

2) Endorsements/guarantees provided (Table 2)

3) Marketable securities held (excluding investment in subsidiaries, associates and joint ventures) (Table 3)

4) Marketable securities acquired and disposed of at costs or prices of at least NT$300 million or 20% of the share capital (Table 4)

5) Acquisition of individual real estate at costs of at least NT$300 million or 20% of the share capital (None)

6) Disposal of individual real estate at prices of at least NT$300 million or 20% of the share capital (None)

7) Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the share capital (Table 5)

8) Receivables from related parties amounting to at least NT$100 million or 20% of the share capital (Table 6)

9) Trading in derivative instruments (Note 10)

10) Intercompany relationships and significant intercompany transactions (Table 9)

11) Information on investees (Table 7)

b. Information on investments in mainland China (Table 8)

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

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:

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 period balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds

f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services

36. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of segment. Specifically, the Group's reportable segments under IFRS 8 "Operating Segments" were as follows:

a. Cement segment - production, processing and sale of cement goods.

b. Chemical engineering segment - production, processing and sale of chemical raw materials.

c. Electricity segment - thermal power generation.

d. Other segments - land and marine transportation.
- production and sale of refractory materials.
- others.

The Corporation uses the profit from operations as the measure for segment income and the basis of performance assessment. There was no material difference between the accounting policies of the operating segments and the accounting policies described in Note 4.

Segment revenue and results

	Segment Revenue		Segment Income	
	For the Nine Months Ended September 30		For the Nine Months Ended September 30	
	2017	2018	2017	2018
Cement segment	$ 49,904,208	$ 65,966,462	$ 5,858,801	$ 16,806,853
Chemical engineering segment	9,752,582	11,835,610	(249,203)	343,265
Electricity segment	7,330,458	8,925,291	3,530,718	3,394,012
Other segments	1,964,860	2,929,991	151,869	485,654
	$ 68,952,108	$ 89,657,354	9,292,185	21,029,784
Share of profit of associates and joint ventures			996,650	1,663,716
Dividend income			796,998	1,247,451
Interest income			171,328	364,654
Finance costs			(1,420,845)	(1,827,585)
Foreign exchange losses, net			(217,619)	(136,169)
Administrative expenses and directors' remuneration			(44,014)	(53,505)
Other income and expenses, net			(348,127)	487,051
Income before tax			$ 9,226,556	$ 22,775,397

Segment profit represented profit before tax earned by each segment without an allocation of central administrative expenses, directors' remuneration, the share of profit of associates and joint ventures accounted for by using the equity method, dividend income, interest income, finance costs, unrealized net foreign exchange losses and income tax expense.

TAIWAN CEMENT CORPORATION AND SUBSIDIARIES

FINANCINGS PROVIDED TO OTHERS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018
(In Thousands of New Taiwan Dollars)

No.	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate (%)	Nature of Financing	Business Transaction Amount	Reason for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 1)	Aggregate Financing Limit (Note 1)	Note
													Item	Value			
1	Taiwan Transport & Storage Corporation	Ta-Ho Onyx RSEA Environment Co., Ltd. (Note 2)	Other receivables - related parties	Yes	$ 10,000	$ -	$ -	-	The need for short-term financing	$ -	Operating capital	$ -	-	$ -	$ 810,508	$ 810,508	
		TCC Chemical Corporation (Note 2)	Other receivables - related parties	Yes	300,000	300,000	300,000	1.54	The need for short-term financing	-	Operating capital	-	-	-	810,508	810,508	
2	Ta-Ho Onyx Taitung Environment Co., Ltd.	Onyn Ta-Ho Energy Recovery Co., Ltd. (Note 2)	Other receivables - related parties	Yes	110,000	-	-	-	The need for short-term financing	-	Operating capital	-	-	-	118,532	118,532	
2	Taiwan Cement Engineering Corporation	TCC Chemical Corporation (Note 2)	Other receivables - related parties	Yes	200,000	200,000	200,000	1.54	The need for short-term financing	-	Operating capital	-	-	-	287,782	287,782	
3	TCC (Guigang) Cement Ltd.	TCC Huaying Cement Company Limited (Note 2)	Other receivables - related parties	Yes	1,373,760	1,280,776	889,428	3.48	The need for short-term financing	-	Operating capital	-	-	-	18,779,044	37,558,089	
		Guigang TCC Donyuan Environmental Technology Limited	Other receivables - related parties	Yes	854,991	511,421	511,421	4.35	The need for short-term financing	-	Operating capital	-	-	-	7,511,618	7,511,618	
		Scitus Luzhou Concrete Co., Ltd. (Note 2)	Other receivables - related parties	Yes	95,400	88,943	-	-	The need for short-term financing	-	Operating capital	-	-	-	18,779,044	37,558,089	
		Guizhou Kong On Cement Company Limited (Note 2)	Other receivables - related parties	Yes	310,050	289,064	-	-	The need for short-term financing	-	Operating capital	-	-	-	18,779,044	37,558,089	
		TCC Anshun Cement Company Limited (Note 2)	Other receivables - related parties	Yes	477,000	444,714	-	-	The need for short-term financing	-	Operating capital	-	-	-	18,779,044	37,558,089	
		TCC Yingde Cement Co., Ltd. (Note 2)	Other receivables - related parties	Yes	477,000	444,714	-	-	The need for short-term financing	-	Operating capital	-	-	-	18,779,044	37,558,089	
		Scitus Luzhou Cement Co., Ltd. (Note 2)	Other receivables - related parties	Yes	1,335,600	1,245,199	-	-	The need for short-term financing	-	Operating capital	-	-	-	18,779,044	37,558,089	
		Scitus Naxi Cement Co., Ltd. (Note 2)	Other receivables - related parties	Yes	477,000	444,714	133,414	3.48	The need for short-term financing	-	Operating capital	-	-	-	18,779,044	37,558,089	
		TCC Huaihua Cement Company Limited (Note 2)	Other receivables - related parties	Yes	954,000	889,428	482,959	3.48	The need for short-term financing	-	Operating capital	-	-	-	18,779,044	37,558,089	
		TCC Jingzhou Cement Company Limited (Note 2)	Other receivables - related parties	Yes	715,500	667,071	662,600	3.48	The need for short-term financing	-	Operating capital	-	-	-	18,779,044	37,558,089	
4	Yingde Dragon Mountain Cement Co., Ltd.	TCC Yingde Cement Co., Ltd. (Note 2)	Other receivables - related parties	Yes	954,000	889,428	-	-	The need for short-term financing	-	Operating capital	-	-	-	11,325,504	22,651,008	
		TCC Liaoning Cement Company Limited (Note 2)	Other receivables - related parties	Yes	1,087,560	1,013,948	1,013,948	3.05	The need for short-term financing	-	Operating capital	-	-	-	11,325,504	22,651,008	
5	TCC Yingde Cement Co., Ltd.	TCC Jingzhou Cement Company Limited (Note 2)	Other receivables - related parties	Yes	238,500	222,357	-	-	The need for short-term financing	-	Operating capital	-	-	-	18,562,035	37,124,071	
		TCC (Dong Guan) Cement Company Limited (Note 2)	Other receivables - related parties	Yes	477,000	444,714	-	-	The need for short-term financing	-	Operating capital	-	-	-	18,562,035	37,124,071	
		Guizhou Kaili Rui An Jian Cai Co., Ltd. (Note 2)	Other receivables - related parties	Yes	715,500	667,071	-	-	The need for short-term financing	-	Operating capital	-	-	-	18,562,035	37,124,071	
		TCC Anshun Cement Company Limited (Note 2)	Other receivables - related parties	Yes	954,000	889,428	-	-	The need for short-term financing	-	Operating capital	-	-	-	18,562,035	37,124,071	
		TCC Guangan Cement Company Ltd. (Note 2)	Other receivables - related parties	Yes	954,000	889,428	-	-	The need for short-term financing	-	Operating capital	-	-	-	18,562,035	37,124,071	
		TCC Liaoning Cement Company Limited (Note 2)	Other receivables - related parties	Yes	222,357	222.357	88,943	3.48	The need for short-term financing	-	Operating capital	-		-	18,562,035	37,124,071	
		Scitus Naxi Cement Co., Ltd. (Note 2)	Other receivables - related parties	Yes	238,500	222,357	133,414	3.48	The need for short-term financing	-	Operating capital	-	-	-	18,562,035	37,124,071	
		Guizhou Kong On Cement Company Limited (Note 2)	Other receivables - related parties	Yes	477,000	444,714	244,593	3.48	The need for short-term financing	-	Operating capital	-	-	-	18,562,035	37,124,071	
		TCC Shaoguan Cement Co., Limited (Note 2)	Other receivables - related parties	Yes	353,411	329,490	329,490	3.68	The need for short-term financing	-	Operating capital	-	-	-	18,562,035	37,124,071	

(Continued)

