

**ASIA CEMENT CORPORATION**  
**Handbook For**  
**The 2020 Regular Shareholders' Meeting**

**Meeting Time: 9:00 A.M., June 23, 2020**

**Meeting Venue: The Banquet Hall In Taipei Hero House**  
**No. 20, Sec. 1, Changsha St., Zhongzheng Dist., Taipei City**

# **Table of Contents**

|                                                                                                                |           |
|----------------------------------------------------------------------------------------------------------------|-----------|
| <b>I MEETING AGENDA.....</b>                                                                                   | <b>1</b>  |
| <b>II REPORTING EVENTS.....</b>                                                                                | <b>2</b>  |
| REPORT 1: 2019 BUSINESS REPORT .....                                                                           | 2         |
| REPORT 2: 2019 FINANCIAL STATEMENTS .....                                                                      | 15        |
| REPORT 3: AUDIT COMMITTEE’S REVIEW REPORT ON THE 2019 FINANCIAL STATEMENTS .....                               | 41        |
| REPORT 4: REPORT ON THE 2019 DIRECTORS’ REMUNERATION AND EMPLOYEES’ COMPENSATION.....                          | 42        |
| REPORT 5: REPORT ON ISSUED CORPORATE BOND.....                                                                 | 43        |
| REPORT 6: REPORT ON THE AMENDMENTS TO “PRINCIPLES FOR ETHICAL MANAGEMENT OF ASIA CEMENT CORPORATION” .....     | 44        |
| <b>II RECOGNIZING EVENTS .....</b>                                                                             | <b>47</b> |
| PROPOSAL 1: ACCEPTANCE OF THE 2019 BUSINESS REPORT AND FINANCIAL STATEMENTS.....                               | 47        |
| PROPOSAL 2: ACCEPTANCE OF THE PROPOSAL FOR DISTRIBUTION OF 2019 PROFITS .....                                  | 48        |
| <b>III DISCUSSING EVENTS AND ELECTIONS.....</b>                                                                | <b>50</b> |
| PROPOSAL 1: AMENDMENT TO “ARTICLES OF INCORPORATION OF ASIA CEMENT CORPORATION” .....                          | 50        |
| PROPOSAL 2: AMENDMENT TO “MEETING RULES FOR SHAREHOLDERS’ MEETING” .....                                       | 53        |
| PROPOSAL 3: TO ELECT DIRECTORS AND INDEPENDENT DIRECTORS. ....                                                 | 55        |
| PROPOSAL 4: PROPOSAL FOR RELEASE THE PROHIBITION ON DIRECTORS FROM PARTICIPATION IN COMPETITIVE BUSINESS. .... | 56        |
| <b>V QUESTIONS AND MOTIONS .....</b>                                                                           | <b>57</b> |
| <b>RULES AND BYLAWS .....</b>                                                                                  | <b>58</b> |
| 1. ARTICLES OF INCORPORATION OF ASIA CEMENT CORPORATION .....                                                  | 58        |
| 2. MEETING RULES OF SHAREHOLDERS FOR ASIA CEMENT CORPORATION .....                                             | 66        |
| 3. ELECTION RULES FOR DIRECTORS.....                                                                           | 70        |
| <b>APPENDIX .....</b>                                                                                          | <b>73</b> |
| 1. SHAREHOLDING OF DIRECTORS .....                                                                             | 73        |
| 2. EFFECTS ON BUSINESS PERFORMANCE AND EPS RESULTING FROM STOCK DIVIDEND DISTRIBUTION .....                    | 74        |

# **I Meeting Agenda**

## **Asia Cement Corporation**

### **Meeting Agenda of The 2020 Regular Shareholders' Meeting**

Call the Meeting to Order

Chairperson Takes Chair

Chairperson Remarks

Guest Remarks

Reporting Events

Recognizing Events

Discussing Events and Elections

Questions and Motions

Adjournment

## **II Reporting Events**

### **Report 1: 2019 Business Report**

#### **Explanation:**

The 2019 business report is attached as the following pages.

# **2019 Business Report**

## **1. Review of the Year 2019**

### **Review of the international economic situation in 2019**

Looking back at the international economic situation in 2019, we found that, influenced by the unending trade disputes between the United States and China, rising geopolitical risks, and weak economic performance in emerging markets, the global economic growth momentum weakened, and international raw material prices generally slowed down. Meanwhile, the high comparative base period data has led to weak foreign trade data for major countries, conservative investment and operations by manufacturers and under-performance by the manufacturing sector in 2019. In Europe, uncertainty has risen because of the Brexit deadline and the ECB's halt to quantitative easing.

Observing the performance of major economies, it was found that China's economic growth slowed in 2019, mainly due to the U.S.-China trade conflict, government regulation of non-bank financial institutions to curb debt risk, and slowing labor force growth. Annual economic growth was 6.1%, 0.6% less than in 2018. In the United States, economic growth is slowing due to the diminishing effect of fiscal stimulus and the uncertainty of a trade war between the United States and China. In the Eurozone, however, the negative effects of export demand and supply interacted with each other, resulting in an annual decrease of 1.7% in industrial production, especially in Germany and Italy. Japan is one of the few countries with relatively significant economic growth, mainly due to slightly more vibrant private consumption and the government's expansion of fiscal spending, which offset the adverse impact of the consumption tax hike.

### **Review of the domestic economic situation in 2019**

In 2019, the momentum of global economic growth was markedly weakened by the ongoing U.S.-China trade standoff and weak overseas demand. However, Taiwan has benefited from factors such as trade diversion effect, reinvestment by Taiwanese businessmen, and expansion of investment in semiconductor equipment, leading to growth in domestic demand, which has brought back consumption and increased investment.

As far as consumption is concerned, sales of automobiles and automobiles and other consumer goods increased. The turnover of the retail and catering industries hit new highs repeatedly, and the momentum of domestic demand grew. However, the wholesale industry was affected by trade frictions, so the demand slowed down and the sales force was reduced. Regarding investment, more investment in equipment from companies and the recent expansion of advanced manufacturing capacity in the semiconductor industry have

helped lift economic growth. As for prices, Taiwan's consumer price index (CPI) rose by 0.56% in 2019, the lowest rate in nearly four years, due to continued weak prices in the international commodity market. Overall prices are moderate and stable. The wholesale price index (WPI) fell by 2.24% in 2019, mainly due to the falling prices of chemical materials and base metals.

According to Statistics from the Directorate-General of Budget, Accounting and Statistics under the Executive Yuan, the annual economic growth rate in 2019 was 2.71%, showing an increase of 0.08% compared with that in 2018.

### **The Company's business performance in 2019**

- A. In 2019, the overall cement consumption in China amounted to about 2.33 billion MT, increasing 6.1% compared with 2018. In the same period, the clinker production volume of the Company in China is 24.84 million MT, increasing 0.17% compared with 2018. The total sales of cement, clinker and slag powder are 30.83 million MT, decreasing 0.39% compared with 2018.

In 2019, the net income of Asia Cement (China) Holdings Corp. is NT\$ 14,106,889 thousand. The Company and its subsidiaries recognized a total investment profit of NT\$ 10,156,960 thousand.

- B. For domestic cement industry, according to a statistics conducted by the Taiwan Cement Manufacturers' Association, the 2019 total cement production volume in Taiwan was 11,267,211 MT, increasing 3.00% compared with 2018. Among them, the domestic cement sales was 9,054,712 MT, and exported cement was 2,321,014 MT. Compared with those in 2018, domestic sales increased by 5.60%, exports decreased by 2.43%.

The total sales of cement in Taiwan of the Company was 2,564,176 MT which is equivalent to 28.32% of the total production volume in Taiwan, or 22.59% of the overall cement consumption in Taiwan. In 2019, the domestic real estate economy was stable, showing a slight increase in volume and stable in price compared with 2018. The cement consumption increased to 11,350,017 MT, by 6.53%. The 2019 per capita average cement consumption is about 482 kg, increased 10.80% from 435kg in 2018. The overall market is showing steady growth.

- C. The 2019 consolidated operating revenue of the Company is NT \$89,347,637 thousand, increased 7.98% from 2018. The consolidated profit from operations was NT \$22,063,176 thousand, increased 21.54% from 2018. From China Shanshui Cement, Far Eastern New Century Corp., and U-Ming Marine Transport Corp., the Company recognized NT \$5,490,375 thousand investment income from equity method. The

consolidated net profit after tax reached NT \$22,243,953 thousand. The net profit rate after tax was 24.90%. Consolidated net profit attributable to the Company is \$17,459,673 thousand. The 12<sup>th</sup> meeting of the 26<sup>th</sup> Board of Directors proposed to distribute cash dividend NT \$3.0 per share.

## 2. Operating Performance of 2019

### A. Production:

Unit: 1000 MT

| Item<br>Region  | Cement | Difference Compared<br>to 2018 | %    | Clinker | Difference Compared<br>to 2018 | %    |
|-----------------|--------|--------------------------------|------|---------|--------------------------------|------|
| ACC<br>(Taiwan) | 3,536  | 76                             | 2.20 | 3,386   | 69                             | 2.08 |

#### \* key performance indicator:

Actual aggregate cement output amounted to 3,536 thousand MT. Compared to estimated output 3,630 thousand MT, the achievement rate is 97.41%.

Actual aggregate clinker output amounted to 3,386 thousand MT. Compared to estimated output 3,549 thousand MT, the achievement rate is 95.41%.

Unit: 1000 MT

| Item<br>Region | Cement | Difference Compared<br>to 2018 | %      | Clinker | Difference Compared<br>to 2018 | %    |
|----------------|--------|--------------------------------|--------|---------|--------------------------------|------|
| ACC<br>(China) | 28,747 | (296)                          | (1.02) | 24,843  | 42                             | 0.17 |

#### \* key performance indicator:

Actual aggregate cement output amounted to 28,747 thousand MT. Compared to estimated output 28,624 thousand MT, the achievement rate is 100.43%.

Actual aggregate clinker output amounted to 24,843 thousand MT. Compared to estimated output 24,170 thousand MT, the achievement rate is 102.78%.

## B. Sales

### i. Taiwan area:

Unit: 1000 MT; NT\$1,000

| Volume &<br>Value<br><br>Product | 2019           |           |              |           | Difference Compared<br>to 2018 |      |         |      |
|----------------------------------|----------------|-----------|--------------|-----------|--------------------------------|------|---------|------|
|                                  | Domestic Sales |           | Export Sales |           |                                |      |         |      |
|                                  | Volume         | Value     | Volume       | Value     | Volume                         | %    | Value   | %    |
| Cement & Clinker                 | 2,608          | 5,792,210 | 1,039        | 1,835,779 | 135                            | 3.84 | 391,991 | 5.42 |

#### \*Key Performance Indicator:

Actual aggregate sales of cement and clinker produced by ACC amounted to 3,647 thousand MT. Compared to the estimated sales 3,800 thousand MT, the achievement rate is 95.97%.

### ii. China area:

Unit: 1000 MT; NT\$1,000

| <div>Volume &amp;<br/>Value</div> <div>Product</div> | 2019           |            |              |        | Difference Compared<br>to 2018 |        |           |      |
|------------------------------------------------------|----------------|------------|--------------|--------|--------------------------------|--------|-----------|------|
|                                                      | Domestic Sales |            | Export Sales |        |                                |        |           |      |
|                                                      | Volume         | Value      | Volume       | Value  | Volume                         | %      | Value     | %    |
| Cement & Clinker                                     | 30,781         | 49,729,598 | 57           | 64,312 | (57)                           | (0.18) | 2,748,606 | 5.84 |

#### \*Key Performance Indicator:

Actual aggregate sales of cement and clinker produced by ACC (China) amounted to 30,838 thousand MT. Compared to the estimated sales 29,881 thousand MT, the achievement rate is 103.20%.

## 3. The Company's Layout Strategy in China

Asia Cement Corporation pioneered all domestic rivals to invest in cement business in China with Taiwan government's permission since 1997.

On May 20, 2008, the subsidiary of the Company, Asia Cement (China) Holdings Corporation {ACC (China) thereafter} was listed on the main board of Hong Kong Exchanges and Clearing Limited. Total assets reach RMB 24 billion.

Currently, the investments of ACC (China) are mainly based along the Yangtze River in Jiangxi, Sichuan, Hubei, Yangzhou and Shanghai areas. The overall operating strategies are deployed through Jiangxi Yadong Cement (Southeast China), Sichuan Yadong Cement (Southwest China), Hubei Yadong Cement (Middle China), and Yangzhou Yadong Cement (East China) as core production bases. In addition to Sichuan

Lanfeng Cement Corp., Huanggang Yadong Cement, and Wuhan Yaxin Cement, there are two grinding factories, five cement products companies, three transportation companies, Wuhan Asia Shipping Co., Ltd (joint-venture), Hubei Xinlongyuan Building Material Company(joint-venture), Hubei Zhongjian Yadong Concrete Company(joint-venture), Tai Zhou Oriental Construction Co., Ltd., Ruichang Yadong New Material Company, three terminals, and twelve sale offices. These constitute an efficient and solid network for production, transportation and sales.

#### **4. Overview of The Company's Investments in China**

##### **A. Jiangxi Yadong Cement Co., Ltd**

The company originally has six kilns with annual output of clinker 11 million MT of clinker, which can produce 14 million MT cement. Jiangxi Yadong has become one of the largest cement plants in China. The waste heat recycling generators can produce 338 million kWh electricity annually. This substantially reduces electricity costs and minimizes the dependence on external power supply.

##### **B. Sichuan Yadong Cement Co., Ltd**

The company has three kilns with annual output of clinker 4.95 million MT which can produce 6 million MT cement. In addition, the waste heat recycling generators can produce 145 million kWh electricity annually. This substantially reduces electricity costs and minimizes the dependence on external power supply.

The conveyor belt transporting the limestone from quarry directly to the plant enhance the transportation efficiency and lower raw-material cost and also completely prevent interfering with surrounding environments, roads, and living of residents.

##### **C. Hubei Yadong Cement Co., Ltd**

The company has two kilns with annual output of clinker 3.3 million MT which can produce 4 million MT cement. In addition, the waste heat recycling generators can produce 105 million kWh electricity annually. This substantially reduces electricity costs and minimizes the dependence on external power supply.

##### **D. Huanggang Yadong Cement Co., Ltd**

The company has one kiln. The annual output of clinker amounts to 1.65 million MT which can produce 2 million MT cement.

E. Wuhan Yaxin Cement Co., Ltd

To enhance the market position and market share of the “Skyscraper” cement in Wuhan areas, Hubei Yadong Cement Co., Ltd acquired Wuhan Xinlingyun Engineering Co., Ltd on July 2010. The annual output of cement amounts to 1.5 million MT.

F. Sichuan Lanfeng Cement Corp.

To enhance the market position and market share in Chengdu area, Sichuan Yadong Cement Co., Ltd in 2014 acquired 100% shares of Sichuan Lanfeng Cement Corp. Lanfeng located in Pengzhou City, Sichuan, China which owns two new dry process clinker production lines with total annual cement production capacity of 5 million MT. The waste heat recycling generators can produce 130 million kWh electricity annually.

G. Yangzhou Yadong Cement Co., Ltd

The grinding factory can produce 3 million MT cement annually to supply the market in Yangzhou area. Besides, the mixer station can produce ready-mixed concrete for the market.

H. Wuhan Yadong Cement Co., Ltd

The company can produce 1.7 million MT cement and 0.6 million MT slag powder annually to supply the market in Wuhan area.

I. Nanchang Yadong Cement Co., Ltd

The company can produce 0.6 million MT slag powder and 1.2 million MT slag cement annually to supply the market in Nanchang area.

## **5. Prospects for the Economic Situations in 2020**

A. Prospects for the international economic situation in 2020

Previously, the international economic outlook for 2020 was relatively flat, where the global economic outlook was fragile and unable to recover substantially. The novel coronavirus (COVID-19) epidemic in the beginning of the year had a significant impact on economic activities such as global production, consumption and trade. The momentum of global economic growth has slowed down even more, especially in the United States, which accounts for as much as one-third of global private consumption. The epidemic and epidemic control have dealt a double blow to both the supply and demand sides of the global economy. The global economic outlook is in jeopardy, and

the market atmosphere has deteriorated sharply, resulting in significant volatility in international financial markets. Moreover, according to simulations of the International Labor Organization (ILO) in March 2020, it is known that even in the scenario with the smallest impact of the epidemic, the number of global unemployment would increase by 5.3 million, and at the peak of the impact, it would increase to 24.7 million, surpassing the number of global unemployment rate of 22 million during the financial crisis in 2008. The International Monetary Fund (IMF) released the latest World Economic Outlook on April 14, 2020, which predicts that global GDP will shrink by 3% in 2020 and will experience the worst economic recession since the Great Depression of 1930. Although global GDP is expected to rise to 5.8% next year, the international economic outlook will be affected by the follow-up development of trade disputes between the US and China, a faster-than-expected economic slowdown in China, the trend of international oil prices, financial market volatility, the US presidential election and the future economic and trade relations between the UK and the EU.

#### B. Prospects for the domestic economic situation in 2020

The novel coronavirus (covid-19) outbreak in 2020 has affected global economic growth, and Taiwan's domestic and external demand performance was also greatly affected. Taiwan's economic situation was originally weakened by a prolonged standoff in the trade dispute between China and the United States and weak overseas demand. However, at the same time, Taiwan also benefited from the trade diversion effect, repatriation of investment by Taiwan's merchants and expansion of investment in semiconductor equipment, which boosted domestic demand growth.

The economic situation evaluated by Academia Sinica is "cold outside and warm inside," with an economic growth rate of 2.58%. However, after the outbreak of COVID-19, although the export is facilitated by the reflow and expansion of production capacity of Taiwanese merchants and the development of 5G, artificial intelligence and the Internet of things and other emerging applications, the expansion might be affected. The momentum of private investment in green energy such as semiconductors and offshore wind power continues. In addition, private investment is expected to continue to grow steadily as Taiwanese merchants return to Taiwan. Due to the impact of the epidemic, the growth of private consumption has slowed down significantly. Domestic tourism, catering and other outdoor activities have declined sharply. In addition, some enterprises closed their businesses or reduced their shifts, resulting in the loss of employees' income and the reduction of consumption expenditure. Fortunately, with the booming development of e-commerce and delivery platforms, the overall impact has been somewhat reduced. According to the latest assessment released by the Asian Development Bank in April 2020, Taiwan's economic growth rate is revised to 1.8% this

year. Although it is revised down, it still performs relatively well among the four Asian dragons. Meanwhile, the forecast of the Chung-hua Institution for Economic Research at the same time is relatively optimistic, with the GDP growth rate of 1.03% in 2020, which is 1.68% lower than 2.71% in 2019. According to the Central Bank, the future uncertainties include the future development of COVID-19, the implementation of the China-U.S. trade agreements and the follow-up negotiations, international stock, foreign exchange and bond market fluctuations, the price trend of oil and other raw materials, and the impact of geopolitical situation on the global economy.

## **6. Prospects for the cement industry on both sides across the Taiwan Straits**

### **A. Cement industry in China**

In 2020, affected by covid-19, China suffered a 6.8% economic recession in Q1. However, China has put forward the "six guarantees"<sup>1</sup> policy and launched economic stimulus measures, and it is estimated that the annual economic growth will be between 2% and 3%. Compared with 2.33 billion MT in 2019, the cement demand is still expected to be in the range of 2.2 to 2.3 billion MT this year.

The coal market is expected to see a small price decline in 2020 as supply is eased; oil prices will remain low as demand for oil declines due to the widening of the global epidemic.

The operating outlook of the cement industry in China is as follows.

- a. COVID-19 epidemic has a far-reaching impact: The new trading mode will transform the existing pattern, and the networked, mobile and intelligent sales mode will become the new development direction. With a serious epidemic overseas and economic turmoil, investment, import and export will be curbed, and the pace of investment by Chinese enterprises overseas will slow down. Cement kilns are actively engaged in the coordinated disposal of medical waste, which will become a new growth point after the epidemic.

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<sup>1</sup> "Six guarantees" refer to ensuring employment of residents, basic livelihood, market players, food and energy security, industrial and supply chain stability, and community-level operation.

b. The trend of continued tightening of supply in the sector remains unchanged:

i. Capacity replacement<sup>2</sup> is more stringent:

Capacity replacement activities will be strictly regulated, and companies will be prohibited from building new capacity or building more capacity than previously approved by the government. In 2020, some provinces and regions will directly stop the production capacity replacement of cement enterprises in any form.

ii. Improvement to the Staggered Peak Production policy:

The Staggered Peak Production policy continues to be refined and perfected, and the overall coverage is more extensive. By setting exemption thresholds for environmental protection emissions and safe production, the conditions for exemption from Staggered Peak Production<sup>3</sup> will be more stringent, and the balance between supply and demand of cement will be more stable.

c. Economic Recovery: Infrastructure is the top priority, while the demand for cement shall be stabilized:

i. In order to reduce the impact of the COVID-19 epidemic on the economy, China's fiscal policy will be active in 2020, and the scale of the annual special bond issue will exceed RMB 4 trillion, with a new special bond amount of RMB 350 billion mainly deployed among new infrastructure projects concerning the 5G network, ultra-high voltage, intercity high-speed rail and intercity rail transportation, etc. to effectively stabilize cement demand.

ii. China is actively promoting regional strategies and city cluster construction in China, including transportation construction, Yangtze River Delta integration and the establishment of The Guangdong-Hong Kong-Macau Greater Bay Area and Xiongan New Area. At the same time, China has further expanded its inland liberalization efforts with the establishment of the Jiangxi Inland Open Economic Experimental Zone, bringing incremental demand for cement in the region.

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<sup>2</sup> "Capacity replacement" means the elimination of backward production capacity and the realization of industrial upgrading by means of marketization, so as to control the industrial capacity.

<sup>3</sup> "Exemption from Staggered Peak Production" means refers to the situation where cement companies that meet certain specific conditions to be exempt from performing staggered peak production.

- d. Coordination among enterprises for increased concentration: During the epidemic, the coordination, linkage and joint anti-risk capabilities of large enterprises have become prominent, and the advantages of market coordination have gradually emerged. In response to the new changes in the post-epidemic era, large cement groups will initiate a new round of industry mergers and acquisitions in the future to centralize their resource advantages and take the initiative to grasp the market.
- e. The era of smart factory is approaching: In 2019, in the cement industry, there are intelligent cement production lines with intelligent production as the core, where operation and maintenance can provide protection and intelligent management can promote operation.

As a result, the cement industry has achieved the results of factory operation automation, management visualization, fault pre-control, all-factor coordination and decision-making intelligence, leading the industry to a new direction of development, and it has become a trend for the industry as a whole to use new technology to upgrade smart factories.

- f. The e-commerce platform and green logistics have become the standard: We will create and explore new paths for the development of production and marketing, closely connect with each other electronically, develop online e-commerce platforms, and use big data to form a close and efficient Internet development system. The stringent ban on overloading and more stringent environmental requirements for water and land transport have placed higher demands on industry transport. The automated and customized self-owned e-commerce platform and the green logistics system will become the new standard of the industry.
- g. Extending the industrial chain with resource advantages: Under the normal environmental protection control, resource development pays more attention to ecological protection and promotes the construction of green mines. Restrictions on river sand mining and sand and gravel shortages will prompt the sand and gravel industry to accelerate its transformation and upgrading. Cement giants have been investing in the sand and gravel aggregates industry to speed up the integration of resources, which will become a new profit growth point for the industry in the future.

## B. Cement industry in Taiwan

In 2020, the novel coronavirus (COVID-19) epidemic spread from Asia to other parts of the world, and the international oil price collapsed at the beginning of the year, which made the global financial market volatile and Taiwan's economic growth performance facing severe challenges. In order to revive the domestic market, the government will

accelerate the implementation of various public construction projects and tenders to expand domestic demand, and set a target of 95% success rate for this year's public construction projects. In addition, the total budget for 2020 includes \$164.6 billion for public works projects, \$100.5 billion as the special budget for forward-looking infrastructure projects, and \$201.9 billion for operating and non-operating special funds, which is \$467 billion in total, showing an increase of \$81.8 billion or 21.3% compared to that in 2019.

In terms of real estate, the Ministry of the Interior announced that the number of Taiwan's total number of traded and transferred buildings in 2019 was 302,275, showing an annual increase of 8%. It was the first time in five years that the number reached 300,000, and the third consecutive year since its expansion and growth in 2017. The fundamentals of the housing market in 2020 remain solidly structured in terms of demand for owner-occupied housing, but the impact of the novel coronavirus (COVID-19) epidemic will cast a variable on the growth of the housing market.

Overall, due to the impact of COVID-19, the economic situation in 2020 is full of uncertainty. However, driven by the government's accelerated implementation of public works, the total demand for cement in Taiwan is still expected to be the same as last year.

## **7. Business Outlook of the Company in 2020**

In 2020, Taiwan's cement industry is still in an environment of oversupply and fierce competition. Regarding novel coronavirus (COVID-19) outbreaks, the Taiwanese government has been well advised to prevent them, and its epidemic control effect is world-renowned as all people follow the government's instructions. Therefore, the impact of the epidemic on the cement industry is relatively limited. It is expected that the company's performance this year will be like that of last year, and it will still be in a state of surplus.

As for China, owing the impact of the novel coronavirus (COVID-19) epidemic, the country's policy of extensive city closures has led to widespread work stoppages, which has led to a setback for Asia Cement (China)'s operations in the first four months of the year. But after May, the cement market in China entered its peak period in the first half of the year. In addition, stocks of cement companies in most regions have fallen to moderate or low levels due to the concentrated release of backlogged demand from the epidemic, which has caused cement prices to start rising. It can be expected that the overall profitability of Asia Cement (China) will stabilize quarter-on-quarter and is expected to continue to maintain the high prices of cement and profitability levels in 2019 as the market fully returns to normal.

Regardless of the business environment, we will do our best to stick to the established production and marketing strategy and consistently adhere to the policy of "high quality, high efficiency, high environmental protection and low cost."

In 2020, total domestic clinker production is expected to be 3,572 thousand MT, total cement production is expected to be 3,576 thousand MT and sales of self-produced cement and clinker are expected to be 3,822 thousand metric tons. In China, the production of clinker and cement is expected to reach 24,684 MT and 28,748 MT, with 30,100 MT of self-produced cement and clinker as the sales volume.

## **8. The Company's Operating Status in the First Quarter of 2020**

For the first quarter of 2020, the Company's consolidated operating income was \$13,138,882 thousand, which was 32% less than \$19,385,675 thousand for the same period in 2019. The consolidated net income after tax was \$1,130,599 thousand, which was 70% less than \$3,810,086 thousand in the same period in 2019. The net after-tax profit attributable to the owner of the Company was \$743,772 thousand.

## **Report 2: 2019 Financial Statements**

### **Explanation:**

The 2019 financial statements are attached as the following pages.

1. Consolidated Balance Sheets (December 31, 2019)
2. Consolidated Statements of Comprehensive Income (Years Ended December 31, 2019)
3. Consolidated Statements of Changes in Equity (Years Ended December 31, 2019)
4. Consolidated Statements of Cash Flows (Years Ended December 31, 2019)
5. Balance Sheets (December 31, 2019)
6. Statements of Comprehensive Income (Years Ended December 31, 2019)
7. Statements of Changes in Equity (Years Ended December 31, 2019)
8. Statements of Cash Flows (Years Ended December 31, 2019)

Independent auditor's report by Hsin Wei Tai and Yu Wei Fan of Deloitte & Touche is attached.

Complete financial reports can be downloaded at <http://emops.twse.com.tw>.

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
Asia Cement Corporation

### **Opinion**

We have audited the accompanying consolidated financial statements of Asia Cement Corporation and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, 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(collectively referred to as the “consolidated financial statements”).

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

### **Basis for Opinion**

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

### **Key Audit Matters**

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

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

#### Estimated Impairment of Trade Receivables

The provision for impairment of trade receivables is based on assumptions about risk of default and expected loss rates. The Group uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Group's historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. Where the actual future cash flows are less than expected, a material impairment loss may arise. Refer to Notes 5 and 13. Because the key assumptions and inputs used for measuring expected credit losses on trade receivables represent an area of significant judgement and uncertainty, we considered the estimated impairment of trade receivables as one of the key audit matters.

The corresponding audit procedures for estimated impairment of trade receivables are as follows:

1. We obtained an understanding of the process with respect to impairment assessment by the management.
2. We evaluated the reasonableness of allowance for impairment loss by testing the aging of trade receivables and by quantifying the potential risk on overdue balances at the balance sheet date.
3. We tested the recoverability of receivables by vouching cash receipts after the balance sheet date.
4. For the estimated impairment of accounts receivable, we evaluated the adequacy of the provision for impairment by understanding the customers' past default experience, current financial position, any collateral pledged, existing market conditions as well as forward looking estimates.