No.	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate (%)	Nature of Financing	Business Transaction Amount	Reason for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 1)	Aggregate Financing Limit (Note 1)	Note
													Item	Value			
		TCC Chongqing Cement Company Limited (Note 2)	Other receivables - related parties	Yes	$ 477,000	$ 444,714	$ 400,243	3.48	The need for short-term financing	$ -	Operating capital	$ -	-	$ -	$ 18,562,035	$ 37,124,071	
		Scitus Luzhou Cement Co., Ltd. (Note 2)	Other receivables - related parties	Yes	858,600	800,485	466,950	3.48	The need for short-term financing	-	Operating capital	-	-	-	18,562,035	37,124,071	
		TCC Huaihua Cement Company Limited (Note 2)	Other receivables - related parties	Yes	954,000	889,428	744,896	3.48	The need for short-term financing	-	Operating capital	-	-	-	18,562,035	37,124,071	
6	TCC Fuzhou Cement Co., Ltd.	Guizhou Kaili Rui An Jian Cai Co., Ltd. (Note 2)	Other receivables - related parties	Yes	238,500	222,357	-	-	The need for short-term financing	-	Operating capital	-	-	-	924,463	2,773,390	
		TCC New (Hangzhou) Management Company Limited (Note 2)	Other receivables - related parties	Yes	477,000	444,714	-	-	The need for short-term financing	-	Operating capital	-	-	-	924,463	2,773,390	
		TCC Liaoning Cement Company Limited (Note 2)	Other receivables - related parties	Yes	333,900	311,300	133,414	3.48	The need for short-term financing	-	Operating capital	-	-	-	924,463	2,773,390	
7	TCCIH	TCC Yingde Cement Co., Ltd. (Note 2)	Other receivables - related parties	Yes	249,093	231,877	231,877	-	The need for short-term financing	-	Operating capital	-	-	-	81,116,470	162,232,941	
8	Prime York Ltd.	UPPV (Note 2)	Other receivables - related parties	Yes	199,563	198,951	198,951	-	The need for short-term financing	-	Operating capital	-	-	-	2,827,652	5,655,303	
9	Jurong TCC Cement Co., Ltd.	Guizhou Kong On Cement Company Limited (Note 2)	Other receivables - related parties	Yes	333,900	311,300	-	-	The need for short-term financing	-	Operating capital	-	-	-	11,317,341	22,634,682	
		TCC Yingde Cement Co., Ltd. (Note 2)	Other receivables - related parties	Yes	477,000	444,714	-	-	The need for short-term financing	-	Operating capital	-	-	-	11,317,341	22,634,682	
		TCC Guangan Cement Company Ltd. (Note 2)	Other receivables - related parties	Yes	477,000	444,714	-	-	The need for short-term financing	-	Operating capital	-	-	-	11,317,341	22,634,682	
		TCC Anshun Cement Company Limited (Note 2)	Other receivables - related parties	Yes	954,000	889,428	-	-	The need for short-term financing	-	Operating capital	-	-	-	11,317,341	22,634,682	
		TCC Chongqing Cement Company Limited (Note 2)	Other receivables - related parties	Yes	954,000	889,428	-	-	The need for short-term financing	-	Operating capital	-	-	-	11,317,341	22,634,682	
		TCC Huaihua Concrete Company Limited (Note 2)	Other receivables - related parties	Yes	143,100	133,414	44,471	3.48	The need for short-term financing	-	Operating capital	-	-	-	11,317,341	22,634,682	
		Scitus Luzhou Cement Co., Ltd. (Note 2)	Other receivables - related parties	Yes	715,500	667,071	88,943	3.48	The need for short-term financing	-	Operating capital	-	-	-	11,317,341	22,634,682	
		TCC Liaoning Cement Company Limited (Note 2)	Other receivables - related parties	Yes	333,900	311,300	289,064	3.48	The need for short-term financing	-	Operating capital	-	-	-	11,317,341	22,634,682	
		TCC Huaihua Cement Company Limited (Note 2)	Other receivables - related parties	Yes	1,192,500	1,111,785	1,022,842	3.48	The need for short-term financing	-	Operating capital	-	-	-	11,317,341	22,634,682	
10	TCC Anshun Cement Company Limited	Anshun Xin Tai Construction Materials Company Limited (Note 2)	Other receivables - related parties	Yes	95,400	88,943	-	-	The need for short-term financing	-	Operating capital	-	-	-	6,662,994	13,325,988	
		Scitus Luzhou Concrete Co., Ltd. (Note 2)	Other receivables - related parties	Yes	143,100	133,414	-	-	The need for short-term financing	-	Operating capital	-	-	-	6,662,994	13,325,988	
		Guizhou Kaili Rui An Jian Cai Co., Ltd. (Note 2)	Other receivables - related parties	Yes	143,100	133,414		-	The need for short-term financing	-	Operating capital	-	-	-	6,662,994	13,325,988	
		Scitus Luzhou Cement Co., Ltd. (Note 2)	Other receivables - related parties	Yes	143,100	133,414	88,943	3.48	The need for short-term financing	-	Operating capital	-	-	-	6,662,994	13,325,988	
		TCC Chongqing Cement Company Limited (Note 2)	Other receivables - related parties	Yes	477,000	444,714	222,357	3.48	The need for short-term financing	-	Operating capital	-	-	-	6,662,994	13,325,988	
		Guizhou Kong On Cement Company Limited (Note 2)	Other receivables - related parties	Yes	286,200	266,828	244,593	3.48	The need for short-term financing	-	Operating capital	-	-	-	6,662,994	13,325,988	
11	TCC Guangan Cement Company Ltd.	Guizhou Kaili Rui An Jian Cai Co., Ltd. (Note 2)	Other receivables - related parties	Yes	95,400	88,943	-	-	The need for short-term financing	-	Operating capital	-	-	-	3,163,098	6,326,197	
		Scitus Luzhou Cement Co., Ltd. (Note 2)	Other receivables - related parties	Yes	143,100	133,414	-	-	The need for short-term financing	-	Operating capital	-	-	-	3,163,098	6,326,197	
12	Wayly Holdings Ltd.	Guizhou Kaili Rui An Jian Cai Co., Ltd. (Note 2)	Other receivables - related parties	Yes	61,364	61,175	61,175	-	The need for short-term financing	-	Operating capital	-	-	-	3,100,314	6,200,627	
13	TCC Chongqing Cement Company Limited	TCC Jingzhou Cement Company Limited (Note 2)	Other receivables - related parties	Yes	95,400	88,943	-	-	The need for short-term financing	-	Operating capital	-	-	-	5,474,324	10,948,649	
		TCC Huaying Cement Company Limited (Note 2)	Other receivables - related parties	Yes	119,250	111,179	-	-	The need for short-term financing	-	Operating capital	-	-	-	5,474,324	10,948,649	
		Guizhou Kong On Cement Company Limited (Note 2)	Other receivables - related parties	Yes	143,100	133,414	-	-	The need for short-term financing	-	Operating capital	-	-	-	5,474,324	10,948,649	

(Continued)

No.	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate (%)	Nature of Financing	Business Transaction Amount	Reason for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 1)	Aggregate Financing Limit (Note 1)	Note
													Item	Value			
		Guizhou Kaili Rui An Jian Cai Co., Ltd. (Note 2)	Other receivables - related parties	Yes	$ 238,500	$ 222,357	$ -	-	The need for short-term financing	$ -	Operating capital	$ -	-	$ -	$ 5,474,324	$ 10,948,649	
		Scitus Luzhou Cement Co., Ltd. (Note 2)	Other receivables - related parties	Yes	238,500	222,357	-	-	The need for short-term financing	-	Operating capital	-	-	-	5,474,324	10,948,649	
		TCC Guangan Cement Company Ltd. (Note 2)	Other receivables - related parties	Yes	477,000	444,714	-	-	The need for short-term financing	-	Operating capital	-	-	-	5,474,324	10,948,649	
		Scitus Naxi Cement Co., Ltd. (Note 2)	Other receivables - related parties	Yes	143,100	133,414	133,414	3.48	The need for short-term financing	-	Operating capital	-	-	-	5,474,324	10,948,649	
		TCC Huaihua Cement Company Limited (Note 2)	Other receivables - related parties	Yes	715,500	667,071	546,554	3.48	The need for short-term financing	-	Operating capital	-	-	-	5,474,324	10,948,649	
14	TCC New (Hangzhou) Management Company Limited	Scitus Luzhou Concrete Co., Ltd. (Note 2)	Other receivables - related parties	Yes	38,160	35,577	-	-	The need for short-term financing	-	Operating capital	-	-	-	548,721	1,097,422	
		Scitus Naxi Cement Co., Ltd. (Note 2)	Other receivables - related parties	Yes	262,350	244,593	195,674	3.48	The need for short-term financing	-	Operating capital	-	-	-	548,721	1,097,422	
		Scitus Luzhou Cement Co., Ltd. (Note 2)	Other receivables - related parties	Yes	295,740	275,723	231,251	3.48	The need for short-term financing	-	Operating capital	-	-	-	548,721	1,097,422	
15	Prosperity Minerals (China) Ltd.	TCC New (Hangzhou) Management Company Limited (Note 2)	Other receivables - related parties	Yes	380,392	354,645	354,645	-	The need for short-term financing	-	Operating capital	-	-	-	990,910	1,981,819	
16	Da Tong (Guigang) International Logistics Co., Ltd.	Guigang Da-Ho Shipping Co., Ltd. (Note 2)	Other receivables - related parties	Yes	143,100	133,414	-	-	The need for short-term financing	-	Operating capital	-	-	-	567,684	1,135,369	
17	Guizhou Kaili Rui An Jian Cai Co., Ltd.	Scitus Naxi Cement Co., Ltd. (Note 2)	Other receivables - related parties	Yes	143,100	133,414	-	-	The need for short-term financing	-	Operating capital	-	-	-	3,051,058	6,102,117	
18	TCC Huaihua Cement Company Limited	TCC Jingzhou Cement Company Limited (Note 2)	Other receivables - related parties	Yes	95,400	88,943	-	-	The need for short-term financing	-	Operating capital	-	-	-	2,063,454	4,126,908	
19	Scitus Luzhou Cement Co., Ltd.	Guizhou Kaili Rui An Jian Cai Co., Ltd. (Note 2)	Other receivables - related parties	Yes	95,400	88,943	-	-	The need for short-term financing	-	Operating capital	-	-	-	2,093,454	4,186,909	

Note 1: "Financing Limits for Each Borrower" and "Aggregate Financing Limits":

A. For Taiwan Cement Corporation, financing limits are as follows:

a. Where a business relationship exists, the individual financing limits were the total transaction amounts with the borrower and 20% of Taiwan Cement Corporation's net equity in the recent year.
b. Where there is a need for a short-term financing facility, the individual financing limits were 20% of Taiwan Cement Corporation's net equity as stated in its latest financial statements.
c. For the above items a and b, the aggregate financing limits were 40% of Taiwan Cement Corporation's net equity as stated in its latest financial statements.

B. The restrictions above in paragraph A, subparagraphs b and c shall not apply to inter-company loans of funds between foreign companies of which Taiwan Cement Corporation holds, directly or indirectly, 100% of the voting shares. The aggregate and individual financing limits for the companies were 200% and 100%, respectively, of the net equity of each company as stated in their respective latest financial statements. In addition, the aggregate and individual financing limits for TCC International Ltd. were both 40% of its net equity as stated in its latest financial statements. The aggregate and individual financing limits for TCC Fuzhou Cement Co., Ltd. were 300% and 100%, respectively, of its net equity as stated in its latest financial statements. The aggregate and individual financing limits for TCC New (Hangzhou) Management Company Limited were 600% and 300%, respectively, of its net equity as stated in its latest financial statements. The aggregate and individual financing limits for Prosperity Minerals (China) Ltd. were 400% and 200%, respectively, of its net equity as stated in its latest financial statements.

C. The individual and aggregate financing limits for the other companies were 40% of the net equity of each respective company.

Note 2: All intercompany transactions have been eliminated upon consolidation.

(Concluded)

TAIWAN CEMENT CORPORATION AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018
(In Thousands of New Taiwan Dollars)

No.	Endorser/Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note 1)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 2)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China	Note
		Name	Relationship (Note 3)											
0	Taiwan Cement Corporation	TCCI	b	$ 85,061,569	$ 28,902,815	$ 28,113,525	$ 13,869,797	$ -	16.53	$ 170,123,138	Yes	No	No	
		TCC Investment Corporation	b	85,061,569	2,600,000	2,570,000	1,340,000	-	1.51	170,123,138	Yes	No	No	
		TCC Chemical Corporation	b	85,061,569	1,913,000	1,493,000	505,000	-	0.88	170,123,138	Yes	No	No	
		Union Cement Traders Inc.	b	85,061,569	1,450,000	1,430,000	580,000	-	0.84	170,123,138	Yes	No	No	
		Ho Sheng Mining Co., Ltd.	b	85,061,569	99,884	99,884	-	99,884	0.06	170,123,138	Yes	No	No	
		Jin Chang Minerals Corporation	b	85,061,569	68,848	68,848	39,814	39,814	0.04	170,123,138	Yes	No	No	
1	TCCIH	TCC (Guigang) Cement Ltd.	b	40,558,235	9,133,163	9,133,163	1,844,696	-	11.26	81,116,470	Yes	No	Yes	
		Jurong TCC Cement Co., Ltd.	b	40,558,235	3,024,133	3,004,053	422,478	-	3.70	81,116,470	Yes	No	Yes	
		TCC Yingde Cement Co., Ltd.	b	40,558,235	1,794,359	1,741,284	292,680	-	2.15	81,116,470	Yes	No	Yes	
		TCC Chongqing Cement Company Limited	b	40,558,235	1,406,311	1,380,068	490,339	-	1.70	81,116,470	Yes	No	Yes	
		TCC Liaoning Cement Company Limited	b	40,558,235	1,265,580	896,009	-	-	1.10	81,116,470	Yes	No	Yes	
		TCC Fuzhou Cement Co., Ltd.	b	40,558,235	1,242,630	1,181,942	44,471	-	1.46	81,116,470	Yes	No	Yes	
		Scitus Luzhou Cement Co., Ltd.	b	40,558,235	921,450	915,750	-	-	1.13	81,116,470	Yes	No	Yes	
		Guizhou Kaili Rui An Jian Cai Co., Ltd.	b	40,558,235	614,300	610,500	-	-	0.75	81,116,470	Yes	No	Yes	
		Guizhou Kong On Cement Company Limited	b	40,558,235	360,096	308,303	-	-	0.38	81,116,470	Yes	No	Yes	
2	TCC (Guigang) Cement Ltd.	TCCI (HK)	c	9,389,522	685,260	-	-	-	-	18,779,044	No	Yes	No	
3	Ho Sheng Mining Co., Ltd.	Taiwan Cement Corporation	c	209,175	137,462	137,462	137,462	-	197.15	209,175	No	Yes	No	

Note 1: Limits on endorsement/guarantee given on behalf of each party were as follows:

a. For Taiwan Cement Corporation, TCCIH and TCC (Guigang) Cement Ltd., 50% of the net equity in their respective latest financial statements.
b. For endorsement/guarantee given by Taiwan Cement Corporation due to business transactions, 50% of the business transaction amounts in the previous year.
c. For Ho Sheng Mining Co., Ltd., 300% of its net equity in its latest financial statements.

Note 2: Aggregate endorsement/guarantee limit was 300% of its net equity in its latest financial statements for Ho Sheng Mining Co., Ltd., and the limit for other the endorsers/guarantors was the net equity in their respective latest financial statements.

Note 3: Relationship between the endorser/guarantor and the endorsee/guarantee is classified as follows:

a. Having a business relationship.
b. The endorser/guarantor directly or indirectly owns more than 50% of the ordinary shares of the endorsee/guarantee.
c. The endorsee/guarantee directly or indirectly owns more than 50% of the ordinary shares of the endorser/guarantor.
d. Company in which the public company directly or indirectly holds 90% or more of the voting shares may make endorsements/guarantees for each other.
e. Due to joint venture, all shareholders provide endorsements/guarantees to the endorsee/guarantee in proportion to its ownership.

TAIWAN CEMENT CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
SEPTEMBER 30, 2018
(In Thousands of New Taiwan Dollars)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	September 30, 2018				Note
				Shares/Units (In Thousands)	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Taiwan Cement Corporation	Shares							
	Chien Kuo Construction Co., Ltd.	-	FVTPL - current	9,403	$ 110,013	-	$ 110,013	
	Taiwan Television Enterprise, Ltd.	The Corporation serves as supervisor	FVTPL - current	13,573	92,159	-	92,159	
	Chinatrust Financial Holding Co., Ltd.	-	FVTPL - current	3,575	82,239	-	82,239	
	China Hi-Ment Corporation	The Corporation serves as director	FVTOCI - current	30,196	1,690,985	-	1,690,985	
	Taishin Financial Holding Co., Ltd.	-	FVTOCI - current	61,149	901,946	-	901,946	
	CTCI Corporation	-	FVTOCI - current	9,054	444,569	-	444,569	
	Chia Hsin Cement Corporation	Directors	FVTOCI - current	27,419	381,130	-	381,130	
	O-Bank	The Corporation serves as director	FVTOCI - current	29,719	245,776	-	245,776	
	China Synthetic Rubber Corporation (Note 3)	The Corporation serves as director	FVTOCI - non-current	60,698	2,391,509	-	2,391,509	
	IBT II Venture Capital Corporation	-	FVTOCI - non-current	2,626	20,426	8.3	20,426	
	Rong Gong Enterprise Co.	The Corporation serves as supervisor	FVTOCI - non-current	3,390	14,035	4.0	14,035	
	Chinatrust Investment Co., Ltd.	The Corporation serves as director	FVTOCI - non-current	29,553	1,108,813	9.4	1,108,813	
	Pan Asia Corporation	The Corporation serves as supervisor	FVTOCI - non-current	6,204	8,996	5.4	8,996	
	Taiwan Stock Exchange Corporation	The Corporation serves as director	FVTOCI - non-current	45,983	3,464,794	6.6	3,464,794	
	Excel Corporation	-	FVTOCI - non-current	600	-	9.5	-	
Taiwan Transport & Storage Corporation	Shares							
	Chia Hsin Cement Corporation	Director of parent company	FVTOCI - current	8,632	119,979	-	119,979	
TCC Investment Corporation	Shares							
	O-Bank	The Group serves as director	FVTOCI - current	21,934	181,394	-	181,394	21,000 thousand shares were pledged
	Taishin Financial Holding Co., Ltd.	-	FVTOCI - current	11,697	172,535	-	172,535	
	Chia Hsin Cement Corporation	Director of parent company	FVTOCI - current	8,334	115,841	-	115,841	7,000 thousand shares were pledged
	China Conch Venture Holdings Limited	-	FVTOCI - non-current	28,000	2,981,924	-	2,981,924	
	China Synthetic Rubber Corporation (Note 3)	The Corporation serves as director	FVTOCI - non-current	16,109	634,695	-	634,695	1,934 thousand shares were pledged
	Chinatrust Investment Co., Ltd.	The Group serves as director	FVTOCI - non-current	10,884	408,362	3.5	408,362	
	Pan Asia Corporation	The Group serves as supervisor	FVTOCI - non-current	1	14	-	14	
Ta-Ho Maritime Corporation	Shares							
	Prosperity Dielectrics Co., Ltd.	-	FVTPL - current	951	72,767	-	72,767	
	Chia Hsin Cement Corporation	Director of parent company	FVTOCI - current	25,761	358,082	-	358,082	
	Chinatrust Investment Co., Ltd.	The Group serves as director	FVTOCI - non-current	6,612	248,070	2.1	248,070	
Taiwan Cement Engineering Corporation	Beneficiary certificates							
	Capital Money Market Fund	-	FVTPL - current	2,930	47,146	-	47,146	
TCC Chemical Corporation	Shares							
	Taiwan Stock Exchange Corporation	The Group serves as director	FVTOCI - non-current	2,626	197,842	-	197,842	
TCC Information Systems Corporation	Beneficiary certificates							
	Yuanta De-Bao Money Market Fund	-	FVTPL - current	2,575	30,860	-	30,860	
	Fuh Hwa You Li Money Market	-	FVTPL - current	2,288	30,753	-	30,753	
	Shares							
	China Synthetic Rubber Corporation (Note 3)	The Corporation serves as director	FVTOCI - non-current	1,505	59,316	-	59,316	

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	September 30, 2018				Note
				Shares/Units (In Thousands)	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Taiwan Prosperity Chemical Corporation	Shares							
	Taishin Financial Holding Co., Ltd.	-	FVTOCI - current	76,863	$ 1,133,735	-	$ 1,133,735	
Hoping Industrial Port Corporation	Shares							
	Chinatrust Investment Co., Ltd.	The Group serves as director	FVTOCI - non-current	10,444	391,848	3.3	391,848	
E.G.C. Cement Corporation	Beneficiary certificates							
	Nomura Global Short Duration Bond Fund	-	FVTPL - current	2,367	24,517	-	24,517	
	Nomura Taiwan Money Market Fund	-	FVTPL - current	2,467	40,154	-	40,154	
	UPAMC James Bond Money Market Fund	-	FVTPL - current	1,205	20,084	-	20,084	
	Taishin 1699 Money Market Fund	-	FVTPL - current	742	10,013	-	10,013	
	Shares							
	Der Pao Construction Co., Ltd.	-	FVTPL - current	30	-	0.1	-	
Union Cement Traders Inc.	Shares							
	Taishin Financial Holding Co., Ltd.	-	FVTOCI - current	27,012	398,426	-	398,426	
	CTCI Corporation	-	FVTOCI - current	13,365	656,237	-	656,237	
	Chia Hsin Cement Corporation	Director of parent company	FVTOCI - current	7,441	103,430	-	103,430	
	China Synthetic Rubber Corporation (Note 3)	The Corporation serves as director	FVTOCI - non-current	8,396	330,809	-	330,809	
	Videoland Inc.	-	FVTOCI - non-current	6,437	428,992	5.6	428,992	
TCCI (Group)	Beneficiary certificates							
	Mega Diamond Money Market Fund	-	FVTPL - current	3,130	39,705	-	39,705	
	Shares							
	Anhui Conch Cement Co., Ltd.	-	FVTOCI - non-current	116,568	21,486,076	-	21,486,076	
	Yargoon Co., Ltd.	-	FVTOCI - non-current	19	729	12.5	729	

Note 1: Marketable securities in the table refer to shares, bonds, beneficiary certificates and other related securities within the scope of IFRS 9 "Financial Instruments".

Note 2: Refer to Tables 7 and 8 for the information on investments in subsidiaries, associates and joint ventures.

Note 3: China Synthetic Rubber Corporation changed its name to International CSRC Investment Holdings Co., Ltd. in October 2018.

(Concluded)

TAIWAN CEMENT CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED AT COSTS OR PRICES OF AT LEAST NT$300 MILLION OR 20% OF THE SHARE CAPITAL
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018
(In Thousands of New Taiwan Dollars)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Other Adjustment (Note 1)	Ending Balance	
					Shares/Units (In Thousands)	Amount	Shares/Units (In Thousands)	Amount	Shares/Units (In Thousands)	Amount	Carrying Amount	Gain on Disposal (Note 4)		Shares	Amount
Taiwan Cement Corporation	Shares E-ONE Moli Energy Corporation	Investments accounted for using equity method (Note 3)	-	Associates	983	$ 1,572	47,535	$ 475,351	391 (Note 2)	$ -	$ -	$ -	$ 26,975	48,127	$ 503,898
	Taiwan Prosperity Chemical Corporation	Investments accounted for using equity method	-	Subsidiaries	145,988	1,608,901	-	-	29,197	787,369	321,659	465,710	175,787	116,791	1,463,029
	TCCI	Investments accounted for using equity method	-	Subsidiaries	600,876	60,108,134	98,625	3,037,650	-	-	-	-	11,564,590	699,501	74,710,374
	TCCIH	Investments accounted for using equity method	-	Subsidiaries	1,319,841	19,054,259	808,472	13,860,000	-	-	-	-	1,475,849	2,128,313	34,390,108
	TCC Green Energy Corporation	Investments accounted for using equity method	-	Subsidiaries	10,000	179,619	140,000	1,400,000	-	-	-	-	(10,111)	150,000	1,569,508

Note 1: Including share of profit or loss of subsidiaries, equity adjustments, etc.