#### Fair Value Measurement of Investment Properties

The Group's investment properties are subsequently measured using the fair value model and valued by an independent qualified professional appraiser, a member of the ROC certified real estate appraisers. Refer to Notes 5 and 18. Because the valuation of investment properties represents an area of significant judgement and uncertainty, we considered the fair value measurement of investment properties as one of the key audit matters.

The corresponding audit procedures for fair value measurement of investment properties are as follows:

1. We assessed the competencies and independence of the appraiser engaged by management and obtained an understanding of the scope of the work and the process of engagement acceptance to evaluate the risk of impairment of the appraiser's independence and the limitation in the scope of the appraiser's work.
2. We obtained an understanding of and assessed the reasonableness of management's assumptions and methods used in valuation.
3. We tested samples of items from management's supporting documents, including the reasonableness of effective gross income, expenses, and ownerships of land and buildings used in the valuation process and reperformed the calculation of the fair value of investment properties.

## **Other Matter**

The financial statements of China Shanshui Cement Group Limited (CSCGL), an associate accounted for using equity method, were audited by other auditors as of December 31, 2019 and 2018. Our opinion, insofar as it relates to the amounts included in the accompanying financial statements for CSCGL, is based solely on the reports of other auditors. As of December 31, 2019 and 2018, the aggregate carrying value of the equity-method investments in CSCGL was NT\$12,024,837 thousand and NT\$10,217,370 thousand, respectively, both representing 4% of the consolidated total assets. For the year ended December 31, 2019 and 2018, the share of profit or loss of CSCGL was NT\$2,211,559 thousand and NT\$376,557 thousand, respectively, representing 8% and 2%, respectively, of the consolidated income before income tax.

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

## **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 IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as 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 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, 2019 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Tai, Xin Wei and Fan, Yu Wei.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 25, 2020

Notice to Readers

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

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

## ASIA CEMENT CORPORATION AND SUBSIDIARIES

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

| ASSETS                                                                                           | 2019           |     | 2018           |     |
|--------------------------------------------------------------------------------------------------|----------------|-----|----------------|-----|
|                                                                                                  | Amount         | %   | Amount         | %   |
| CURRENT ASSETS                                                                                   |                |     |                |     |
| Cash and cash equivalents (Notes 6 and 37)                                                       | \$ 24,735,495  | 8   | \$ 14,929,411  | 5   |
| Financial assets at fair value through profit or loss - current (Notes 7 and 36)                 | 4,728,223      | 2   | 9,046,583      | 3   |
| Financial assets at fair value through other comprehensive income - current (Notes 8 and 38)     | 3,978,366      | 1   | 3,800,923      | 2   |
| Financial assets at amortized cost - current (Notes 6, 9, 36 and 38)                             | 23,016,985     | 8   | 14,322,874     | 5   |
| Contract assets - current (Notes 31 and 37)                                                      | 68,412         | -   | 147,528        | -   |
| Notes receivable                                                                                 |                |     |                |     |
| Third parties                                                                                    | 11,159,687     | 4   | 12,928,203     | 5   |
| Trade receivables                                                                                |                |     |                |     |
| Third parties (Notes 10 and 11)                                                                  | 10,159,263     | 3   | 9,251,854      | 3   |
| Related parties (Notes 10 and 37)                                                                | 803,340        | -   | 976,266        | -   |
| Other receivables (Notes 12 and 37)                                                              | 481,800        | -   | 2,964,751      | 1   |
| Current tax assets (Note 33)                                                                     | 6,785          | -   | 15,901         | -   |
| Inventories (Note 13)                                                                            | 7,789,794      | 3   | 9,804,276      | 4   |
| Prepayments (Notes 21 and 37)                                                                    | 1,812,789      | 1   | 1,684,612      | 1   |
| Other current assets (Note 22)                                                                   | 501,127        | -   | 485,324        | -   |
| Total current assets                                                                             | 89,242,066     | 30  | 80,358,506     | 29  |
| NON-CURRENT ASSETS                                                                               |                |     |                |     |
| Investments accounted for using equity method (Notes 15, 37 and 38)                              | 84,412,240     | 28  | 78,846,276     | 28  |
| Financial assets at fair value through other comprehensive income - non-current (Notes 8 and 38) | 11,692,138     | 4   | 9,784,743      | 4   |
| Financial assets at amortized cost - non-current (Notes 6, 9, 37 and 38)                         | 36,064         | -   | 14,642         | -   |
| Property, plant and equipment (Notes 16 and 38)                                                  | 50,681,281     | 17  | 52,549,341     | 19  |
| Right-of-use assets (Notes 17 and 37)                                                            | 5,080,287      | 2   | -              | -   |
| Investment properties (Notes 18 and 38)                                                          | 36,176,439     | 12  | 35,965,203     | 13  |
| Intangible assets (Notes 19 and 20)                                                              | 7,000,317      | 2   | 3,694,783      | 1   |
| Deferred tax assets (Note 33)                                                                    | 474,929        | -   | 436,238        | -   |
| Lease payments receivables - non-current (Note 11)                                               | -              | -   | 8,894,355      | 3   |
| Finance lease receivables - non-current (Note 11)                                                | 8,170,867      | 3   | -              | -   |
| Long-term prepayments for leases (Note 21)                                                       | -              | -   | 3,779,353      | 1   |
| Other non-current assets (Notes 22 ,29 and 37)                                                   | 4,311,884      | 2   | 4,864,558      | 2   |
| Total non-current assets                                                                         | 208,036,446    | 70  | 198,829,492    | 71  |
| TOTAL                                                                                            | \$ 297,278,512 | 100 | \$ 279,187,998 | 100 |
| LIABILITIES AND EQUITY                                                                           |                |     |                |     |
| CURRENT LIABILITIES                                                                              |                |     |                |     |
| Short-term borrowings (Notes 23 and 37)                                                          | \$ 23,811,603  | 8   | \$ 24,805,239  | 9   |
| Short-term bills payable (Note 24)                                                               | 18,932,294     | 6   | 18,564,469     | 7   |
| Financial liabilities at fair value through profit or loss - current (Note 7)                    | 112,070        | -   | 268,218        | -   |
| Contract liabilities - current (Notes 31 and 37)                                                 | 987,496        | -   | 731,015        | -   |
| Accounts payable and accrued expenses                                                            |                |     |                |     |
| Third parties (Note 20)                                                                          | 13,266,966     | 5   | 8,028,077      | 3   |
| Related parties (Note 37)                                                                        | 256,803        | -   | 250,857        | -   |
| Dividends and bonuses payable                                                                    | 230,151        | -   | 231,722        | -   |
| Other payable - other (Note 25)                                                                  | 312,069        | -   | 334,305        | -   |
| Current tax liabilities (Note 33)                                                                | 2,957,672      | 1   | 2,181,268      | 1   |
| Provisions - current (Note 28)                                                                   | 50,661         | -   | 48,200         | -   |
| Lease liabilities - current (Note 17)                                                            | 190,607        | -   | -              | -   |
| Deferred revenue - current (Note 27)                                                             | 75,912         | -   | 75,912         | -   |
| Current portion of long-term liabilities (Notes 26 and 37)                                       | 13,151,315     | 5   | 7,285,012      | 2   |
| Total current liabilities                                                                        | 74,335,619     | 25  | 62,804,294     | 22  |
| NON-CURRENT LIABILITIES                                                                          |                |     |                |     |
| Bonds payable (Note 26)                                                                          | 19,280,807     | 7   | 12,192,567     | 5   |
| Long-term borrowings (Notes 26 and 37)                                                           | 20,820,990     | 7   | 33,593,896     | 12  |
| Provisions - non-current (Notes 22, 28 and 39)                                                   | 715,432        | -   | 679,377        | -   |
| Lease liabilities - non-current (Note 17)                                                        | 1,264,765      | 1   | -              | -   |
| Deferred tax liabilities (Note 33)                                                               | 9,991,422      | 3   | 9,365,429      | 4   |
| Net defined benefit liabilities - non-current (Note 29)                                          | 164,208        | -   | 185,107        | -   |
| Deferred revenue - non-current (Note 27)                                                         | 847,893        | -   | 923,805        | -   |
| Other non-current liabilities                                                                    | 408,338        | -   | 395,177        | -   |
| Total non-current liabilities                                                                    | 53,493,855     | 18  | 57,335,358     | 21  |
| Total liabilities                                                                                | 127,829,474    | 43  | 120,139,652    | 43  |
| EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION (Note 30)                                       |                |     |                |     |
| Share capital                                                                                    | 33,614,472     | 11  | 33,614,472     | 12  |
| Capital surplus                                                                                  | 1,456,054      | -   | 1,362,554      | -   |
| Retained earnings                                                                                |                |     |                |     |
| Legal reserve                                                                                    | 16,727,089     | 6   | 15,615,380     | 6   |
| Special reserve                                                                                  | 64,463,426     | 22  | 63,945,145     | 23  |
| Unappropriated earnings                                                                          | 27,373,840     | 9   | 20,358,461     | 7   |
| Total retained earnings                                                                          | 108,564,355    | 37  | 99,918,986     | 36  |
| Other equity                                                                                     | 2,432,477      | 1   | 2,996,214      | 1   |
| Total equity attributable to owners of the Corporation                                           | 146,067,358    | 49  | 137,892,226    | 49  |
| NON-CONTROLLING INTERESTS (Note 30)                                                              | 23,381,680     | 8   | 21,156,120     | 8   |
| Total equity                                                                                     | 169,449,038    | 57  | 159,048,346    | 57  |
| TOTAL                                                                                            | \$ 297,278,512 | 100 | \$ 279,187,998 | 100 |

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

(With Deloitte & Touche auditors' report dated March 25, 2020)

# ASIA CEMENT CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

|                                                                     | 2019              |           | 2018              |           |
|---------------------------------------------------------------------|-------------------|-----------|-------------------|-----------|
|                                                                     | Amount            | %         | Amount            | %         |
| OPERATING REVENUE (Notes 31 and 37)                                 | \$ 89,347,637     | 100       | \$ 82,741,004     | 100       |
| OPERATING COSTS (Notes 13, 31 and 37)                               | <u>63,746,928</u> | <u>71</u> | <u>61,584,690</u> | <u>74</u> |
| GROSS PROFIT                                                        | 25,600,709        | 29        | 21,156,314        | 26        |
| UNREALIZED GROSS PROFIT ON SALES TO ASSOCIATES                      | 14,392            | -         | -                 | -         |
| REALIZED GROSS PROFIT ON SALES TO ASSOCIATES                        | <u>-</u>          | <u>-</u>  | <u>15,147</u>     | <u>-</u>  |
| REALIZED GROSS PROFIT                                               | <u>25,586,317</u> | <u>29</u> | <u>21,171,461</u> | <u>26</u> |
| OPERATING EXPENSES                                                  |                   |           |                   |           |
| Administrative expenses (Notes 32 and 37)                           | 3,332,110         | 4         | 2,875,798         | 4         |
| Expected credit loss (Note 10)                                      | <u>191,031</u>    | <u>-</u>  | <u>142,553</u>    | <u>-</u>  |
| Total operating expenses                                            | <u>3,523,141</u>  | <u>4</u>  | <u>3,018,351</u>  | <u>4</u>  |
| OPERATING INCOME                                                    | <u>22,063,176</u> | <u>25</u> | <u>18,153,110</u> | <u>22</u> |
| NON-OPERATING INCOME AND EXPENSES                                   |                   |           |                   |           |
| Other income (Note 32)                                              | 1,998,600         | 2         | 1,479,803         | 2         |
| Other gains and losses (Note 32)                                    | 661,654           | 1         | (1,733,766)       | (2)       |
| Finance costs (Note 32)                                             | (1,820,623)       | (2)       | (1,673,185)       | (2)       |
| Share of profit or loss of associates and joint ventures            | <u>5,490,375</u>  | <u>6</u>  | <u>4,144,156</u>  | <u>5</u>  |
| Total non-operating income and expenses                             | <u>6,330,006</u>  | <u>7</u>  | <u>2,217,008</u>  | <u>3</u>  |
| INCOME BEFORE INCOME TAX                                            | 28,393,182        | 32        | 20,370,118        | 25        |
| INCOME TAX EXPENSE (Note 33)                                        | <u>6,149,229</u>  | <u>7</u>  | <u>5,480,921</u>  | <u>7</u>  |
| NET INCOME FOR THE YEAR                                             | <u>22,243,953</u> | <u>25</u> | <u>14,889,197</u> | <u>18</u> |
| OTHER COMPREHENSIVE INCOME, NET                                     |                   |           |                   |           |
| Items that will not be reclassified subsequently to profit or loss: |                   |           |                   |           |

(Continued)

# ASIA CEMENT CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

|                                                                                                       | 2019                 |            | 2018                 |           |
|-------------------------------------------------------------------------------------------------------|----------------------|------------|----------------------|-----------|
|                                                                                                       | Amount               | %          | Amount               | %         |
| Unrealized gain on investments in equity instruments at fair value through other comprehensive income | \$ 1,193,292         | 1          | 707,605              | 1         |
| Remeasurement of defined benefit plans                                                                | 486,711              | 1          | 265,511              | -         |
| Share of other comprehensive income of associates and joint ventures                                  | <u>1,778,252</u>     | <u>2</u>   | <u>723,519</u>       | <u>1</u>  |
|                                                                                                       | <u>3,458,255</u>     | <u>4</u>   | <u>1,696,635</u>     | <u>2</u>  |
| Items that may be reclassified subsequently to profit or loss:                                        |                      |            |                      |           |
| Exchange differences on translating the financial statements of foreign operations                    | (2,635,629)          | (3)        | (894,761)            | (1)       |
| Cash flow hedges                                                                                      | -                    | -          | (2,434)              | -         |
| Share of other comprehensive (loss) income of associates and joint ventures                           | <u>(1,439,930)</u>   | <u>(2)</u> | <u>636,733</u>       | <u>1</u>  |
|                                                                                                       | <u>(4,075,559)</u>   | <u>(5)</u> | <u>(260,462)</u>     | <u>-</u>  |
| Other comprehensive income for the year, net of income tax                                            | <u>(617,304)</u>     | <u>(1)</u> | <u>1,436,173</u>     | <u>2</u>  |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR                                                               | <u>\$ 21,626,649</u> | <u>24</u>  | <u>\$ 16,325,370</u> | <u>20</u> |
| NET PROFIT ATTRIBUTABLE TO:                                                                           |                      |            |                      |           |
| Owners of the Corporation                                                                             | \$ 17,459,673        | 20         | \$ 11,117,094        | 13        |
| Non-controlling interests                                                                             | <u>4,784,280</u>     | <u>5</u>   | <u>3,772,103</u>     | <u>5</u>  |
|                                                                                                       | <u>\$ 22,243,953</u> | <u>25</u>  | <u>\$ 14,889,197</u> | <u>18</u> |
| TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:                                                           |                      |            |                      |           |
| Owners of the Corporation                                                                             | \$ 17,652,536        | 20         | \$ 12,811,353        | 16        |
| Non-controlling interests                                                                             | <u>3,974,113</u>     | <u>4</u>   | <u>3,514,017</u>     | <u>4</u>  |
|                                                                                                       | <u>\$ 21,626,649</u> | <u>24</u>  | <u>\$ 16,325,370</u> | <u>20</u> |
| EARNINGS PER SHARE (Note 34)                                                                          |                      |            |                      |           |
| Basic                                                                                                 | <u>\$ 5.56</u>       |            | <u>\$ 3.54</u>       |           |
| Diluted                                                                                               | <u>\$ 5.25</u>       |            | <u>\$ 3.49</u>       |           |