Note 2: The shares of capital reduction handled by E-ONE Moli Energy Corporation.

Note 3: The original investments previously recognized as financial assets at FVTOCI, refer to Note 8 for information related to acquiring shares of E-ONE Moli Energy Corporation.

Note 4: The capital surplus recorded is the difference between the purchase price and the carrying amount on the date on which the subsidiaries are acquired or disposed of.

TAIWAN CEMENT CORPORATION AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE SHARE CAPITAL
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018
(In Thousands of New Taiwan Dollars)

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchases/Sales	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total (Note 1)	
Taiwan Cement Corporation	Chia Hsin Cement Corporation	Director	Sales	$ (299,694)	(2)	65 days after the end of the day when delivery was made	$ -	-	$ 87,759	26	
	Feng Sheng Enterprise Company	Subsidiary	Sales	(243,308)	(2)	30 days	-	-	58,861	18	Note 2
			Purchases	239,892	2	30 days	-	-	(18,787)	(3)	Note 2
	TCCIH	Subsidiary	Service revenue	(380,877)	(3)	By contract	-	-	40,655	12	Note 2
	Taiwan Transport & Storage Corporation	Subsidiary	Purchases	390,549	4	30 days	-	-	(95,097)	(13)	Note 2
	China Hi-Ment Corporation	The Corporation serves as director	Purchases	372,669	3	60 days	-	-	(144,109)	(20)	
	Hoping Industrial Port Corporation	Subsidiary	Purchases	325,060	3	20 days	-	-	(24,227)	(3)	Note 2
	Ta-Ho Maritime Corporation	Subsidiary	Purchases	706,026	6	30 days	-	-	(189,799)	(26)	Note 2
	E.G.C. Cement Corporation	Subsidiary	Sales	(291,955)	(2)	50 days after the end of the day when delivery was made	-	-	55,496	17	Note 2
	Jin Chang Minerals Corporation	Subsidiary	Purchases	419,737	4	30 days	-	-	(115,398)	(16)	Note 2
	Ho Sheng Mining Co., Ltd.	Subsidiary	Purchases	338,263	3	30 days	-	-	(45,100)	(6)	Note 2
	Kuan-Ho Refractories Industry Corporation	Subsidiary	Purchases	144,110	1	By contract	-	-	(71,360)	(10)	Note 2
E.G.C. Cement Corporation	Taiwan Cement Corporation	Parent company	Purchases	291,955	100	50 days after the end of the day when delivery was made	-	-	(55,496)	(99)	Note 2
Ho-Ping Power Company	Hoping Industrial Port Corporation	The same parent company	Purchases	758,880	12	20 days	-	-	(26,202)	(18)	Note 2
	HPC Power Service Corporation	The same parent company	Purchases	308,771	5	By contract	-	-	(105,771)	(72)	Note 2
Hoping Industrial Port Corporation	Taiwan Cement Corporation	Parent company	Sales	(325,060)	(30)	20 days	-	-	24,227	46	Note 2
	Ho-Ping Power Company	The same parent company	Sales	(758,880)	(69)	20 days	-	-	26,202	50	Note 2
	Taiwan Transport & Storage Corporation	The same parent company	Purchases	141,527	79	30 days	-	-	(15,361)	(86)	Note 2
Feng Sheng Enterprise Company	Taiwan Cement Corporation	Parent company	Sales	(239,892)	(15)	30 days	-	-	18,787	100	Note 2
			Purchases	243,308	15	30 days	-	-	(58,861)	(100)	Note 2
Taiwan Transport & Storage Corporation	Taiwan Cement Corporation	Parent company	Sales	(390,549)	(43)	30 days	-	-	95,097	60	Note 2
	Taiwan Prosperity Chemical Corporation	The same parent company	Sales	(148,032)	(16)	By contract	-	-	33,514	21	Note 2
	Hoping Industrial Port Corporation	The same parent company	Sales	(141,527)	(15)	30 days	-	-	15,361	10	Note 2
Jin Chang Minerals Corporation	Taiwan Cement Corporation	Parent company	Sales	(419,737)	(100)	30 days	-	-	115,398	100	Note 2
Ho Sheng Mining Co., Ltd.	Taiwan Cement Corporation	Parent company	Sales	(338,263)	(90)	30 days	-	-	45,100	78	Note 2
HPC Power Service Corporation	Ho-Ping Power Company	The same parent company	Sales	(308,771)	(100)	By contract	-	-	105,771	100	Note 2
Ta-Ho Maritime Corporation	Taiwan Cement Corporation	Parent company	Freight revenue	(706,026)	(32)	30 days	-	-	189,799	85	Note 2
	THC International S.A.	Subsidiary	Rent expense	163,471	9	Agreed upon by both parties	-	-	(84,045)	(63)	Note 2
Taiwan Prosperity Chemical Corporation	Taiwan Transport & Storage Corporation	The same parent company	Purchases	148,032	1	By contract	-	-	(33,514)	(28)	Note 2

(Continued)

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchases/Sales	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total (Note 1)	
Kuan-Ho Refractories Industry Corporation	Taiwan Cement Corporation	Parent company	Sales	$ (144,110)	(15)	By contract	$ -	-	$ 71,360	89	Note 2
TCCIH	Taiwan Cement Corporation	Parent company	Service expense	380,877	100	By contract	-	-	(40,655)	(100)	Note 2
THC International S.A.	Ta-Ho Maritime Corporation	Parent company	Rent revenue	(163,471)	(100)	Agreed upon by both parties	-	-	84,045	100	Note 2
Da Tong (Guigang) International Logistics Co., Ltd.	TCC (Gui Ggang) Cement Ltd.	The same ultimate parent company	Freight revenue	(240,673)	(94)	Agreed upon by both parties	-	-	60,092	100	Note 2
Guigang Da-Ho Shipping Co., Ltd.	TCC Yingde Cement Co., Ltd.	The same ultimate parent company	Freight revenue	(175,549)	(25)	Agreed upon by both parties	-	-	45,294	57	Note 2
	TCC (Gui Ggang) Cement Ltd.	The same ultimate parent company	Freight revenue	(217,468)	(31)	Agreed upon by both parties	-	-	31,590	40	Note 2
TCC (Gui Ggang) Cement Ltd.	Da Tong (Guigang) International Logistics Co., Ltd.	The same ultimate parent company	Purchases	240,673	4	Agreed upon by both parties	-	-	(60,092)	(21)	Note 2
	Guigang Da-Ho Shipping Co., Ltd.	The same ultimate parent company	Purchases	217,468	4	Agreed upon by both parties	-	-	(31,590)	(11)	Note 2
TCC Yingde Cement Co., Ltd.	Guigang Da-Ho Shipping Co., Ltd.	The same ultimate parent company	Purchases	175,549	3	Agreed upon by both parties	-	-	(45,294)	(15)	Note 2
HKCCL	Quon Hing Concrete Co., Ltd.	Associated	Sales	(146,941)	(35)	Agreed upon by both parties	-	-	30,458	37	

Note 1: The percentage to total accounts receivable from (payable to) related parties.

Note 2: All intercompany transactions have been eliminated upon consolidation.

(Concluded)

TAIWAN CEMENT CORPORATION AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE SHARE CAPITAL
SEPTEMBER 30, 2018
(In Thousands of New Taiwan Dollars)

Related Party	Company Name	Relationship	Ending Balance	Turnover Rate (%)	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
Ta-Ho Maritime Corporation	Taiwan Cement Corporation (Note)	Parent company	$ 189,799	5.4	$ -	-	$ 26,516	$ -
Jin Chang Minerals Corporation	Taiwan Cement Corporation (Note)	Parent company	115,398	4.6	-	-	58,091	-
HPC Power Service Corporation	Ho-Ping Power Company (Note)	The same parent company	105,771	3.9	-	-	33,657	-

Note: All intercompany transactions have been eliminated upon consolidation.