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

(With Deloitte & Touche auditors' report dated March 25, 2020)

(Concluded)

ASIA CEMENT CORPORATION AND SUBSIDIARIES

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

|                                                                                                                             | Equity Attributable to Owners of the Corporation |               |                 |                   |                 |                         |                                                        |                                                                                             |                               |                  |                    |                |                           |                |  |
|-----------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------|---------------|-----------------|-------------------|-----------------|-------------------------|--------------------------------------------------------|---------------------------------------------------------------------------------------------|-------------------------------|------------------|--------------------|----------------|---------------------------|----------------|--|
|                                                                                                                             |                                                  |               |                 |                   |                 |                         | Other Equity                                           |                                                                                             |                               |                  |                    |                |                           |                |  |
|                                                                                                                             |                                                  |               |                 |                   |                 |                         | Exchange Differences on Translating Foreign Operations | Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income | Gains on Property Revaluation | Cash Flow Hedges | Total Other Equity | Total          | Non-controlling Interests | Total Equity   |  |
|                                                                                                                             |                                                  |               |                 |                   |                 |                         |                                                        |                                                                                             |                               |                  |                    |                |                           |                |  |
|                                                                                                                             | Capital Stock Issued                             |               | Capital Surplus | Retained Earnings |                 |                         | Exchange Differences on Translating Foreign Operations | Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income | Gains on Property Revaluation | Cash Flow Hedges | Total Other Equity | Total          | Non-controlling Interests | Total Equity   |  |
|                                                                                                                             | Shares                                           | Amount        |                 | Legal Reserve     | Special Reserve | Unappropriated Earnings |                                                        |                                                                                             |                               |                  |                    |                |                           |                |  |
| BALANCE AT JANUARY 1, 2018                                                                                                  | 3,361,447                                        | \$ 33,614,472 | \$ 1,168,692    | \$ 15,068,480     | \$ 63,001,957   | \$ 17,839,296           | \$ (2,638,153)                                         | \$ 516,962                                                                                  | \$ 307,728                    | \$ 58,485        | \$ (1,754,978)     | \$ 128,937,919 | \$ 18,365,609             | \$ 147,303,528 |  |
| Appropriation of 2017 earnings                                                                                              |                                                  |               |                 |                   |                 |                         |                                                        |                                                                                             |                               |                  |                    |                |                           |                |  |
| Legal reserve                                                                                                               | -                                                | -             | -               | 546,900           | -               | (546,900)               | -                                                      | -                                                                                           | -                             | -                | -                  | -              | -                         | -              |  |
| Special reserve                                                                                                             | -                                                | -             | -               | -                 | 943,188         | (943,188)               | -                                                      | -                                                                                           | -                             | -                | -                  | -              | -                         | -              |  |
| Cash dividends - \$1.2 per share                                                                                            | -                                                | -             | -               | -                 | -               | (4,033,736)             | -                                                      | -                                                                                           | -                             | -                | -                  | (4,033,736)    | -                         | (4,033,736)    |  |
| Equity component of convertible bonds issued by the Corporation                                                             | -                                                | -             | 185,411         | -                 | -               | -                       | -                                                      | -                                                                                           | -                             | -                | -                  | 185,411        | -                         | 185,411        |  |
| Changes in capital surplus from investments in associates accounted for using equity method                                 | -                                                | -             | 8,451           | -                 | -               | -                       | -                                                      | -                                                                                           | -                             | -                | -                  | 8,451          | -                         | 8,451          |  |
| Net profit for the year ended December 31, 2018                                                                             | -                                                | -             | -               | -                 | -               | 11,117,094              | -                                                      | -                                                                                           | -                             | -                | -                  | 11,117,094     | 3,772,103                 | 14,889,197     |  |
| Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax                                   | -                                                | -             | -               | -                 | -               | 351,764                 | (3,211)                                                | 1,343,257                                                                                   | -                             | 2,449            | 1,342,495          | 1,694,259      | (258,086)                 | 1,436,173      |  |
| Cash dividends distributed by subsidiaries                                                                                  | -                                                | -             | -               | -                 | -               | -                       | -                                                      | -                                                                                           | -                             | -                | -                  | -              | (723,504)                 | (723,504)      |  |
| Disposals of investments in equity instruments designated as at fair value through other comprehensive income by associates | -                                                | -             | -               | -                 | -               | (3,408,697)             | -                                                      | 3,408,697                                                                                   | -                             | -                | 3,408,697          | -              | -                         | -              |  |
| Other changes in equity from investments in associates accounted for using equity method                                    | -                                                | -             | -               | -                 | -               | (17,172)                | -                                                      | -                                                                                           | -                             | -                | -                  | (17,172)       | (2)                       | (17,174)       |  |
| BALANCE AT DECEMBER 31, 2018                                                                                                | 3,361,447                                        | 33,614,472    | 1,362,554       | 15,615,380        | 63,945,145      | 20,358,461              | (2,641,364)                                            | 5,268,916                                                                                   | 307,728                       | 60,934           | 2,996,214          | 137,892,226    | 21,156,120                | 159,048,346    |  |
| Effect of retrospective application and restrospective restatement                                                          | -                                                | -             | -               | -                 | -               | (143,100)               | -                                                      | -                                                                                           | -                             | -                | -                  | (143,100)      | (4)                       | (143,104)      |  |
| BALANCE AT JANUARY 1, 2019 AS RESTATED                                                                                      | 3,361,447                                        | 33,614,472    | 1,362,554       | 15,615,380        | 63,945,145      | 20,215,361              | (2,641,364)                                            | 5,268,916                                                                                   | 307,728                       | 60,934           | 2,996,214          | 137,749,126    | 21,156,116                | 158,905,242    |  |
| Appropriation of 2018 earnings                                                                                              |                                                  |               |                 |                   |                 |                         |                                                        |                                                                                             |                               |                  |                    |                |                           |                |  |
| Legal reserve                                                                                                               | -                                                | -             | -               | 1,111,709         | -               | (1,111,709)             | -                                                      | -                                                                                           | -                             | -                | -                  | -              | -                         | -              |  |
| Special reserve                                                                                                             | -                                                | -             | -               | -                 | 518,281         | (518,281)               | -                                                      | -                                                                                           | -                             | -                | -                  | -              | -                         | -              |  |
| Cash dividends - \$2.8 per share                                                                                            | -                                                | -             | -               | -                 | -               | (9,412,052)             | -                                                      | -                                                                                           | -                             | -                | -                  | (9,412,052)    | -                         | (9,412,052)    |  |
| Changes in capital surplus from investments in associates accounted for using equity method                                 | -                                                | -             | 93,500          | -                 | -               | -                       | -                                                      | -                                                                                           | -                             | -                | -                  | 93,500         | -                         | 93,500         |  |
| Net profit for the year ended December 31, 2019                                                                             | -                                                | -             | -               | -                 | -               | 17,459,673              | -                                                      | -                                                                                           | -                             | -                | -                  | 17,459,673     | 4,784,280                 | 22,243,953     |  |
| Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax                                   | -                                                | -             | -               | -                 | -               | 676,889                 | (3,271,837)                                            | 2,719,118                                                                                   | 77,486                        | (8,793)          | (484,026)          | 192,863        | (810,167)                 | (617,304)      |  |
| Cash dividends distributed by subsidiaries                                                                                  | -                                                | -             | -               | -                 | -               | -                       | -                                                      | -                                                                                           | -                             | -                | -                  | -              | (1,748,520)               | (1,748,520)    |  |
| Disposals of investments in equity instruments designated as at fair value through other comprehensive income by associates | -                                                | -             | -               | -                 | -               | 79,711                  | -                                                      | (79,711)                                                                                    | -                             | -                | (79,711)           | -              | -                         | -              |  |
| Other changes in equity from investments in associates accounted for using equity method                                    | -                                                | -             | -               | -                 | -               | (15,752)                | -                                                      | -                                                                                           | -                             | -                | -                  | (15,752)       | (29)                      | (15,781)       |  |
| BALANCE AT DECEMBER 31, 2019                                                                                                | 3,361,447                                        | \$ 33,614,472 | \$ 1,456,054    | \$ 16,727,089     | \$ 64,463,426   | \$ 27,373,840           | \$ (5,913,201)                                         | \$ 7,908,323                                                                                | \$ 385,214                    | \$ 52,141        | \$ 2,432,477       | \$ 146,067,358 | \$ 23,381,680             | \$ 169,449,038 |  |

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

(With Deloitte & Touche auditors' report dated March 25, 2020)

# ASIA CEMENT CORPORATION AND SUBSIDIARIES

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

|                                                                                                                              | 2019          | 2018          |
|------------------------------------------------------------------------------------------------------------------------------|---------------|---------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                                                                  |               |               |
| Income before income tax                                                                                                     | \$ 28,393,182 | \$ 20,370,118 |
| Adjustments for:                                                                                                             |               |               |
| Share of loss of associates and joint ventures                                                                               | (5,490,375)   | (4,144,156)   |
| Depreciation expenses                                                                                                        | 4,827,418     | 4,649,561     |
| Finance costs                                                                                                                | 1,820,623     | 1,673,185     |
| Amortization expenses                                                                                                        | 1,292,725     | 269,631       |
| Net (gain) loss on fair value changes of financial assets and liabilities designated as at fair value through profit or loss | (1,129,040)   | 256,294       |
| Interest income                                                                                                              | (1,126,001)   | (370,571)     |
| Dividend income                                                                                                              | (761,309)     | (770,314)     |
| Gain on disposal of financial assets                                                                                         | (365,192)     | (251,859)     |
| Unrealized gain on foreign exchange                                                                                          | (295,492)     | (15,575)      |
| Gain on changes in fair value of investment properties                                                                       | (197,647)     | (98,015)      |
| Expected credit loss recognized on trade receivables                                                                         | 191,031       | 142,553       |
| (Reversal of) write-downs of inventories                                                                                     | (18,619)      | 315,353       |
| Loss on disposal of property, plant and equipment                                                                            | 44,225        | 33,455        |
| Loss on disposal of investments accounted for using equity method                                                            | 5,761         | -             |
| Impairment loss recognized on investments accounted for using equity method                                                  | -             | 200,245       |
| Impairment loss recognized on goodwill                                                                                       | -             | 630,631       |
| Impairment loss on property, plant and equipment                                                                             | -             | 51,888        |
| Gain on disposal of subsidiaries                                                                                             | -             | (40,440)      |
| Effect of changes in exchange rate of bonds payable                                                                          | -             | 300           |
| Other items                                                                                                                  | -             | (755)         |
| Changes in operating assets and liabilities                                                                                  |               |               |
| Financial assets mandatorily classified as at fair value through profit or loss                                              | 5,660,259     | (3,051,110)   |
| Contract assets                                                                                                              | 79,116        | (44,533)      |
| Notes receivable                                                                                                             | 1,351,524     | (4,805,502)   |

|                                       |                    |                    |
|---------------------------------------|--------------------|--------------------|
| Trade receivables                     | 273,510            | 525,258            |
| Other receivables                     | 1,769,088          | (487,332)          |
| Inventories                           | 1,857,463          | (3,566,055)        |
| Prepayments                           | (408,758)          | (31,307)           |
| Other current assets                  | (34,246)           | (74,718)           |
| Contract liabilities                  | 256,481            | (20,934)           |
| Accounts payable and accrued expenses | 697,124            | 806,044            |
| Provisions                            | 35,916             | 176,021            |
| Net defined benefit liabilities       | (5,682)            | (12,254)           |
| Deferred revenue                      | <u>(75,912)</u>    | <u>(68,085)</u>    |
| Cash generated from operations        | 38,647,173         | 12,247,022         |
| Interests received                    | 1,161,528          | 254,393            |
| Dividends received                    | 4,062,869          | 3,172,662          |
| Interests paid                        | (1,803,500)        | (1,658,691)        |
| Income tax paid                       | <u>(4,796,169)</u> | <u>(3,304,318)</u> |

(Continued)