TAIWAN CEMENT CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTEES
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of September 30, 2018			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2017	September 30, 2018	Shares/Units (In Thousands)	%	Carrying Amount			
Taiwan Cement Corporation	TCCI	British Virgin Islands	Investment holding	$ 18,344,635	$ 21,382,285	699,501	100.00	$ 74,710,374	$ 9,473,394	$ 9,473,394	Note
	Ho-Ping Power Company	Taiwan	Thermal power generation	6,037,720	6,037,720	805,940	59.50	16,625,213	1,659,913	987,648	Note
	Hoping Industrial Port Corporation	Taiwan	Hoping Industrial Port management	3,198,500	3,198,500	319,990	100.00	5,464,801	495,512	495,497	Note
	Ta-Ho Maritime Corporation	Taiwan	Marine transportation	528,506	528,506	118,649	64.79	2,268,714	281,371	182,293	Note
	Taiwan Prosperity Chemical Corporation	Taiwan	Processing and sale of chemical material	1,284,143	992,173	116,791	40.00	1,463,029	324,256	150,174	Note
	Taiwan Transport & Storage Corporation	Taiwan	Warehousing, transportation and sale of sand and gravel	90,862	90,862	32,668	83.85	1,795,680	131,220	110,022	Note
	TCC Investment Corporation	Taiwan	Investment	190,000	190,000	63,150	100.00	3,814,875	166,684	166,684	Note
	Ho Sheng Mining Co., Ltd.	Taiwan	Mining excavation and sale of limestone	1,414,358	1,414,358	30,100	100.00	1,072,795	58,771	58,771	Note
	CCC USA Corporation	U.S.A.	Rubber raw materials	481,983	481,983	39	33.33	801,610	262,804	87,601	
	Taiwan Cement Engineering Corporation	Taiwan	Engineering services	319,439	319,439	59,593	99.05	754,213	60,389	60,850	Note
	ONYX Ta-Ho Environmental Services Co., Ltd.	Taiwan	Waste collection and treatment	72,000	72,000	30,176	50.00	700,051	483,422	241,711	
	Kuan-Ho Refractories Industry Corporation	Taiwan	Production and sale of refractory materials	181,050	181,050	18,105	95.29	429,508	99,564	94,874	Note
	Feng Sheng Enterprise Company	Taiwan	Sale of ready-mixed concrete	250,000	250,000	27,261	45.43	343,946	21,451	9,746	Note
	TCC Chemical Corporation	Taiwan	Leasing property and energy technology services	1,510,842	1,510,842	240,000	100.00	922,277	24,395	50,096	Note
	Ta-Ho Onyx Taitung Environment Co., Ltd.	Taiwan	Waste collection and treatment	313,187	313,187	37,100	100.00	296,982	653	653	Note
	TCC Information Systems Corporation	Taiwan	Information software	71,000	71,000	14,904	99.36	265,116	17,271	17,161	Note
	Ta-Ho Onyx RSEA Environment Co., Ltd.	Taiwan	Waste collection and treatment	666,000	666,000	66,600	66.60	202,557	(6,813)	(4,537)	Note
	HKCMCL	Hong Kong	Investment holding	72,005	72,005	38	84.65	300,982	18,721	15,848	Note
	TCC Green Energy Corporation	Taiwan	Renewable energy generation	46,046	1,446,046	150,000	100.00	1,569,508	(10,111)	(10,111)	Note
	Jin Chang Minerals Corporation	Taiwan	Afforestation and sale of limestone	18,042	18,042	1,800	100.00	197,278	67,741	67,741	Note
	HPC Power Service Corporation	Taiwan	Business consulting	1,861	1,861	6	60.00	85,678	139,021	83,413	Note
	E.G.C. Cement Corporation	Taiwan	Sale of cement	184,359	184,359	8,063	50.64	101,891	7,465	3,781	Note
	Synpac Ltd.	British Virgin Islands	Investment	70,367	70,367	2,700	25.00	6,927	229	57	
	Tung Chen Mineral Corporation	Taiwan	Afforestation and sale of limestone	1,989	1,989	20	99.45	1,363	(31)	(31)	Note
	TMC	Philippines	Mining excavation	11,880	11,880	120	72.70	-	-	-	Note
	TPMC	Philippines	Mining excavation	2,105	2,105	20	40.00	-	-	-	Note
	TCCIH	Cayman Islands	Investment holding	19,125,321	32,985,321	2,128,313	33.83	34,390,108	13,007,804	3,246,353	Note
	E-ONE Moli Energy Corporation	Taiwan	Manufacturing and sale of lithium battery	10,728	481,811	48,127	15.97	503,898	205,583	32,690	
Taiwan Transport & Storage Corporation	Ta-Ho Maritime Corporation	Taiwan	Marine transportation	247,229	300,507	53,438	29.18	1,021,793	281,371	82,658	Note
	E.G.C. Cement Corporation	Taiwan	Sale of cement	126,518	136,476	7,857	49.36	128,678	7,465	3,311	Note
	Chia Huan Tung Cement Corporation	Taiwan	Manufacturing and sale of cement-related products	97,181	97,181	9,718	12.74	31,129	(27,033)	(3,445)	
	Ho Swen Construction Material Co., Ltd.	Taiwan	Sand and gravel filtering and sale	10,200	10,200	1,020	51.00	123	(101)	(52)	Note
TCC Investment Corporation	Union Cement Traders Inc.	Taiwan	Import and export trading	219,450	219,450	21,945	100.00	1,131,704	78,535	78,535	Note
	Ho-Ping Power Company	Taiwan	Thermal power generation	68,911	68,911	5,067	0.50	136,241	1,659,913	8,300	Note
	Taiwan Prosperity Chemical Corporation	Taiwan	Processing and sale of chemical material	11,168	10,528	658	0.23	8,243	324,256	731	Note
	Ta-Ho Maritime Corporation	Taiwan	Marine transportation	343	343	34	0.02	656	281,371	52	Note
	E-ONE Moli Energy Corporation	Taiwan	Manufacturing and sale of lithium battery	145,253	172,648	18,068	6.00	40,935	205,583	12,273	

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of September 30, 2018			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2017	September 30, 2018	Shares/Units (In Thousands)	%	Carrying Amount			
Ta-Ho Maritime Corporation	Ta-Ho Maritime Holdings Ltd.	Samoa	Investment	$ 325,995	$ 325,995	10,300	100.00	$ 4,167,658	$ 183,616	$ 183,616	Note
	Shih Hsin Storage & Transportation Co., Ltd.	Taiwan	Warehousing, transportation and sale of cement	30,952	30,952	3,114	3.34	9,016	(63,523)	(2,122)	
	Chia Huan Tung Cement Corporation	Taiwan	Manufacturing and sale of cement-related products	8,825	8,825	883	1.16	2,834	(27,033)	(314)	
Taiwan Cement Engineering Corporation	TCEC Corporation	Brunei Darussalam	Investment	16,295	-	-	-	-	94	94	Note
TCC Information Systems Corporation	Taicem Information (Samoa) Pte., Ltd.	Samoa	Investment	3,042	3,042	2,128	100.00	48,204	1,860	1,860	Note
Hoping Industrial Port Corporation	Taiwan Prosperity Chemical Corporation	Taiwan	Processing and sale of chemical material	104,929	104,929	6,675	2.29	83,617	324,256	7,413	Note
	E-ONE Moli Energy Corporation	Taiwan	Manufacturing and sale of lithium battery	49,142	60,862	6,633	2.20	15,027	205,583	4,505	
E.G.C. Cement Corporation	Shih Hsin Storage & Transportation Co., Ltd.	Taiwan	Warehousing, transportation and sale of cement	110,128	110,128	11,082	11.87	32,044	(63,523)	(7,540)	
Feng Sheng Enterprise Company	Ho Swen Construction Material Co., Ltd.	Taiwan	Sand and gravel filtering and sale	1,800	1,800	180	9.00	-	-	-	Note
Union Cement Traders Inc.	Shih Hsin Storage & Transportation Co., Ltd.	Taiwan	Warehousing, transportation and sale of cement	34,203	34,203	3,442	3.69	9,953	(63,523)	(2,343)	
	Taiwan Transport & Storage Corporation	Taiwan	Warehousing, transportation and sale of sand and gravel	2,612	2,612	261	0.67	14,362	131,220	880	Note
	Chia Huan Tung Cement Corporation	Taiwan	Manufacturing and sale of cement-related products	2,835	2,835	283	0.37	908	(27,033)	(100)	
	E-ONE Moli Energy Corporation	Taiwan	Manufacturing and sale of lithium battery	132,049	161,605	17,412	5.78	39,449	205,583	11,827	
Ho-Ping Power Company	Ho-Ping Renewable Energy Company	Taiwan	Renewable energy generation	-	1,000	100	100.00	1,000	-	-	Note
TCC Green Energy Corporation	TCC Chiayi Green Energy Corporation	Taiwan	Renewable energy generation	-	202,000	20,200	100.00	200,837	(1,163)	(1,163)	Note
	TCC Yunlin Green Energy Corporation	Taiwan	Renewable energy generation	-	25,000	2,500	100.00	24,985	(15)	(15)	Note
	TCC Hualien Green Energy Corporation	Taiwan	Renewable energy generation	-	2,000	200	100.00	1,402	(598)	(598)	Note
	TCC Chang-Ho Green Energy Corporation	Taiwan	Renewable energy generation	-	5,000	500	100.00	4,988	(12)	(12)	Note
	TCC Kao-Cheng Green Energy Corporation	Taiwan	Renewable energy generation	-	2,000	200	100.00	1,988	(12)	(12)	Note
	TCC Nan-Chung Green Energy Corporation	Taiwan	Renewable energy generation	-	20,000	2,000	100.00	19,988	(12)	(12)	Note
Ta-Ho Maritime Holdings Ltd.	THC International S.A.	Panama	Marine transportation	59,818	61,355	2	100.00	2,640,535	115,382	115,382	Note
	Sheng Ho Maritime S.A.	Panama	Marine transportation	59,818	61,355	2	100.00	468,284	(2,752)	(2,752)	Note
	Ta-Ho Maritime (Hong Kong) Limited	Hong Kong	Marine transportation	151,776	155,678	5,100	100.00	620,573	66,830	66,830	Note
	Chi Ho Maritime S.A.	Panama	Marine transportation	193,738	198,718	7	100.00	353,541	3,650	3,650	Note
	Ta-Ho Maritime (Singapore) Pte. Ltd.	Singapore	Marine transportation	2,976	3,053	100	100.00	73,657	449	449	Note
TCC International Ltd. (Group)	Quon Hing Concrete Co., Ltd.	Hong Kong	Investment holding	169,377	173,559	100	50.00	272,838	116,620	58,310	
	Chia Huan Tung Cement Corporation	Taiwan	Manufacturing and sale of cement-related products	148,554	148,554	14,855	19.48	47,586	(27,033)	(5,266)	
	Hong Kong Concrete Co., Ltd.	Hong Kong	Cement processing services	25,971	26,613	129	31.50	223,402	57,530	18,122	

Note: All intercompany transactions have been eliminated upon consolidation.

(Concluded)

TAIWAN CEMENT CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE SIX MONTHS ENDED JUNE 30, 2018
(In Thousands of New Taiwan Dollars)

A.