# ASIA CEMENT CORPORATION AND SUBSIDIARIES

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

|                                                                                  | 2019          | 2018          |
|----------------------------------------------------------------------------------|---------------|---------------|
| Net cash generated from operating activities                                     | \$ 37,271,901 | \$ 10,711,068 |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                      |               |               |
| Acquisition of financial assets at amortized cost                                | (8,715,533)   | (9,537,968)   |
| Acquisition of property, plant and equipment                                     | (3,754,851)   | (4,274,600)   |
| Acquisition of associates                                                        | (3,326,114)   | (123,120)     |
| Decrease (increase) in refundable deposits                                       | 596,780       | (9,678)       |
| Acquisition of financial assets at fair value through other comprehensive income | (275,281)     | (556,016)     |
| Increase in long-term prepayments for investment                                 | (11,224)      | (83,721)      |
| Net cash inflow on disposal of associates                                        | 63,008        | -             |
| Acquisition of intangible assets                                                 | (58,941)      | (13,037)      |
| Proceeds from disposal of property, plant and equipment                          | 37,708        | 90,395        |
| Acquisition of investment properties                                             | (27,224)      | (1,269)       |
| Decrease in other non-current assets                                             | 5,300         | 1,559         |
| Proceeds from disposal of subsidiaries                                           | -             | 48,391        |
| Net cash used in investing activities                                            | (15,466,372)  | (14,459,064)  |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                      |               |               |
| Repayments of long-term borrowings                                               | (92,064,122)  | (30,396,615)  |
| Proceeds from long-term borrowings                                               | 86,653,202    | 34,819,996    |
| Proceeds from issuance of bonds                                                  | 10,000,000    | 6,574,843     |
| Dividends paid                                                                   | (9,412,164)   | (4,033,715)   |
| Repayments of bonds                                                              | (4,000,000)   | (4,089,430)   |
| Change of non-controlling interests                                              | (1,748,520)   | (723,504)     |
| (Decrease) increase in short-term borrowings                                     | (704,248)     | 6,445,333     |
| Increase in short-term bills payable                                             | 369,075       | 2,439,125     |

|                                                                                                               |                      |                      |
|---------------------------------------------------------------------------------------------------------------|----------------------|----------------------|
| Repayment of the principal portion of lease liabilities                                                       | (267,792)            | -                    |
| Increase (decrease) in other non-current liabilities                                                          | 21,680               | (59,096)             |
| (Decrease) increase in guarantee deposits received                                                            | <u>(10,073)</u>      | <u>14,691</u>        |
| Net cash (used in) generated from financing activities                                                        | <u>(11,162,962)</u>  | <u>10,991,628</u>    |
| EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF<br>CASH AND CASH EQUIVALENTS HELD IN FOREIGN<br>CURRENCIES | <u>(836,483)</u>     | <u>(53,713)</u>      |
| NET INCREASE IN CASH AND CASH EQUIVALENTS                                                                     | 9,806,084            | 7,189,919            |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE<br>YEAR                                                     | <u>14,929,411</u>    | <u>7,739,492</u>     |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR                                                              | <u>\$ 24,735,495</u> | <u>\$ 14,929,411</u> |
| The accompanying notes are an integral part of the consolidated financial statements.                         |                      |                      |
| (With Deloitte & Touche auditors' report dated March 25, 2020)                                                |                      | (Concluded)          |

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
Asia Cement Corporation

### **Opinion**

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

In our opinion, based on our audits and the reports of other auditors (refer to Other Matter section), the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as of December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### **Basis 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 Financial Statements section of our report. We are independent of the Corporation in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key Audit Matters**

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

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

#### Estimated Impairment of Trade Receivables of Subsidiaries

The provision for impairment of trade receivables is based on assumptions about risk of default and expected loss rates. The Corporation's subsidiaries use judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on their historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. Where the actual future cash flows are less than expected, a material impairment loss may arise. Because the key assumptions and inputs used for measuring expected credit losses on trade receivables represent an area of significant judgement and uncertainty, we considered the estimated impairment of trade receivables as one of the key audit matters.

The corresponding audit procedures for estimated impairment of trade receivables of subsidiaries are as follows:

1. We obtained an understanding of the process with respect to impairment assessment by the management.
2. We evaluated the reasonableness of allowance for impairment loss by testing the aging of trade receivables and by quantifying the potential risk on overdue balances at the balance sheet date.
3. We tested the recoverability of receivables by vouching cash receipts after the balance sheet date.
4. For the estimated impairment of accounts receivable, we evaluated the adequacy of the provision for impairment by understanding the customers' past default experience, current financial position, any collateral pledged, existing market conditions as well as forward looking estimates.

#### Fair Value Measurement of Investment Properties

The Corporation's and its subsidiaries' investment properties are subsequently measured using the fair value model and valued by an independent qualified professional appraiser, a member of the ROC certified real estate appraisers. Refer to Notes 5 and 15. Because the valuation of investment properties represents an area of significant judgement and uncertainty, we considered the fair value measurement of investment properties as one of the key audit matters.

The corresponding audit procedures for fair value measurement of investment properties are as follows:

1. We assessed the competencies and independence of the appraiser engaged by management and obtained an understanding of the scope of the work and the process of engagement acceptance to evaluate the risk of impairment of the appraiser's independence and the limitation in the scope of the appraiser's work.
2. We obtained an understanding of and assessed the reasonableness of management's assumptions and methods used in valuation.
3. We tested samples of items from management's supporting documents, including the reasonableness of effective gross income, expenses, and ownerships of land and buildings used in the valuation process and reperformed the calculation of the fair value of investment properties.

#### **Other Matter**

The financial statements of China Shanshui Cement Group Limited (CSCGL), an associate accounted for using equity method, were audited by other auditors as of December 31, 2019 and 2018. Our opinion, insofar as it relates to the amounts included in the accompanying financial statements for CSCGL, is based solely on the reports of other auditors. As of December 31, 2019 and 2018, the aggregate carrying value of the equity-method investments in CSCGL was NT\$12,022,105 thousand and NT\$10,215,045 thousand, respectively, representing 6% and 5%, respectively, of the total assets. For the years ended December 31, 2019 and 2018, the share of profit or loss of CSCGL was NT\$2,211,060 thousand and NT\$376,472 thousand, respectively, representing 12% and 3%, respectively, of the income before income tax.

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

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

In preparing the financial statements, management is responsible for assessing the Corporation'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 Corporation 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 Corporation's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 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 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 Corporation'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 Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Corporation to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the company audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Tai, Xin Wei and Fan, Yu Wei.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 25, 2020

#### Notice to Readers

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

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

# ASIA CEMENT CORPORATION

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

| ASSETS                                                                                       | 2019                  |            | 2018                  |            |
|----------------------------------------------------------------------------------------------|-----------------------|------------|-----------------------|------------|
|                                                                                              | Amount                | %          | Amount                | %          |
| CURRENT ASSETS                                                                               |                       |            |                       |            |
| Cash and cash equivalents (Notes 6 and 30)                                                   | \$ 2,475,739          | 1          | \$ 3,165,795          | 2          |
| Financial assets at fair value through profit or loss - current (Note 7)                     | 1,690,528             | 1          | 1,172,826             | 1          |
| Financial assets at fair value through other comprehensive income - current (Notes 8 and 31) | 2,237,578             | 1          | 2,371,026             | 1          |
| Financial assets at amortized cost (Notes 6, 11 and 30)                                      | 1,763,189             | 1          | 462,275               | -          |
| Notes receivable                                                                             |                       |            |                       |            |
| Third parties                                                                                | 80,634                | -          | 95,212                | -          |
| Trade receivables                                                                            |                       |            |                       |            |
| Third parties (Note 10)                                                                      | 513,070               | -          | 474,070               | -          |
| Related parties (Notes 10 and 30)                                                            | 447,234               | -          | 520,982               | -          |
| Other receivables (Note 30)                                                                  | 75,865                | -          | 29,495                | -          |
| Current tax assets (Note 26)                                                                 | -                     | -          | 9,022                 | -          |
| Inventories (Note 11)                                                                        | 1,545,309             | 1          | 1,663,395             | 1          |
| Prepayments (Note 17)                                                                        | 45,581                | -          | 188,456               | -          |
| Other current assets                                                                         | <u>6,234</u>          | <u>-</u>   | <u>12,125</u>         | <u>-</u>   |
| Total current assets                                                                         | <u>10,880,961</u>     | <u>5</u>   | <u>10,164,679</u>     | <u>5</u>   |
| NON-CURRENT ASSETS                                                                           |                       |            |                       |            |
| Investments accounted for using equity method (Notes 12 and 31)                              | 135,143,849           | 67         | 125,632,890           | 65         |
| Financial assets at fair value through other comprehensive income - non-current (Note 8)     | 6,588,692             | 3          | 5,386,142             | 3          |
| Property, plant and equipment (Notes 13 and 31)                                              | 4,234,288             | 2          | 4,374,050             | 2          |
| Right-of-use assets (Note 14)                                                                | 441,661               | -          | -                     | -          |
| Investment properties (Notes 15, 30 and 31)                                                  | 42,114,210            | 21         | 41,689,694            | 22         |
| Intangible assets (Note 16)                                                                  | 4,957                 | -          | 8,344                 | -          |
| Deferred tax assets (Note 26)                                                                | 16,463                | -          | 12,603                | -          |
| Long-term prepayments for leases (Note 17)                                                   | -                     | -          | 369,801               | -          |
| Other non-current assets (Notes 18, 22 and 30)                                               | <u>4,515,418</u>      | <u>2</u>   | <u>5,192,895</u>      | <u>3</u>   |
| Total non-current assets                                                                     | <u>193,059,538</u>    | <u>95</u>  | <u>182,666,419</u>    | <u>95</u>  |
| TOTAL                                                                                        | <u>\$ 203,940,499</u> | <u>100</u> | <u>\$ 192,831,098</u> | <u>100</u> |
| LIABILITIES AND EQUITY                                                                       |                       |            |                       |            |
| CURRENT LIABILITIES                                                                          |                       |            |                       |            |
| Short-term bills payable (Note 19)                                                           | \$ 10,757,906         | 5          | \$ 11,437,104         | 6          |
| Financial liabilities at fair value through profit or loss - current (Note 7)                | 112,070               | -          | 268,218               | -          |
| Contract liabilities - current (Note 24)                                                     | 83,726                | -          | 40,661                | -          |
| Accounts payable and accrued expenses                                                        |                       |            |                       |            |
| Third parties                                                                                | 1,478,744             | 1          | 1,415,215             | 1          |
| Related parties (Note 30)                                                                    | 201,804               | -          | 188,104               | -          |
| Dividends and bonuses payable                                                                | 224,335               | -          | 214,593               | -          |
| Current tax liabilities (Note 26)                                                            | 298,368               | -          | 8,477                 | -          |
| Lease liabilities - current (Note 14)                                                        | 40,370                | -          | -                     | -          |
| Deferred revenue - current (Note 21)                                                         | 75,912                | -          | 75,912                | -          |
| Current portion of long-term liabilities (Note 20)                                           | <u>3,000,000</u>      | <u>2</u>   | <u>4,000,000</u>      | <u>2</u>   |
| Total current liabilities                                                                    | <u>16,273,235</u>     | <u>8</u>   | <u>17,648,284</u>     | <u>9</u>   |
| NON-CURRENT LIABILITIES                                                                      |                       |            |                       |            |
| Bonds payable (Note 20)                                                                      | 19,280,807            | 9          | 12,192,567            | 6          |
| Long-term borrowings (Note 20)                                                               | 11,795,000            | 6          | 15,025,011            | 8          |
| Provisions - non-current (Note 23)                                                           | 98,000                | -          | 98,000                | -          |
| Deferred tax liabilities (Note 26)                                                           | 9,503,629             | 5          | 9,020,630             | 5          |
| Lease liabilities - non-current (Note 14)                                                    | 44,787                | -          | -                     | -          |
| Deferred revenue - non-current (Note 21)                                                     | 847,893               | -          | 923,805               | -          |
| Other non-current liabilities                                                                | <u>29,790</u>         | <u>-</u>   | <u>30,575</u>         | <u>-</u>   |
| Total non-current liabilities                                                                | <u>41,599,906</u>     | <u>20</u>  | <u>37,290,588</u>     | <u>19</u>  |
| Total liabilities                                                                            | <u>57,873,141</u>     | <u>28</u>  | <u>54,938,872</u>     | <u>28</u>  |
| EQUITY (Notes 23)                                                                            |                       |            |                       |            |
| Ordinary shares                                                                              | <u>33,614,472</u>     | <u>17</u>  | <u>33,614,472</u>     | <u>17</u>  |
| Capital surplus                                                                              | <u>1,456,054</u>      | <u>1</u>   | <u>1,362,554</u>      | <u>1</u>   |
| Retained earnings                                                                            |                       |            |                       |            |
| Legal reserve                                                                                | 16,727,089            | 8          | 15,615,380            | 8          |
| Special reserve                                                                              | 64,463,426            | 32         | 63,945,145            | 33         |
| Unappropriated earnings                                                                      | <u>27,373,840</u>     | <u>13</u>  | <u>20,358,461</u>     | <u>11</u>  |
| Total retained earnings                                                                      | <u>108,564,355</u>    | <u>53</u>  | <u>99,918,986</u>     | <u>52</u>  |
| Other equity                                                                                 | <u>2,432,477</u>      | <u>1</u>   | <u>2,996,214</u>      | <u>2</u>   |
| Total equity                                                                                 | <u>146,067,358</u>    | <u>72</u>  | <u>137,892,226</u>    | <u>72</u>  |
| TOTAL                                                                                        | <u>\$ 203,940,499</u> | <u>100</u> | <u>\$ 192,831,098</u> | <u>100</u> |

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

(With Deloitte & Touche auditors' report dated March 25, 2020)

# ASIA CEMENT CORPORATION

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

|                                                                                                                    | 2019              |            | 2018              |            |
|--------------------------------------------------------------------------------------------------------------------|-------------------|------------|-------------------|------------|
|                                                                                                                    | Amount            | %          | Amount            | %          |
| OPERATING REVENUE (Notes 24 and 30)                                                                                | \$ 8,985,917      | 100        | \$ 8,732,236      | 100        |
| OPERATING COSTS (Notes 11, 24, 25 and 30)                                                                          | <u>8,507,992</u>  | <u>95</u>  | <u>8,479,146</u>  | <u>97</u>  |
| GROSS PROFIT                                                                                                       | 477,925           | 5          | 253,090           | 3          |
| (UNREALIZED) REALIZED GROSS PROFIT ON<br>SALES TO SUBSIDIARIES AND ASSOCIATES                                      | <u>(8,442)</u>    | <u>-</u>   | <u>3,444</u>      | <u>-</u>   |
| REALIZED GROSS PROFIT                                                                                              | <u>469,483</u>    | <u>5</u>   | <u>256,534</u>    | <u>3</u>   |
| OPERATING EXPENSES                                                                                                 |                   |            |                   |            |
| Administrative expenses (Notes 25 and 30)                                                                          | 678,405           | 7          | 649,813           | 8          |
| Expected credit loss (Note 10)                                                                                     | <u>3,753</u>      | <u>-</u>   | <u>694</u>        | <u>-</u>   |
| Total operating expenses                                                                                           | <u>682,158</u>    | <u>7</u>   | <u>650,507</u>    | <u>8</u>   |
| OPERATING LOSS                                                                                                     | <u>(212,675)</u>  | <u>(2)</u> | <u>(393,973)</u>  | <u>(5)</u> |
| NON-OPERATING INCOME AND EXPENSES                                                                                  |                   |            |                   |            |
| Other income (Note 25)                                                                                             | 812,795           | 9          | 592,445           | 7          |
| Other gains and losses (Note 25)                                                                                   | 814,110           | 9          | (641,800)         | (7)        |
| Finance costs (Note 25)                                                                                            | (369,349)         | (4)        | (331,984)         | (4)        |
| Share of profit or loss of subsidiaries and associates                                                             | <u>17,111,219</u> | <u>190</u> | <u>12,970,044</u> | <u>148</u> |
| Total non-operating income and expenses                                                                            | <u>18,368,775</u> | <u>204</u> | <u>12,588,705</u> | <u>144</u> |
| INCOME BEFORE INCOME TAX                                                                                           | 18,156,100        | 202        | 12,194,732        | 139        |
| INCOME TAX EXPENSE (Note 26)                                                                                       | <u>696,427</u>    | <u>8</u>   | <u>1,077,638</u>  | <u>12</u>  |
| NET INCOME FOR THE YEAR                                                                                            | <u>17,459,673</u> | <u>194</u> | <u>11,117,094</u> | <u>127</u> |
| OTHER COMPREHENSIVE INCOME, NET                                                                                    |                   |            |                   |            |
| Items that will not be reclassified subsequently to<br>profit or loss:                                             |                   |            |                   |            |
| Unrealized gain (loss) on investments in equity<br>instruments at fair value through other<br>comprehensive income | 329,435           | 4          | (9)               | -          |
| Remeasurement of defined benefit plans                                                                             | 467,246           | 5          | 265,965           | 3          |
| Share of other comprehensive income of<br>subsidiaries and associates                                              | <u>2,650,225</u>  | <u>29</u>  | <u>1,426,545</u>  | <u>17</u>  |