Investee Company	Main Businesses and Products	Share Capital	Method of Investment (Note 1)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2018 (Note 2)	Investment Flow (Note 2)		Accumulated Outward Remittance for Investment from Taiwan as of June 30, 2018 (Note 2)	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 3)	Carrying Amount as of June 30, 2018 (Note 3)	Accumulated Repatriation of Investment Income as of June 30, 2018	Note
					Outflow	Inflow							
Anhui King Bridge Cement Co., Ltd.	Manufacturing and sale of cement	$ 457,875	(a)	$ 155,678	$ -	$ -	$ 155,678	$ 4,553	60.00	$ 2,732	$ 231,993	$ -	Note 7
TCC Fuzhou Cement Co., Ltd.	Manufacturing and sale of cement	496,031	(a)	280,258	-	-	280,258	17,584	100.00	17,584	895,189	-	Note 7
TCC Fuzhou Yangyu Port Co., Ltd.	Port for cement transportation	152,625	(a)	86,233	-	-	86,233	(175)	100.00	(175)	285,065	-	Note 7
TCC Liuzhou Construction Materials Company Limited.	Manufacturing and sale of slag	412,088	(a)	98,901	-	-	98,901	127,226	42.00	53,435	416,352	-	Note 7
TCC Yingde Cement Co., Ltd.	Manufacturing and sale of cement	7,765,560	(a)	4,852,285	-	-	4,852,285	2,712,826	100.00	2,712,826	20,258,489	-	Note 7
Jurong TCC Cement Co., Ltd.	Manufacturing and sale of cement	7,112,325	(a)	4,151,247	-	-	4,151,247	1,169,511	100.00	1,169,511	11,865,858	-	Note 7
TCC (Guangan) Cement Ltd.	Manufacturing and sale of cement	10,161,037	(a)	7,267,999	-	-	7,267,999	3,029,419	100.00	3,029,419	20,950,096	-	Note 7
Jiangsu TCC Investment Co., Ltd.	Investment	1,526,250	(a)	862,331	-	-	862,331	262,200	100.00	262,200	2,660,875	-	Note 7
Yingde Dragon Mountain Cement Co., Ltd.	Manufacturing and sale of cement	1,899,096	(a)	3,316,026	-	-	3,316,026	1,731,422	100.00	1,731,422	12,428,654	-	Note 7
TCC Liaoning Cement Company Limited	Manufacturing and sale of cement	1,645,756	(a)	1,360,850	-	-	1,360,850	(53,949)	100.00	(53,949)	1,711,713	-	Note 7
TCC Anshun Cement Company Limited	Manufacturing and sale of cement	4,685,282	(a)	3,413,488	-	-	3,413,488	1,009,236	100.00	1,009,236	7,305,501	-	Note 7
TCC Chongqing Cement Co., Ltd.	Manufacturing and sale of cement	3,601,950	(a)	2,604,434	-	-	2,604,434	1,083,863	100.00	1,083,863	6,250,686	-	Note 7
TCC Guangan Cement Company Ltd.	Manufacturing and sale of cement	2,350,120	(a)	1,706,206	-	-	1,706,206	637,442	100.00	637,442	3,619,948	-	Note 7
TCC (Dong Guan) Cement Company Limited	Manufacturing and sale of cement	610,500	(a)	344,933	-	-	344,933	16,213	100.00	16,213	320,670	-	Note 7
Guizhou Kong On Cement Company Limited	Manufacturing and sale of cement	619,658	(a)	279,309	-	-	279,309	169,661	65.00	110,280	533,300	-	Note 7
TCC New (Hangzhou) Management Company Limited	Operation management	244,200	(a)	137,973	-	-	137,973	13,824	100.00	13,824	187,086	-	Note 7
Guizhou Kaili Rui An Jian Cai Co., Ltd.	Manufacturing and sale of cement	1,728,534	(a)	1,092,014	-	-	1,092,014	715,835	100.00	715,835	3,588,474	-	Note 7
TCC Shaoguan Cement Co., Limited	Manufacturing and sale of cement	1,221,000	(a)	1,088,216	-	-	1,088,216	(10,199)	100.00	(10,199)	1,162,443	-	Note 7
TCC Huaying Cement Company Limited	Manufacturing and sale of cement	4,213,668	(a)	3,123,312	-	-	3,123,312	648,105	100.00	648,105	2,809,502	-	Note 7
TCC Huaihua Cement Company Limited (Note 4)	Manufacturing and sale of cement	412,548	(a)	5,717,509	-	-	5,717,509	505,412	100.00	505,412	2,453,237	-	Note 7
TCC Jingzhou Cement Company Limited (Note 4)	Manufacturing and sale of cement	44,360	(a)	-	-	-	-	171,004	100.00	171,004	1,266,400	-	Note 7
TCC Huaihua Concrete Company Limited (Note 4)	Sale of ready-mixed concrete	44,360	(a)	-	-	-	-	(17,976)	100.00	(17,976)	50,971	-	Note 7
TCC Jiangsu Mining Industrial Company Limited	Mining of limestone	122,100	(a)	381,773	-	-	381,773	(13,384)	100.00	(13,384)	278,625	-	Note 7
TCC Yingde Mining Industrial Company Limited	Mining of limestone	351,038	(a)	276,180	-	-	276,180	16,042	100.00	16,042	447,015	-	Note 7
TCC Guigang Mining Industrial Company Limited	Mining of limestone	152,625	(a)	131,826	-	-	131,826	3,585	100.00	3,585	371,717	-	Note 7
Scitus Naxi Cement Co., Ltd. (Note 5)	Manufacturing and sale of cement	649,918	(a)	-	-	-	-	138,981	100.00	138,981	268,259	-	Note 7
Scitus Luzhou Cement Co., Ltd. (Note 5)	Manufacturing and sale of cement	1,752,220	(a)	-	-	-	-	375,758	100.00	375,758	2,350,962	-	Note 7
Scitus Hejiang Cement Co., Ltd. (Note 5)	Manufacturing and sale of cement	103,137	(a)	-	-	-	-	(1,632)	100.00	(1,632)	10,660	-	Note 7
Scitus Luzhou Concrete Co., Ltd. (Note 5)	Sale of ready-mixed concrete	110,900	(a)	-	-	-	-	8,369	100.00	8,369	144,563	-	Note 7
Anshun Xin Tai Construction Materials Company Limited	Sand and gravel filtering and sale of ready-mixed concrete	66,540	(a)	92,961	-	-	92,961	796	100.00	796	64,792	-	Note 7
TCEC (Yingde) Machine Co., Ltd. (Note 6)	Production and sale of cement machinery and assembly work	16,295	(b)	16,295	-	-	16,295	60,761	100.00	60,761	170,646	-	Note 7
Fuzhou TCC Information Technology Co., Ltd. (Note 6)	Software product and equipment maintenance	3,053	(c)	3,053	-	-	3,053	1,689	100.00	1,689	42,463	-	Note 7
Da Tong (Guigang) International Logistics Co., Ltd. (Note 6)	Logistics and transportation	152,625	(d)	152,625	-	-	152,625	67,010	100.00	67,010	603,937	-	Note 7
Da Tong (Ying De) Logistics Co., Ltd. (Note 6)	Logistics and transportation	22,180	(d)	22,180	-	-	22,180	10,635	100.00	10,635	92,902	-	Note 7
Guigang Da-Ho Shipping Co., Ltd. (Note 6)	Marine transportation	17,744	(d)	17,744	-	-	17,744	45,954	100.00	45,954	314,406	-	Note 7
Prosperity Conch Cement Co., Ltd. (Note 6)	Manufacturing and sale of cement	2,572,880	(a)	2,227,029	-	-	2,227,029	3,366,421	25.00	841,605	4,270,519	-	
Yunnan Kungang & K. Wah Cement Construction Materials Co., Ltd. (Note 6)	Manufacturing and sale of cement	3,659,700	(a)	1,451,926	-	-	1,451,926	490,144	30.00	147,043	1,594,535	-	
Baoshan Kungang & K. Wah Cement Construction Materials Co., Ltd. (Note 6)	Manufacturing and sale of cement	1,830,205	(a)	703,088	-	-	703,088	572,718	30.00	171,815	828,870	-	
Sichuan Taichang Building Material Group Company Limited (Note 6)	Manufacturing and sale of cement	887,200	(a)	351,468	-	-	351,468	190,952	30.00	57,286	55,856	-	
Guangan Xin Tai Construction Materials Company Limited (Note 6)	Manufacturing and sale of concrete aggregate	68,758	(a)	47,982	-	-	47,982	-	50.00	-	-	-	
Guigang TCC Donyuan Environmental Technology Limited (Note 9)	Waste collection and treatment	4,446	(e)	-	4,446	-	4,446	-	40.00	-	4,446	-	

(Continued)

Accumulated Investment in Mainland China as of September 30, 2018	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
$71,698,370	$72,978,882	(Note 8)

Note 1: All investments in mainland China companies were through a company invested and established in a third region. The method of investments were as follows:

a. Investment through TCCI.
b. Investment through TECE Corp. (Brunei).
c. Investment through Taicem Information (Samoa) Pte. Ltd.
d. Investment through Ta-Ho Maritime (Hong Kong) Limited.
e. Investment through TCC (Gui Gang) Cement Ltd.

Note 2: Including outward remittance from offshore subsidiaries.

Note 3: For TCC Yingde Cement Co., Ltd., TCC (Gui Gang) Cement Ltd., TCC Anshun Cement Company Limited, TCC Chongqing Cement Company Limited, Jurong TCC Cement Co., Ltd. and Yingde Dragon Mountain Cement Co., Ltd. the carrying amounts and investment gains or losses are based on the reviewed financial statements, and those for all other entities are not.

Note 4: As of September 30, 2018, the accumulated outward remittance for investments was a total of those from TCC Huaihua Cement Company Limited, TCC Jingzhou Cement Company Limited and TCC Huaihua Concrete Company Limited.

Note 5: As of September 30, 2018, accumulated outward remittance for investments was a total of $2,950,506 thousand from 10 companies, including Zunyi Scitus Cement Co., Ltd., Scitus Bijie Cement Co., Ltd., Scitus Naxi Cement Co., Ltd., Scitus Luzhou Cement Co., Ltd., Scitus Xishui Cement Co., Ltd., Scitus Hejiang Cement Co., Ltd., Guizhou Zunyi Ken On Concrete Co., Ltd., Scitus Bijie Concrete Co., Ltd., Scitus Luzhou Concrete Co., Ltd. and Scitus Cement (Guizhou) Operating Company Limited. Except Scitus Naxi Cement Co., Ltd., Scitus Luzhou Cement Co., Ltd., Scitus Hejiang Cement Co., Ltd. and Scitus Luzhou Concrete Co., Ltd., while the other companies were disposed of in March 2013. The investment amounts authorized to be withdrawn had been processed by the Investment Commission, MOEA in June 2018.

Note 6: Including the amounts attributable to non-controlling interests.

Note 7: All intercompany transactions have been eliminated upon consolidation.

Note 8: The Corporation received a confirmation letter of Operation Headquarter from the Industrial Development Bureau of the MOEA in October 2016 stating that the Corporation is not limited by the restriction on the accumulated percentage or amount of investment in mainland China.

Note 9: Taiwan Cement Engineering Corporation originally indirectly owned 100% of shares in TCEC (Yingde) Machine Co., Ltd through TCEC Corporation. The Brunei Darussalam government announced on December 22, 2016 that all international corporations have to wind up their business. Therefore, Taiwan Cement Engineering Corporation's direct ownership in TCEC (Yingde) Machine Co., Ltd. will have to wind up, the relevant procedures are still under the process as of September 30, 2018.

B. Refer to Tables 1, 2, 5 and 9 for the information about significant transactions with investees in the mainland China either directly or indirectly through a third area.

(Concluded)

TAIWAN CEMENT CORPORATION AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018
(In Thousands of New Taiwan Dollars)

No.	Investee Company	Counterparty	Relationship (Note 1)	Transactions Details			
				Financial Statement Account	Amount	Payment Terms	% of Total Sales or Assets
0	Taiwan Cement Corporation	Feng Sheng Enterprise Company	1	Operating costs and expenses	$ 239,892	30 days	0.3
				Operating revenue	243,308	30 days	0.3
		Taiwan Transport & Storage Corporation	1	Operating costs and expenses	390,549	30 days	0.4
		Hoping Industrial Port Corporation	1	Operating costs and expenses	325,060	20 days	0.4
		Ho Sheng Mining Co., Ltd.	1	Operating costs and expenses	338,263	30 days	0.4
		TCCIH	1	Operating revenue	380,877	By contract	0.4
		Ta-Ho Maritime Corporation	1	Operating costs and expenses	706,026	30 days	0.8
				Payables to related parties	189,799	30 days	0.1
		E.G.C. Cement Corporation	1	Operating revenue	291,955	50 days after the end of the day when delivery was made	0.3
		Jin Chang Minerals Corporation	1	Operating costs and expenses	419,737	30 days	0.5
				Payables to related parties	115,398	30 days	-
		Kuan-Ho Refractories Industry Corporation	1	Operating costs and expenses	144,110	By contract	0.2
1	Ho-Ping Power Company	Hoping Industrial Port Corporation	3	Operating costs and expenses	758,880	20 days	0.8
		HPC Power Service Corporation	3	Operating costs and expenses	308,771	By contract	0.3
				Payables to related parties	105,771	By contract	-
2	TCC Chemical Corporation	Taiwan Prosperity Chemical Corporation	3	Finance lease receivables	151,461	By contract	-
				Long-term finance lease receivables	1,284,134	By contract	0.4
		Taiwan Transport & Storage Corporation	3	Other payables to related parties	300,000	By contract	0.1
		Taiwan Cement Engineering Corporation	3	Other payables to related parties	200,000	By contract	0.1
3	Taiwan Transport & Storage Corporation	Taiwan Prosperity Chemical Corporation	3	Operating revenue	148,032	By contract	0.2
		Hoping Industrial Port Corporation	3	Operating revenue	141,527	30 days	0.2
4	THC International S.A.	Ta-Ho Maritime Corporation	3	Operating revenue	163,471	Agreed upon by both parties	0.2
5	Da Tong (Guigang) International Logistics Co., Ltd.	TCC (Gui Gang) Cement Ltd.	3	Operating revenue	240,673	Agreed upon by both parties	0.3
6	Guigang Da-Ho Shipping Co., Ltd.	TCC (Gui Gang) Cement Ltd.	3	Operating revenue	217,468	Agreed upon by both parties	0.2
		TCC Yingde Cement Co., Ltd.	3	Operating revenue	175,549	Agreed upon by both parties	0.2

Note 1: All intercompany transactions have been eliminated upon consolidation. The directional flow of the investment relationship is represented by the following numerals:

a. From parent to subsidiary: 1
b. From subsidiary to parent: 2
c. Between subsidiaries: 3

Note 2: This table includes transactions for amounts over $100 million.