(Continued)

# ASIA CEMENT CORPORATION

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

|                                                                    | 2019                 |             | 2018                 |            |
|--------------------------------------------------------------------|----------------------|-------------|----------------------|------------|
|                                                                    | Amount               | %           | Amount               | %          |
| Items that may be reclassified subsequently to profit or loss:     | <u>3,446,906</u>     | <u>38</u>   | <u>1,692,501</u>     | <u>20</u>  |
| Share of other comprehensive income of subsidiaries and associates | <u>(3,254,043)</u>   | <u>(36)</u> | <u>1,758</u>         | <u>-</u>   |
|                                                                    | <u>(3,254,043)</u>   | <u>(36)</u> | <u>1,758</u>         | <u>-</u>   |
| Other comprehensive income for the year, net of income tax         | <u>192,863</u>       | <u>2</u>    | <u>1,694,259</u>     | <u>20</u>  |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR                            | <u>\$ 17,652,536</u> | <u>196</u>  | <u>\$ 12,811,353</u> | <u>147</u> |
| EARNINGS PER SHARE (Note 27)                                       |                      |             |                      |            |
| Basic                                                              | <u>\$ 5.56</u>       |             | <u>\$ 3.54</u>       |            |
| Diluted                                                            | <u>\$ 5.25</u>       |             | <u>\$ 3.49</u>       |            |

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

(With Deloitte & Touche auditors' report dated March 25, 2020)

(Concluded)

# ASIA CEMENT CORPORATION

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

|                                                                                                                             | Other Equity         |                      |                     |                      |                      |                         |                                                        |                                                                                             |                               |                  |                     |                       |
|-----------------------------------------------------------------------------------------------------------------------------|----------------------|----------------------|---------------------|----------------------|----------------------|-------------------------|--------------------------------------------------------|---------------------------------------------------------------------------------------------|-------------------------------|------------------|---------------------|-----------------------|
|                                                                                                                             | Capital Stock Issued |                      | Capital Surplus     | Retained Earnings    |                      |                         | Exchange Differences on Translating Foreign Operations | Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income | Gains on Property Revaluation | Cash Flow Hedge  | Total               | Total Equity          |
|                                                                                                                             | Shares               | Amount               |                     | Legal Reserve        | Special Reserve      | Unappropriated Earnings |                                                        |                                                                                             |                               |                  |                     |                       |
| BALANCE AT JANUARY 1, 2018                                                                                                  | 3,361,447            | \$ 33,614,472        | \$ 1,168,692        | \$ 15,068,480        | \$ 63,001,957        | \$ 17,839,296           | \$ (2,638,153)                                         | \$ 516,962                                                                                  | \$ 307,728                    | \$ 58,485        | \$ (1,754,978)      | \$ 128,937,919        |
| Appropriation of 2017 earnings                                                                                              |                      |                      |                     |                      |                      |                         |                                                        |                                                                                             |                               |                  |                     |                       |
| Legal reserve                                                                                                               | -                    | -                    | -                   | 546,900              | -                    | (546,900)               | -                                                      | -                                                                                           | -                             | -                | -                   | -                     |
| Special reserve                                                                                                             | -                    | -                    | -                   | -                    | 943,188              | (943,188)               | -                                                      | -                                                                                           | -                             | -                | -                   | -                     |
| Cash dividends - \$1.2 per share                                                                                            | -                    | -                    | -                   | -                    | -                    | (4,033,736)             | -                                                      | -                                                                                           | -                             | -                | -                   | (4,033,736)           |
| Equity component of convertible bonds issued by the Corporation                                                             | -                    | -                    | 185,411             | -                    | -                    | -                       | -                                                      | -                                                                                           | -                             | -                | -                   | 185,411               |
| Changes in capital surplus from investments in subsidiaries and associates accounted for using equity method                | -                    | -                    | 8,451               | -                    | -                    | -                       | -                                                      | -                                                                                           | -                             | -                | -                   | 8,451                 |
| Net profit for the year ended December 31, 2018                                                                             | -                    | -                    | -                   | -                    | -                    | 11,117,094              | -                                                      | -                                                                                           | -                             | -                | -                   | 11,117,094            |
| Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax                                   | -                    | -                    | -                   | -                    | -                    | 351,764                 | (3,211)                                                | 1,343,257                                                                                   | -                             | 2,449            | 1,342,495           | 1,694,259             |
| Disposals of investments in equity instruments designated as at fair value through other comprehensive income               | -                    | -                    | -                   | -                    | -                    | (3,408,697)             | -                                                      | 3,408,697                                                                                   | -                             | -                | 3,408,697           | -                     |
| Other changes in equity from investments in subsidiaries and associates accounted for using equity method                   | -                    | -                    | -                   | -                    | -                    | (17,172)                | -                                                      | -                                                                                           | -                             | -                | -                   | (17,172)              |
| BALANCE AT DECEMBER 31, 2018                                                                                                | 3,361,447            | 33,614,472           | 1,362,554           | 15,615,380           | 63,945,145           | 20,358,461              | (2,641,364)                                            | 5,268,916                                                                                   | 307,728                       | 60,934           | 2,996,214           | 137,892,226           |
| Effect of retrospective application and retrospective restatement                                                           | -                    | -                    | -                   | -                    | -                    | (143,100)               | -                                                      | -                                                                                           | -                             | -                | -                   | (143,100)             |
| BALANCE AT JANUARY 1, 2019 AS RESTATED                                                                                      | 3,361,447            | 33,614,472           | 1,362,554           | 15,615,380           | 63,945,145           | 20,215,361              | (2,641,364)                                            | 5,268,916                                                                                   | 307,728                       | 60,934           | 2,996,214           | 137,749,126           |
| Appropriation of 2018 earnings                                                                                              |                      |                      |                     |                      |                      |                         |                                                        |                                                                                             |                               |                  |                     |                       |
| Legal reserve                                                                                                               | -                    | -                    | -                   | 1,111,709            | -                    | (1,111,709)             | -                                                      | -                                                                                           | -                             | -                | -                   | -                     |
| Special reserve                                                                                                             | -                    | -                    | -                   | -                    | 518,281              | (518,281)               | -                                                      | -                                                                                           | -                             | -                | -                   | -                     |
| Cash dividends - \$2.8 per share                                                                                            | -                    | -                    | -                   | -                    | -                    | (9,412,052)             | -                                                      | -                                                                                           | -                             | -                | -                   | (9,412,052)           |
| Changes in capital surplus from investments in subsidiaries and associates accounted for using equity method                | -                    | -                    | 93,500              | -                    | -                    | -                       | -                                                      | -                                                                                           | -                             | -                | -                   | 93,500                |
| Net profit for the year ended December 31, 2019                                                                             | -                    | -                    | -                   | -                    | -                    | 17,459,673              | -                                                      | -                                                                                           | -                             | -                | -                   | 17,459,673            |
| Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax                                   | -                    | -                    | -                   | -                    | -                    | 676,889                 | (3,271,837)                                            | 2,719,118                                                                                   | 77,486                        | (8,793)          | (484,026)           | 192,863               |
| Disposals of investments in equity instruments designated as at fair value through other comprehensive income by associates | -                    | -                    | -                   | -                    | -                    | 79,711                  | -                                                      | (79,711)                                                                                    | -                             | -                | (79,711)            | -                     |
| Other changes in equity from investments in subsidiaries and associates accounted for using equity method                   | -                    | -                    | -                   | -                    | -                    | (15,752)                | -                                                      | -                                                                                           | -                             | -                | -                   | (15,752)              |
| BALANCE AT DECEMBER 31, 2019                                                                                                | <u>3,361,447</u>     | <u>\$ 33,614,472</u> | <u>\$ 1,456,054</u> | <u>\$ 16,727,089</u> | <u>\$ 64,463,426</u> | <u>\$ 27,373,840</u>    | <u>\$ (5,913,201)</u>                                  | <u>\$ 7,908,323</u>                                                                         | <u>\$ 385,214</u>             | <u>\$ 52,141</u> | <u>\$ 2,432,477</u> | <u>\$ 146,067,358</u> |

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

(With Deloitte & Touche auditors' report dated March 25, 2020)

# ASIA CEMENT CORPORATION

## STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

(In Thousands of New Taiwan Dollars)

|                                                                                                                          | 2019          | 2018          |
|--------------------------------------------------------------------------------------------------------------------------|---------------|---------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                                                              |               |               |
| Income before income tax                                                                                                 | \$ 18,156,100 | \$ 12,194,732 |
| Adjustments for:                                                                                                         |               |               |
| Share of profit or loss of subsidiaries and associates                                                                   | (17,111,219)  | (12,970,044)  |
| Net gain on fair value changes of financial assets and liabilities<br>designated as at fair value through profit or loss | (673,850)     | (171,737)     |
| Depreciation expenses                                                                                                    | 523,626       | 464,781       |
| Dividend income                                                                                                          | (422,860)     | (405,773)     |
| (Gain) loss on changes in fair value of investment properties                                                            | (399,682)     | 331,211       |
| Finance costs                                                                                                            | 369,349       | 331,984       |
| Interest income                                                                                                          | (299,327)     | (114,003)     |
| Unrealized loss on foreign exchange                                                                                      | 143,442       | 44,425        |
| Unrealized (realized) gross profit on sales to subsidiaries and<br>associates                                            | 8,442         | (3,444)       |
| Expected credit loss recognized on trade receivables                                                                     | 3,753         | 694           |
| Amortization expenses                                                                                                    | 3,589         | 3,297         |
| Gain on disposal of property, plant and equipment                                                                        | (40)          | (4,053)       |
| Write-downs of inventories                                                                                               | -             | 52,791        |
| Effect of changes in exchange rate of bonds payable                                                                      | -             | 300           |
| Changes in operating assets and liabilities:                                                                             |               |               |
| Notes receivable                                                                                                         | 14,578        | 7,091         |
| Trade receivables                                                                                                        | 27,930        | (238,962)     |
| Other receivables                                                                                                        | (35,221)      | 1,322         |
| Inventories                                                                                                              | 67,546        | (396,116)     |
| Prepayments                                                                                                              | 107,544       | (52,997)      |
| Other current assets                                                                                                     | 5,891         | (3,798)       |
| Net defined benefit assets                                                                                               | (48,810)      | (37,657)      |
| Contract liabilities                                                                                                     | 43,065        | (9,040)       |
| Accounts payable and accrued expenses                                                                                    | 57,642        | 189,552       |

|                                                                               |                  |                  |
|-------------------------------------------------------------------------------|------------------|------------------|
| Provisions                                                                    | -                | 48,000           |
| Deferred revenue                                                              | <u>(75,912)</u>  | <u>(68,085)</u>  |
| Cash generated from (used in) operations                                      | 465,576          | (805,529)        |
| Interest received                                                             | 288,178          | 112,952          |
| Dividend received                                                             | 7,345,508        | 4,296,112        |
| Interest paid                                                                 | (257,528)        | (336,387)        |
| Income tax paid                                                               | <u>(35,186)</u>  | <u>(11,234)</u>  |
| Net cash generated from operating activities                                  | <u>7,806,548</u> | <u>3,255,914</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES                                          |                  |                  |
| Acquisition of financial assets at amortized cost                             | (1,365,160)      | -                |
| Increase (decrease) in refundable deposits                                    | 679,526          | (33,377)         |
| Acquisition of property, plant and equipment                                  | (183,122)        | (194,754)        |
| Purchase of financial assets at fair value through other comprehensive income | (123,395)        | -                |
|                                                                               | (Continued)      |                  |

# ASIA CEMENT CORPORATION

## STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

(In Thousands of New Taiwan Dollars)

|                                                                                                         | 2019               | 2018               |
|---------------------------------------------------------------------------------------------------------|--------------------|--------------------|
| Acquisition of investment properties                                                                    | \$ (24,834)        | \$ (1,269)         |
| Acquisition of intangible assets                                                                        | (202)              | (2,693)            |
| Proceeds from disposal of property, plant and equipment                                                 | 46                 | 4,059              |
| Proceeds from disposal of financial assets at amortized cost                                            | <u>-</u>           | <u>2,096,122</u>   |
| Net cash (used in) generated from investing activities                                                  | <u>(1,017,141)</u> | <u>1,868,088</u>   |
| CASH FLOWS FROM FINANCING ACTIVITIES                                                                    |                    |                    |
| Repayments of long-term borrowings                                                                      | (61,746,000)       | (18,588,000)       |
| Proceeds from long-term borrowings                                                                      | 58,508,000         | 15,033,000         |
| Proceeds from issuance of bonds                                                                         | 10,000,000         | 6,574,843          |
| Dividends paid                                                                                          | (9,412,164)        | (4,033,715)        |
| Repayments of bonds                                                                                     | (4,000,000)        | (4,089,430)        |
| (Decrease) increase in short-term bills payable                                                         | (680,000)          | 2,310,000          |
| Repayment of the principal portion of lease liabilities                                                 | (86,929)           | -                  |
| Decrease in guarantee deposits received                                                                 | <u>(785)</u>       | <u>(1,010)</u>     |
| Net cash used in financing activities                                                                   | <u>(7,417,878)</u> | <u>(2,794,312)</u> |
| EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES | <u>(61,585)</u>    | <u>20,179</u>      |
| NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS                                                    | (690,056)          | 2,349,869          |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR                                                  | <u>3,165,795</u>   | <u>815,926</u>     |

|                                                  |                     |                     |
|--------------------------------------------------|---------------------|---------------------|
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | \$ <u>2,475,739</u> | \$ <u>3,165,795</u> |
|--------------------------------------------------|---------------------|---------------------|

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

(With Deloitte & Touche auditors' report dated March 25, 2020)

(Concluded)

### **Report 3: Audit Committee's Review Report on the 2019 Financial Statements**

To: The 2020 Regular Shareholders' Meeting

The Board of Directors has prepared the Company's 2019 Business Report, the Proposal for Profit Distribution, and the Financial Statements certified by CPA Mr. Hsin Wei Tai and Mr. Yu Wei Fan of the Deloitte & Touche. The Business Report, Financial Statements, and the Proposal for Profit Distribution have been reviewed and determined to be correct and accurate by the Audit Committee members of Asia Cement Corporation. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report.