APPENDIX A — THE SECURITIES MARKET OF THE ROC

The information presented in this section has been extracted from publicly available documents which have not been prepared or independently verified by us, the Initial Purchaser, or any of our or its affiliates or advisors in connection with the offering. References to the FSC in this section include both ROC Securities and Futures Commission and the ROC Securities and Exchange Commission, the predecessors of the Securities and Futures Bureau of the FSC.

In September 1960, the ROC government established the ROC Securities and Exchange Commission to supervise and control all aspects of the existing domestic securities market and the TWSE began to take shape soon thereafter. In the 1970s and the early 1980s, the ROC government implemented a number of steps designed to upgrade the quality and importance of the ROC securities markets, such as encouraging listing on the TWSE and establishing an over-the-counter securities exchange. In the mid-1980s, the ROC government began to revise its laws and regulations in a manner designed to facilitate the gradual internationalization of the ROC securities markets. In 1997, the ROC Securities and Exchange Commission was renamed the ROC Securities and Futures Commission. Effective July 1, 2004, the ROC Securities and Futures Commission has been renamed the ROC Securities and Futures Bureau, which is under the FSC.

THE TWSE

In 1961, the FSC established the TWSE to provide a marketplace for securities trading. The TWSE is a corporation owned by government-controlled and private banks and enterprises. The TWSE is independent of the entities transacting business through it, each of which pays to the TWSE a user's fee. Subject to limited exceptions, all transactions in listed securities by brokers, traders and integrated securities firms must be made through the TWSE.

The TWSE commenced operations in 1962. During the early 1980s, the FSC actively encouraged new listings on the TWSE and the number of listed companies has grown from 119 in 1983 to 907 as of December 31, 2017. As of September 30, 2018, 920 companies had listed equity securities on the TWSE and the market capitalization of those companies was approximately NT$33.06 trillion.

Historically, ROC companies have listed only shares and bonds on the TWSE. However, the FSC has encouraged companies to list other types of securities. In 1988, the Ministry of Finance permitted the issuance of ROC's first exchangeable bonds. Since 1989, there have been offerings of domestic convertible bonds and convertible preferred shares. In addition, beneficiary units evidencing beneficiary interests in closed-end investment funds and bonds issued by supra-national financial institutions are also listed on the TWSE or traded on the TPEx (which is discussed below). The FSC also has promulgated regulations which permit foreign issuers to list certain securities on the TWSE.

The TWSE considers the following factors when evaluating a company for listing:

- the number of shareholders and the distribution of shareholdings among such shareholders;
- the length of time in business;
- the amount of paid-in capital; and
- profitability.

However, special listing criteria apply to technology companies and key businesses engaging in national economic development.

The following table sets forth, for the periods indicated, information relating to the TWSE:

Period Ended December 31,	Number of Listed Companies at the Period End	Stock Trading Values	Index High	Index Low	Index at Period End
			(NT$ in billions)		
1997	404	37,241.15	10,116.84	6,820.35	8,187.27
1998	437	29,618.97	9,277.09	6,251.38	6,418.43
1999	462	29,291.53	8,608.91	5,474.79	8,448.84
2000	531	30,526.57	10,202.20	4,614.63	4,739.09
2001	584	18,354.94	6,104.24	3,446.26	5,551.24
2002	638	21,873.95	6,462.30	3,850.04	4,452.45
2003	669	20,333.24	6,142.32	4,139.50	5,890.69
2004	697	23,875.37	7,034.10	5,316.87	6,139.69
2005	691	18,818.90	6,575.53	5,632.97	6,548.34
2006	688	23,900.36	7,823.72	6,257.80	7,823.70
2007	698	33,043.85	9,809.88	7,344.56	8,506.28
2008	718	26,115.41	9,295.20	4,089.93	4,591.22
2009	741	29,680.47	8,188.11	4,242.61	8,188.11
2010	758	28,218.68	8,972.50	7,071.67	8,972.50
2011	790	26,197.41	9,145.35	6,633.33	7,072.08
2012	809	20,238.17	8,144.04	6,894.66	7,699.50
2013	838	18,940.93	8,623.43	7,616.64	8,611.51
2014	854	21,898.54	9,569.17	8,264.48	9,307.26
2015	874	20,191.49	9,973.12	7,410.34	8,338.06
2016	892	16,771.14	9,392.68	7,664.01	9,253.50
2017	907	23,972.24	10,854.57	9,272.88	10,642.86
September (through September 30, 2018). .	920	23,068.17	11,253.11	10,371.75	11,006.30

Source: TWSE

The Taipei Exchange

To complement the TWSE, the Taipei Exchange (the "TPEx", formerly known as GreTai Securities Market) was established in September 1982 on the initiative of the FSC to encourage the trading of securities of companies who do not qualify for listing on the TWSE, and later renamed as the TPEx. As of September 30, 2018, 1,114 companies had listed equity securities on the TPEx and the total market capitalization of those companies was approximately NT$3.75 trillion.

The TPEx has established specific requirements for trading securities on the TPEx based on the history of a company, the number and distribution of a company's shareholders, amount of capital, profitability and capital structure.

Price Limits, Commissions, Transaction Tax and Other Matters

The TWSE has placed limits on block trading and on the range of daily price movements. According to the TWSE's block trading guidelines, an order for sale or purchase of 500 or more trading lots of one class of securities, or securities of five or more different classes and trading

amounts exceeding NT$15 million, must be registered and executed in accordance with the guidelines. Fluctuations in the price of stock traded on the TWSE are currently subject to a restriction of 10% above and below the previous day closing price (or reference price set by the TWSE if the previous day closing price is not available because of lack of trading activity). However, these restrictions have been modified from time to time by the FSC based on market conditions. Brokerage commission can be set at any rate of the transaction price provided that any rate exceeding 0.1425% shall be reported to the TWSE and notify the client in advance. A securities transaction tax, currently levied at 0.3% of the transaction price, is payable by the seller of equity securities. Such securities transaction taxes are withheld at the time of the transaction giving rise to such tax. Sales of shares of companies listed on the TWSE are currently sold in round lots of 1,000 shares. Investors who desire to sell less than 1,000 shares of a listed company occasionally experience delays in effecting such sales.

Starting from January 15, 2016, upon the occurrence of any matter which may have a material impact on the shareholders' equity or the price of securities of a TWSE-listed company (e.g., merger), such company should apply to the TWSE, or the TWSE should request, for suspension of trading of its shares for one to three trading days (or a longer period if necessary).

Regulation and Supervision

The FSC has extensive regulatory authority over public companies. Public companies are generally required to obtain the deemed approval from the FSC for all securities offerings. The FSC has promulgated regulations requiring, unless otherwise exempted, periodic reporting of financial and operating information by all public companies. In addition, the FSC establishes standards for financial reporting and carries out licensing and supervision of participants in the ROC securities market.

The FSC has responsibility for implementing ROC Securities and Exchange Act and for overall administration of governmental policies in the ROC securities market. It has extensive regulatory authority over the offering, issuance and trading of securities. In addition, ROC Securities and Exchange Act specifically empowers the FSC to promulgate necessary rules. ROC Securities and Exchange Act prohibits market manipulation. For example, it permits an issuer to recover short-swing trading profits made through purchases and sales within six months by directors, managerial personnel, supervisors, as well as the spouses, minor children and nominees of these parties, and shareholders (together with their spouses, minor children and nominees) who hold more than 10% of the shares of the issuer. ROC Securities and Exchange Act prohibits trading by "insiders" based on nonpublic information that materially affects share price movement prior to publication of such information and within 18 hours after publication of such information. "Insiders" include:

- directors, supervisors, managers, as well as the spouses, minor children and nominees of these parties, and shareholders (together with their spouses, minor children and nominees) who hold more than 10% of the issuing company's shares and any individual designated by a governmental or corporate director or supervisor to act on its behalf;

- any person who has learned material nonpublic information due to an occupational or controlling relationship with the issuing company;

- any person who has discharged from the status or position in the first and second bullet points for not more than six months; and

- any person who has learned material non-public information from any of the above.

Sanctions include imprisonment. In addition, damages may be awarded to persons injured by the transaction. ROC Securities and Exchange Act also imposes criminal liability on certified public accountants and lawyers who make false certifications in their examination and audit of an issuer's contracts, reports and other documents related to securities transactions. The FSC regulations require that financial reports of listed companies be audited by accounting firms consisting of at least three certified public accountants and be signed by at least two certified public accountants.

In addition, ROC Securities and Exchange Act provides for civil liability for material misstatements or omissions made by issuers and regulation of tender offers. The FSC does not have criminal or civil enforcement powers under ROC Securities and Exchange Act. Criminal actions may be pursued only by government prosecutors. Civil actions may only be brought by plaintiffs who assert that they have suffered damages. The FSC is empowered to curb abuses and violations of laws and regulations only through administrative measures including:

- issuance of warnings;
- temporary suspension of operation;
- imposition of administrative fines; and
- revocation of licenses.

In addition to providing a market for securities trading, the TWSE reviews applications by ROC and foreign issuers to list securities on the TWSE. If issuers of listed securities violate laws and regulations or encounter significant difficulties, the TWSE may, with the approval of the FSC, delist the securities of these issuers.

APPENDIX B — FOREIGN INVESTMENT AND EXCHANGE CONTROLS IN THE ROC

The information presented in this section has been extracted from publicly available documents which have not been prepared or independently verified by us, the Initial Purchaser or any of our or its affiliates or advisors in connection with this offering.

Foreign Investment

Historically, foreign investment in the ROC securities markets has been restricted. Since 1983, the ROC government has periodically enacted legislation and adopted regulations to permit foreign investment in the ROC securities market.