Chairman of the Audit Committee: Ta-Chou Huang

May 11, 2020

## **Report 4: Report on the 2019 Directors' Remuneration and Employees' Compensation**

### **Explanation:**

Pursuant to the Article 25 of the "Articles of Incorporation of Asia Cement Corporation", 1% to 4% of profit of the current year should be distributed as employees' compensation and not more than 2.5% of profit of the current year should be distributed as directors' remuneration in the case where there are profits for the current year.

The 2019 directors' remuneration is NT\$230,296,135 (1.235%). The 2019 employees' compensation is NT\$ 261,064,444 (1.400%). The aforesaid items will be paid in cash.

The 12<sup>th</sup> meeting of 26<sup>th</sup> Board of Directors approved the employees' compensation and directors' remuneration.

## Report 5: Report on Issued Corporate Bond

### Explanation:

The Company issued two unsecured Corporate Bond in 2019. This report on issued corporate bonds is made in compliance with the Article 246 of the Company Act.

| Type of bond issued                 |              | 1st Unsecured Corporate Bond Issued in 2019 | 2nd Unsecured Corporate Bond Issued in 2019 |
|-------------------------------------|--------------|---------------------------------------------|---------------------------------------------|
| Nominal amount                      |              | NT\$6,500,000,000                           | NT\$3,500,000,000                           |
| Interest rate                       |              | 0.88%                                       | 0.79%                                       |
| Term                                |              | Five years                                  | Five years                                  |
| Issuing reasons                     |              | Repayment of loans                          | Repayment of loans                          |
| Guaranty/guarantor                  |              | None                                        | None                                        |
| Approval date of Board of Directors |              | Mar. 21, 2019                               | Mar. 21, 2019                               |
| Approval authority                  | Agency       | Taipei Exchange, TPEX                       | Taipei Exchange, TPEX                       |
|                                     | Date         | 1. Apr. 30, 2019<br>2. May 6, 2019          | 1. Aug. 8, 2019<br>2. Aug 13, 2019          |
|                                     | Document No. | 1. 10800035871<br>2. 10800038992            | 1. 10800086451<br>2. 10800088082            |
| Status                              |              | Issued on May 8, 2019                       | Issued on Aug. 16, 2019                     |

## **Report 6: Report on the Amendments to “Principles for Ethical Management of Asia Cement Corporation”**

### **Explanation:**

Pursuant to the regulation of TWSE, it is proposed to amend “Principles for Ethical Management” of the Company. Please refer to the following pages for details.

| <b>After the Amendment</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | <b>Before the Amendment</b>                                                                                                                                                                                                                                                                                           |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Article 6</p> <p>Referring to common standards or guidelines at home and abroad, the Company shall establish its own ethical best practice principle, including operating procedures, behavior guidelines, education and training, etc., to forestall unethical conduct which includes matters All Personnel should pay attention to and complies with relevant laws and regulations.</p>                                                                                                                                                                                                                                                                                                                                                                                                         | <p>Article 6</p> <p>The Company shall establish its own ethical best practice principle to forestall unethical conduct which includes matters All Personnel should pay attention to and complies with relevant laws and regulations.</p>                                                                              |
| <p>Article 8</p> <p>The company should require the directors and senior management to issue a statement of compliance with the integrity management policy, and require the employees to comply with the integrity management policy in terms of employment.</p> <p>The Company shall clearly specify ethical corporate management policies on their company website, annual report, and external documents. The Board of Directors and senior management level shall undertake to rigorously and thoroughly enforce such policies for internal management and external commercial activities.</p> <p>The company shall produces documented information and keeps them properly for the first and second integrity management policies, and related statements, commitments, and implementation.</p> | <p>Article 8</p> <p>The Company shall clearly specify ethical corporate management policies in their rules and external documents. The Board of Directors and the management level shall undertake to rigorously and thoroughly enforce such policies for internal management and external commercial activities.</p> |
| <p>Article 10</p> <p>The Company shall engage in commercial activities in a fair and transparent manner.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | <p>Article 10</p> <p>The Company shall engage in commercial activities in a fair and transparent manner.</p>                                                                                                                                                                                                          |

| <b>After the Amendment</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | <b>Before the Amendment</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>When engaging in a commercial activity with counterparty, the Company shall act in accordance with applicable competition laws and regulations, and may not fix prices, make rigged bids, establish output restrictions or quotas, or share or divide markets by allocating customers, suppliers, territories, or lines of commerce.</p> <p>Prior to any commercial transactions, the Company shall take into consideration the legality of their agents, suppliers, clients or other trading counterparties, and their records of unethical conduct, if any. It is advisable not to have any dealings with persons who have any records of unethical conduct.</p> <p>When entering into contracts with other parties, the Company shall include in such contracts provisions demanding ethical corporate management policy compliance. In the event that the trading counterparties are suspected of engaging in unethical conduct, the Company may at any time terminate or cancel the contracts.</p> | <p>When engaging in a commercial activity with counterparty, the Company shall act in accordance with applicable competition laws and regulations, and may not fix prices, make rigged bids, establish output restrictions or quotas, or share or divide markets by allocating customers, suppliers, territories, or lines of commerce.</p> <p>Prior to any commercial transactions, the Company shall take into consideration the legality of their agents, suppliers, clients or other trading counterparties, and their records of unethical conduct, if any. It is advisable not to have any dealings with persons who have any records of unethical conduct.</p> <p>When entering into contracts with other parties, the Company shall include in such contracts provisions demanding ethical corporate management policy compliance. In the event that the trading counterparties are suspected of engaging in unethical conduct, the Company may at any time terminate or cancel the contracts.</p> |
| <p>Article 16</p> <p>The Board of Directors of the Company shall exercise the due care of good administrators to urge the Company to prevent unethical conduct, always review the results of the preventive measures and continually make adjustments so as to ensure a thorough implementation of its ethical corporate management policies.</p> <p>To achieve sound ethical corporate management, the Company appoints corporate governance officer and Human Resource Department to be in charge of establishing and enforcing the ethical corporate management policies and prevention program and reporting to the Board of Directors regularly (at least once a year).</p>                                                                                                                                                                                                                                                                                                                           | <p>Article 16</p> <p>The Board of Directors of the Company shall exercise the due care of good administrators to urge the Company to prevent unethical conduct, always review the results of the preventive measures and continually make adjustments so as to ensure a thorough implementation of its ethical corporate management policies.</p> <p>To achieve sound ethical corporate management, the Company appoints its Human Resource Department to be in charge of establishing and enforcing the ethical corporate management policies and prevention program and reporting to the Board of Directors on a regular basis.</p>                                                                                                                                                                                                                                                                                                                                                                      |
| <p>Article 22</p> <p>All Personnel shall report on any unethical</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | <p>Article 22</p> <p>All Personnel shall report on any unethical</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |

| After the Amendment                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Before the Amendment                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>conduct to independent directors, department heads, internal audit heads, corporate governance heads, human resources department or other appropriate supervisors. The Company shall keep the reporter's identity and content of the report confidential.</p> <p>The operation of the company adheres to the principle of zero malpractice. If the staff of the company use their own positions and intend to seek improper benefit for themselves or others, causing the company to suffer losses, in addition to being dismissed, shall unconditionally compensate the company for the damages all losses.</p> <p>If violating the integrity management regulations, the company's personnel will be punished according to the severity of the circumstances and the company's reward and punishment methods; all employees who have been dismissed will not be allowed to work in the company and related companies. If necessary, it may be reported to the competent authority or transferred to the judicial organ for investigation.</p> <p>When any unethical conduct happened, despites of the disciplinary system of the Company, the Company shall immediately disclose on its internal website the offender's job title, name, date, the violation was committed, violating act and how the matter was handled.</p> <p>The company has "integrity management operation procedures and behavior guidelines", which specifically regulate the matters that the company's personnel should pay attention to when performing business.</p> | <p>conduct to supervisors, managers, chief auditor, or any other proper managers. The Company shall keep the reporter's identity and content of the report confidential.</p> <p>When any unethical conduct happened, despites of the disciplinary system of the Company, the Company shall immediately disclose on its internal website the offender's job title, name, date, the violation was committed, violating act and how the matter was handled.</p> <p>The Company has established the "measure of handling the cases of reporting illegal and unethical or dishonest conduct."</p> |

## **II Recognizing Events**

**Proposed by the Board**

### **Proposal 1: Acceptance of the 2019 Business Report and Financial Statements**

#### **Explanation:**

The 2019 business report and financial statements of Asia Cement Corporation, attached as page 3-40, were audited and approved by Audit Committee.

The Audit Committee's review report on the 2019 financial statements is attached as page 41.

#### **Resolution:**

## Proposed by the Board

### Proposal 2: Acceptance of the Proposal for Distribution of 2019 Profits

#### Explanation:

- The Board of Directors has approved the following proposal for distribution of 2019 profits in accordance with the article 26 of the articles of incorporation of Asia Cement Corporation.

|                                                                                                                                                                      |                   |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|
| 1. Opening unappropriated retained earnings                                                                                                                          | \$ 9,316,418,136  |
| Plus: Effect of retrospective application and retrospective restatement                                                                                              | (143,100,124)     |
| Opening unappropriated retained earnings-                                                                                                                            | 9,173,318,012     |
| Plus :The cumulative gain or loss transferred to retained earnings on disposals of equity investments designated as at fair value through other comprehensive income | 79,711,200        |
| Plus: Effect of changes in percentage of ownership of investee                                                                                                       | (15,751,224)      |
| Plus: Remeasurement of defined benefit plans                                                                                                                         | 676,889,217       |
| Unappropriated retained earnings-Adjusted                                                                                                                            | \$ 9,914,167,205  |
| Net income of 2019                                                                                                                                                   | \$ 17,459,673,128 |
| Less: Legal reserve appropriation                                                                                                                                    | 1,745,967,313     |
| Less: Special reserve appropriation                                                                                                                                  | 804,346,798       |
| Subtotal                                                                                                                                                             | \$ 14,909,359,017 |
| Plus: Unappropriated retained earnings-Adjusted                                                                                                                      | 9,914,167,205     |
| Retained earnings available for distribution                                                                                                                         | 24,823,526,222    |
| Retained earnings to be distributed                                                                                                                                  | 10,084,341,594    |
| Closing unappropriated retained earnings                                                                                                                             | \$ 14,739,184,628 |
| 2. Appropriation items:                                                                                                                                              |                   |
| Shareholders' bonus : Cash dividends NT \$3 per share                                                                                                                | \$ 10,084,341,594 |
| Total                                                                                                                                                                | \$ 10,084,341,594 |

- 2019 net profit will be distributed with priority. It is proposed that the Board authorized the Chairman to fix the record date of ex-cash dividend after the approved by 2020 Annual Shareholders' Meeting.
- The distribution of earnings is calculated to the dollar (round up to the dollar). The total amount of the odd shares will be booked as the other income of the Company. Should ACC subsequently repurchase its common shares or issue new common shares according to Article 28-2 of the Securities and Exchange Act and other relevant regulations, the total number of common shares outstanding may change, and the ultimate cash to be distributed to each common share may need to be adjusted

accordingly. It is proposed that the Chairman of ACC be authorized to adjust the cash to be distributed to each common share based on the total amount of profits resolved to be distributed and the number of actual common shares outstanding on the record date for distribution.

**Resolution:**

### **III Discussing Events and Elections**

**Proposed by the Board**

#### **Proposal 1: Amendment to “Articles of Incorporation of Asia Cement Corporation”**

##### **Explanation:**

In accordance with the actual operation situation and MOEA’s regulations, the Board of Directors proposed to amend “the Articles of Incorporation of Asia Cement Corporation”. Please refer to following comparison table for details.