Regulations Governing Investment in Securities By Overseas Chinese and Foreign Nationals (the "Foreign Regulations"), which was approved by the ROC Executive Yuan on May 26, 1983 and has been amended from time to time, and the Regulations Governing Mainland Chinese Investors' Securities Investments and Futures Trading in Taiwan (the "PRC Regulations"), which was announced by the FSC on April 30, 2009, are two of the major regulations governing foreign investment in companies listed on TWSE or TPEx in Taiwan.

Under the Foreign Regulations, foreign investors (other than PRC persons) are classified as either "onshore foreign investors" or "offshore foreign investors" according to their respective geographical location. Unless otherwise specified in the laws and regulations, both onshore and offshore foreign investors are allowed to invest in ROC securities after they register with the TWSE. The Foreign Regulations further classify foreign investors into foreign institutional investors and foreign individual investors. "Foreign institutional investors" refer to those investors incorporated and registered in accordance with foreign laws outside of the ROC (i.e., offshore foreign institutional investors) or their branches set up and recognized within the ROC (i.e., onshore foreign institutional investors). Offshore overseas Chinese and foreign individual investors may be subject to a maximum investment ceiling that will be separately determined by the FSC after consultation with the CBC. Currently, there is no maximum investment ceiling for offshore overseas Chinese and foreign individual investors. On the other hand, foreign institutional investors are not subject to any ceiling for investment in the ROC securities market.

In the past, PRC persons were prohibited from investing, whether directly or indirectly, in the ROC. The PRC Regulations promulgated by the FSC on April 30, 2009 loosen these restrictions. Under the PRC Regulations, PRC qualified domestic institutional investors, or QDIIs, are allowed to invest in ROC securities (including less than 10% shareholding of an ROC company listed on the TWSE or the TPEx). Nevertheless, the total investment amount of QDIIs cannot exceed US$500 million. For each QDII, the custodians of such QDIIs must apply with the TWSE for the remittance amount for each QDII, which cannot exceed US$100 million, and QDII can only invest in the ROC securities market with the amount approved by the TWSE. In addition, QDIIs are currently prohibited from investing in certain industries, and their investment in a given company in certain industries is restricted to a certain percentage pursuant to a list promulgated by the FSC and amended from time to time. We currently do not engage in prohibited or restricted industries.

Depositary Receipts

In April 1992, the FSC enacted regulations permitting ROC companies with securities listed on the TWSE, with the prior approval of the FSC, to sponsor the issue and sale to foreign investors of depositary receipts. Depositary receipts represent deposited shares of ROC companies. In December 1994, the Ministry of Finance further allowed companies whose shares are traded on the TPEx or listed on the TWSE, upon approval of the FSC, to sponsor the issue and sale of depositary receipts.

A holder of depositary receipts may, after the issuance of the depositary receipts representing new shares and upon the listing of the underlying shares and (in practice, typically four business days thereafter), request the depositary to either cause the underlying shares to be sold in the ROC and to distribute the sale proceeds to the holder or to withdraw from the depositary receipt facility the shares represented by the depositary receipts and deliver the shares to the holder. For depositary shares that represent previously issued and existing shares, a holder of the depositary receipts could, immediately after the issuance of the depositary receipts, request the depositary to conduct the foregoing. Currently, a holder of depositary shares who is a PRC person may not withdraw and hold shares unless (i) it is a QDII or (ii) if all the businesses of the issuer are in the positive list promulgated by the ROC Executive Yuan, the holder withdraws shares which accounts for 10% or more of the issuer's issued shares and it otherwise obtains the approval of the Investment Commission of the MOEA. However, QDIIs are currently prohibited from investing in certain industries, and their investment in a given company is restricted to a certain percentage pursuant to a list promulgated by the FSC and amended from time to time. In addition, there are restrictions on the amount remitted to Taiwan for investments by each individual QDII and for QDIIs in the aggregate in certain industries. Accordingly, the qualification criteria for a PRC person to make investment, the restrictions on investment in certain industries and the investment threshold imposed by the FSC might accordingly cause a holder of depositary shares who is a PRC person to be unable to withdraw and hold the underlying shares.

Under existing laws and regulations relating to foreign exchange control, a depositary or a holder of depositary receipts may, without obtaining further approvals from the CBC or any other governmental authority or agency of the ROC, convert NT dollars into other currencies, including U.S. dollars, in respect of the following: (1) proceeds of the sale of shares represented by depositary receipts, (2) proceeds of the sale of shares received as stock dividends and deposited into the depositary receipt facility and (3) any cash dividends or cash distributions received. In addition, a depositary, also without any of these approvals, may convert inward remittances of payments into NT dollars for purchases of shares for deposit into the depositary receipt facility against the creation of additional depositary receipts. A depositary may be required to obtain foreign exchange approval from the CBC on a payment-by-payment basis for conversion from NT dollars into foreign currencies relating to the sale of subscription rights for new shares if the proceeds are in excess of US$100,000 per remittance. Proceeds from the sale of the underlying shares withdrawn from the depositary receipt facility may be used for reinvestment in the TWSE or the TPEx securities, subject to relevant regulations.

Under current ROC laws, a non-ROC holder of depositary receipts, when withdrawing the shares underlying the depositary receipts, will be required to register with the TWSE and appoint a local agent to open a securities trading account with a local brokerage firm and an NT dollar bank account, pay taxes, remit funds, exercise rights relating to the securities and perform such other matters as may be designated by such holder of depositary receipts on behalf of and as an agent for such holder of depositary receipts. Any such holder of depositary receipts is also required to appoint a local bank or securities firm to act as custodian to hold the securities and any cash proceeds in safekeeping, to make confirmations, to settle trades and to report all relevant information. In addition, such holder of depositary receipts is required to appoint a tax guarantor for filing tax returns and making tax payments. Without meeting the foregoing requirements, the withdrawing holder of depositary receipts would be unable to hold and subsequently sell or otherwise transfer the underlying shares withdrawn from the depositary receipt facility on the TWSE or otherwise.

Other Foreign Investment

In addition to investments permitted under the Foreign Regulations and PRC Regulations, foreign investors (other than PRC persons) who wish to make (i) direct investments in the shares of ROC private companies or (ii) investment in 10% or more of the equity interest of an ROC company listed on the TWSE or the TPEx in any single transaction and PRC investors who wish to make (i) direct investment in the shares of ROC private companies or (ii) investments,

individually or aggregately, in 10% or more of the equity interest of an ROC company listed on the TWSE or the TPEx in certain industries on the positive list, as promulgated by the ROC Executive Yuan are required to submit an Investment Approval application to the Investment Commission of the ROC Ministry of Economic Affairs ("MOEA") or other government authority. The Investment Commission or such other government authority reviews Investment Approval application and approves or disapproves each application after consultation with other governmental agencies (such as the CBC and the FSC). PRC investors other than QDII are prohibited from making investments in an ROC company listed on the TWSE or the TPEx if the investment is less than 10% of the equity interest of such ROC company.

Under current law, any non-ROC person possessing an Investment Approval may remit capital for the approved investment and is entitled to repatriate annual net profits, interest and cash dividends attributable to such investment. Dividends attributable to such investment may be repatriated upon submitting certain required documents to the remitting bank, and investment capital and capital gains attributable to such investment may be repatriated after approvals of the Investment Commission or other authorities have been obtained.

In addition to the general restriction against direct investment by foreign investors in securities of ROC companies, foreign investors (except in certain limited cases) are currently prohibited from investing in certain industries in the ROC pursuant to a Negative List, as amended by the ROC Executive Yuan. The prohibition on foreign investment in the prohibited industries specified in the Negative List is absolute in the absence of specific exemption from the application of the Negative List. Pursuant to the Negative List, certain other industries are restricted so that foreign investors (except in certain limited cases) may invest in such industries only up to a specified level and with the specific approval of the relevant competent authority which is responsible for enforcing the relevant legislation which the Negative List is intended to implement.

On the other hand, in addition to the general restriction against direct investment by PRC investors in securities of ROC companies, PRC investors may only invest in certain industries in the Positive List, as promulgated by the ROC Executive Yuan. In addition, PRC investor who wishes to be elected as an ROC company's director or supervisor shall also submit an Investment Approval application to the Investment Commission of the ROC MOEA or other government authority for approval.

Exchange Controls

The ROC Foreign Exchange Control Statute and regulations provide that all foreign exchange transactions must be executed by banks designated by the FSC and the CBC to handle foreign exchange transactions. Current regulations favor trade-related foreign exchange transactions. Consequently, foreign currency earned from exports of merchandise and services may now be retained and used freely by exporters. All foreign currency needed for the importation of merchandise and services may be purchased freely from the designated foreign exchange banks.

Aside from trade-related foreign exchange transactions, ROC companies and individual residents of the ROC may, without foreign exchange approval, remit to and from Taiwan foreign currencies of up to US$50 million, or its equivalent, and US$5 million, or its equivalent, respectively, in each calendar year. These limits apply to remittances involving a conversion between NT dollars and U.S. dollars or other foreign currencies. In addition, all private enterprises are required to register all medium- and long-term foreign debt with the CBC.

In addition, a foreign person may, subject to certain requirements but without foreign exchange approval, remit to and from Taiwan foreign currencies of up to US$100,000 (or its equivalent) per remittance if the required documentation is provided to the ROC authorities. This limit applies to remittances involving a conversion between NT dollars and U.S. dollars or other foreign currencies.

REGISTERED OFFICE OF THE ISSUER

Taiwan Cement Corporation
No. 113, Sec. 2, Zhongshan N. Rd.,
Zhongshan District,
Taipei, Taiwan, ROC

TRUSTEE

Citicorp International Limited
39/F Champion Tower
3 Garden Road, Central
Hong Kong

PRINCIPAL PAYING AGENT, CONVERSION AGENT, TRANSFER AGENT AND REGISTRAR

Citibank, N.A., London Branch
c/o Citibank, N.A., Dublin Branch
1 North Wall Quay
Dublin 1
Ireland

LEGAL ADVISERS

ROC Legal Counsel to the Company

Lee and Li, Attorneys-at-Law
7th Floor, 201 Tun Hua
N. Road, Taipei, Taiwan, ROC

PRC Legal Counsel to the Company

Commerce & Finance Law Offices
6F NCI Tower, A12 Jianguomenwai Avenue
Beijing 100022, the PRC

U.S. Federal and New York Legal Counsel to the Initial Purchaser

Sullivan & Cromwell (Hong Kong) LLP
28th Floor
Nine Queen's Road Central
Hong Kong

Singapore Legal Counsel to The Company

WongPartnership LLP

12 Marina Boulevard Level 28
Marina Bay Financial Centre
Tower 3
Singapore 018982

Counsel to the Trustee

Mayer Brown

16th - 19th Floors
Prince's Building
10 Chater Road, Central
Hong Kong

INDEPENDENT ACCOUNTANTS OF THE ISSUER

Deloitte & Touche
20th Floor, Taipei Nan Shan Plaza
No. 100, Songren Rd.
Xinyi District, Taipei 11073
Taiwan, ROC