##### **Resolution:**

## Comparison Table For “Articles of Incorporation of Asia Cement Corporation”

| After the Amendment                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Before the Amendment                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Article 25</p> <p><u>0.1% to 4%</u> of profit of the current year should be distributed as employees’ compensation and not more than 2.5% of profit of the current year should be distributed as directors’ remuneration in the case where there are profits for the current year. However, the Company's accumulated losses shall have been covered.</p> <p>The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, to determine the actual ratio, amount, form (in the form of shares or in cash) and the number of shares of the profit distributable as Employees’ compensation; and a report of such distribution shall be submitted to the shareholders' meeting.</p> <p>The actual ratio and amount of the profit distributable as directors’ remuneration shall also be determined by Board of Directors, and a report of such distribution shall be submitted to the shareholders' meeting.</p> | <p>Article 25</p> <p><u>1% to 4%</u> of profit of the current year should be distributed as employees’ compensation and not more than 2.5% of profit of the current year should be distributed as directors’ remuneration in the case where there are profits for the current year. However, the Company's accumulated losses shall have been covered.</p> <p>The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, to determine the actual ratio, amount, form (in the form of shares or in cash) and the number of shares of the profit distributable as Employees’ compensation; and a report of such distribution shall be submitted to the shareholders' meeting.</p> <p>The actual ratio and amount of the profit distributable as directors’ remuneration shall also be determined by Board of Directors, and a report of such distribution shall be submitted to the shareholders' meeting.</p> |
| <p>Article 26</p> <p>Apart from paying all its income taxes in the case where there are net incomes at the end of the year, the Company shall make up for accumulated losses in past years. <u>Where there is still balance, the Company shall set aside 10% of the sum of said profit in balance and the amount of profit (or loss) items adjusted to the current year’s undistributed earnings other than the said profit as legal reserve and a special reserve as required by law.</u> Subject to certain business conditions under which the Company may retain a portion of the remaining balance, the Company may distribute to the shareholders the remainder together with undistributed profits from previous years in proportion to the number of the shares held by each shareholder as shareholders’ dividend. However in the case of increase in the Company's share capital,</p>                                                                                                             | <p>Article 26</p> <p>Apart from paying all its income taxes in the case where there are net incomes at the end of the year, the Company shall make up for accumulated losses in past years. <u>Where there is still balance, 10% of which shall be set aside by the Company as legal reserve and a special reserve as required by law shall be set aside.</u> Subject to certain business conditions under which the Company may retain a portion of the remaining balance, the Company may distribute to the shareholders the remainder together with undistributed profits from previous years in proportion to the number of the shares held by each shareholder as shareholders’ dividend. However in the case of increase in the Company's share capital, the shareholders' dividend to be distributed to the shareholders of increased shares for the year shall be decided by the shareholders' meeting.</p>                                                                                       |

| After the Amendment                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Before the Amendment                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>the shareholders' dividend to be distributed to the shareholders of increased shares for the year shall be decided by the shareholders' meeting.</p> <p>The distribution of shareholders' dividend shall take into consideration the changes in the outlook for the Company's businesses, the lifespan of the various products or services that have an impact on future capital needs and taxation. Shareholders' dividend shall be distributed aimed at maintaining the stability of shareholders' dividend distributions. Save for the purposes of improving the financial structure, reinvestments, production expansion or other capital expenditures in which capital is required, when distributing shareholders' dividend, the dividend payout ratio each fiscal year shall be no less than fifty percent (50%) of the final surplus which is the sum of after-tax profit of the fiscal year to withhold previous loss, if any, legal reserve and special reserve as required by law; the cash dividend shall not be less than 10% of the shareholders' dividend distributed in the same year.</p> | <p>The distribution of shareholders' dividend shall take into consideration the changes in the outlook for the Company's businesses, the lifespan of the various products or services that have an impact on future capital needs and taxation. Shareholders' dividend shall be distributed aimed at maintaining the stability of shareholders' dividend distributions. Save for the purposes of improving the financial structure, reinvestments, production expansion or other capital expenditures in which capital is required, when distributing shareholders' dividend, the dividend payout ratio each fiscal year shall be no less than fifty percent (50%) of the final surplus which is the sum of after-tax profit of the fiscal year to withhold previous loss, if any, legal reserve and special reserve as required by law; the cash dividend shall not be less than 10% of the shareholders' dividend distributed in the same year.</p> |
| <p>Article 31</p> <p>These articles of incorporation were drafted on January 27, 1957, and came into effect following its approval by the competent authorities. Amendments shall take effect following their approval at the Shareholders' Meetings.</p> <p>--</p> <p>Fifty-third Amendment on June 26, 2018.<br/> Fifty-fourth Amendment on June 24, 2019.<br/> <u>Fifty-fifth Amendment on June 23, 2020.</u></p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | <p>Article 31</p> <p>These articles of incorporation were drafted on January 27, 1957, and came into effect following its approval by the competent authorities. Amendments shall take effect following their approval at the Shareholders' Meetings.</p> <p>--</p> <p>Fifty-third Amendment on June 26, 2018.<br/> Fifty-fourth Amendment on June 24, 2019.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |

\*In case of any discrepancy between this English translation and the Chinese text of this document, the Chinese text shall prevail.

**Proposed by the Board**

**Proposal 2: Amendment to “Meeting Rules for Shareholders’ Meeting”.**

**Explanation:**

Pursuant to TWSE regulations, it is proposed to amend “Meeting Rules for Shareholders’ Meeting” of the Company. Please refer to following comparison table for details.

**Resolution:**

## Comparison Table For “Meeting Rules for Shareholders’ Meeting”

| After Amendment                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Before Amendment                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Article 10</p> <p>For proposal in which discussion has been concluded or closed, the chairperson shall submit it for voting.</p> <p>No discussion or voting shall proceed for matters unrelated to the proposals.</p> <p>The personnel responsible for overseeing and counting of the votes for resolutions shall be appointed by the chairperson. The person responsible for vote overseeing shall be of the shareholder status.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | <p>Article 10</p> <p>For proposal in which discussion has been concluded or closed, the chairperson shall submit it for voting.</p> <p>No discussion or voting shall proceed for matters unrelated to the proposals.</p> <p>The personnel responsible for overseeing and counting of the votes for resolutions shall be appointed by the chairperson <u>with the consent of the shareholders (or proxies)</u>. The person responsible for vote overseeing shall be of the shareholder status.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| <p>Article 11</p> <p>In regards to the resolution of proposals, unless otherwise provided for in the relevant law and regulation or Company’s Articles of Incorporation, resolution shall be passed by a majority of the voting rights represented by the stockholders (or proxies) attending the meeting.</p> <p><u>All proposals shall be put to vote and may be put to vote one after the other by its sequence, or may be put to vote together and numbers of votes for each proposal are counted separately. Whichever way of the voting procedures shall be decided by the chairperson.</u></p> <p>If there are amendments or substitute proposals for the same proposal, the sequence of which to be put to vote shall be decided by the chairperson. If one of the two proposals has been approved, the other proposal shall be deemed rejected without requirement to put it to vote.</p> <p>The results of voting shall be reported on the spot and kept for records.</p> | <p>Article 11</p> <p>In regards to the resolution of proposals, unless otherwise provided for in the relevant law and regulation or Company’s Articles of Incorporation, resolution shall be passed by a majority of the voting rights represented by the stockholders (or proxies) attending the meeting.</p> <p><u>The proposal for a resolution shall be deemed approved if no objection expressed by stockholders casting their votes via electronic casting, and if the chairperson inquires and receives no objection from stockholders in attendance in person. The validity of such approval has the same effect as if the resolution has been put to vote.</u></p> <p><u>If any objection of a proposal being expressed, such proposal shall be put to vote.</u> All proposals may be put to vote one after the other by its sequence, or may be put to vote together and numbers of votes for each proposal are counted separately. Whichever way of the voting procedures shall be decided by the chairperson.</p> <p>If there are amendments or substitute proposals for the same proposal, the sequence of which to be put to vote shall be decided by the chairperson. If one of the two proposals has been approved, the other proposal shall be deemed rejected without requirement to put it to vote.</p> <p>The results of voting shall be reported on the spot and kept for records.</p> |
| <p>Article 12</p> <p><u>When a force majeure occurs during the meeting, the chairperson may decide to temporarily suspend the meeting and announce the time for the continuation of the meeting as appropriate.</u></p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | <p>Article 12</p> <p><u>During the meeting, the chairperson may at his/her discretion declare time for break.</u></p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |

\*In case of any discrepancy between this English translation and the Chinese text of this document, the Chinese text shall prevail.

## Proposed by the Board

### Proposal 3: To Elect Directors and Independent Directors.

#### Explanation:

The three-year term of 26<sup>th</sup> directors and independent directors will be expired in June, 2020. Accordingly, the Board of Directors proposed to elect directors and independent directors at 2020 Regular Shareholders' Meeting.

The 2020 Regular Shareholders' Meeting shall elect 12 directors and 3 independent directors with three-year term.

The Company's election of directors and independent directors adopts candidate nomination system. Shareholders shall elect directors and independent directors from those who listed in the slate of candidates which has been reviewed by the 13<sup>th</sup> meeting of 26<sup>th</sup> Board of Directors held on May 12, 2020. The slate of candidates is attached as the following list.

| Title                | Name              | Legal Entity Represent                                          |
|----------------------|-------------------|-----------------------------------------------------------------|
| Director             | Douglas Tong Hsu  | None                                                            |
| Director             | Tsai Hsiung Chang | Far Eastern New Century Corp.                                   |
| Director             | Johnny Shih       |                                                                 |
| Director             | C.V. Chen         |                                                                 |
| Director             | Chin-Der Ou       | Bai-Yang Investment Holdings Corp.                              |
| Director             | Kun Yan Lee       | Yue Ding Industry Co., Ltd.                                     |
| Director             | Peter Hsu         | Far Eastern Y.Z. Hsu Science and Technology Memorial Foundation |
| Director             | Chen Kun Chang    |                                                                 |
| Director             | Ruey Long Chen    | Ta Chu Chemical Fiber Co., Ltd.                                 |
| Director             | Connie Hsu*       | Huey Kang Investment Corp.                                      |
| Director             | Champion Lee      | Far Eastern Medical Foundation                                  |
| Director             | Kwan-Tao Li       | U-Ming Corp.                                                    |
| Independent Director | Chi Schive        | None                                                            |
| Independent Director | Gordon S. Chen    |                                                                 |
| Independent Director | Yun-Peng Chu      |                                                                 |

\*passed away after nomination period expired.

#### Voting Results:

**Proposed By the Board**

**Proposal 4: Proposal for Release the Prohibition on Directors from Participation in Competitive Business.**

**Explanation:**

1. According to Section 1, Article 209 of the Company Act, any director who does anything for himself or on behalf of another person that is within the scope of the Company's business, shall explain to the shareholders' meeting the essential contents of such an act and secure its approval.
2. The new 27<sup>th</sup> directors may conduct same business within the scope of the Company's business. Thus, the Company proposes to release the prohibition on directors from participation in competitive business.

**Resolution:**

## **V Questions and Motions**

# Rules and Bylaws

## 1. Articles of Incorporation of Asia Cement Corporation

### Chapter I – General Provisions

- Article 1      The Company is duly incorporated under the provisions of the Company Act of the Republic of China, and shall be called “Asia Cement Corporation.”
- Article 2      The Company's businesses are as follows:  
C901030 Cement manufacturing  
C901040 Ready-mixed concrete manufacturing  
B601010 Quarrying  
C901050 Cement and ready-mixed concrete products  
C901990 Non-metallic mineral products  
F111090 Whole sale of building materials  
F211010 Retail sale of building materials  
F401010 International trade  
IZ06010 Tally and packing  
. A201010 Afforestation business  
. H701010 Developing, leasing, and selling residential and business buildings  
. H701020 Developing, leasing, and selling industrial factories  
. H703100 Real estate rental & leasing  
. H703090 Real estate sale & purchase  
. JE01010 Rental and leasing  
. G202010 Parking-lot business  
. G801010 Warehousing  
. I103060 Business management consultation services  
. J101040 Waste treatment  
Except where permits are required, to run operations not forbidden or limited by laws and regulations.
- Article 3      The Company may provide guarantee according to the Procedures for Endorsement & Guarantee of Asia Cement Corporation.
- Article 4      Where the Company invests in other companies and becomes a shareholder with limited liability, its total investment may exceed 40% of its paid-in capital as stipulated under Article 13 of the Company Act, subject to approval of the Board of Directors.
- Article 5      The Company shall have its principal business office in Taipei City, Taiwan and have its manufactories in Dadu Village, Hengshan

Township, Hsinchu County and Sincheng Village, Sincheng Township, Hualian County. The Company may, depending on the circumstances of production and business, set up domestic and foreign branch offices and branch factories.

## **Chapter II– Shares**

Article 6 The Company's total capital shall be forty billion New Taiwan Dollars (NT\$40,000,000,000) divided into 4,000,000,000 shares of NT\$10 each. The Board of Directors is authorized to issue the un-issued shares in separate trenches.

Out of the above total capital amount, One Hundred Million New Taiwan Dollars (NT\$100,000,000) shall be divided into 10,000,000 shares of NT\$10 each, to be issued as warrants for employees to subscribe.

Article 7 Shares issued by the Company are not required to be evidenced by share certificates, provided that they shall be recorded at the securities central depository enterprises.

The Company can issue preferred shares.

In the event that the Company merges with another company, matters relating to the merger need not be approved by way of a resolution of the shareholders meeting of preferred shares.

Article 8 Matters relating to the Company's shares shall be dealt with according to the provisions of "Regulations Governing Handling of Stock Affairs by Public Companies" and the relevant laws and regulations.

Article 9 Registration of share transfer shall be closed within 60 days prior to the general shareholders' meeting, or within 30 days prior to an extraordinary shareholders' meeting or within 5 days prior to the record date on which Company distributes the dividends or bonuses.

## **Chapter III - Shareholders' Meeting**

Article 10 The Shareholders' Meetings shall be General or Extraordinary Shareholders' Meetings:

1. General Shareholders' Meeting shall be held once a year within 6 months of the end of the Company's financial year.
2. Extraordinary Shareholders' Meeting shall be convened in accordance with the relevant laws, rules and regulations of the Republic of China.

Article 11 Notices of general shareholders' meeting shall be in writing and delivered to the shareholders along with a public notice 30 days prior to the general shareholders' meeting and 15 days prior to the extraordinary shareholders' meeting. The said notices shall specify the date, place and reasons for calling the shareholders' meeting.

Article 12 Unless otherwise provided for in the Company Act, a quorum shall be present at the shareholders' meeting if shareholders representing more than half of the shares issued by the Company are in attendance, and resolutions at the said assembly shall be adopted if approved by a majority of the shareholders in attendance.

Article 13 Shareholders may by way of power of attorney appoint proxies to attend the shareholders' meeting. Except for trust enterprises or share registration agencies approved by the securities authorities, when one shareholder is entrusted by two or more shareholders, the voting right represented by the said shareholder shall not exceed 3% of the voting rights of total shares issued. Where it has so exceeded, the voting right in excess shall not be included.

Unless otherwise stipulated by the Company Act, attendance of shareholder's proxies shall be in accordance with the provisions of "Regulation Governing the Use of Proxies For Attendance of Shareholders' Meeting of Public Companies".

Article 14 Unless otherwise provided for in the Company Act and the Articles of Incorporation, shareholders' meeting shall be conducted in accordance with the Company's regulations for shareholders' meeting.

Article 15 Minutes and resolutions of shareholders' meeting shall be recorded and signed by or affixed with the seal of the chairperson of the meeting. The said minutes and resolutions shall specify the date and place of the shareholders' meeting, number of shares represented by the shareholders (or proxies) present at the meeting; number of voting rights represented; name of the chairperson of the shareholders' meeting; resolutions and the manner in which they are passed. The said minutes and resolutions shall be kept, together with the register of shareholders' attendance and the proxies' powers of attorney, in compliance with the law.

The preparation and distribution of the minutes of shareholders' meeting as required in the preceding Paragraph may be made by means of electronic transmission.

#### **Chapter IV – Directors and Managerial Officers**

Article 16 There shall be 13~19 directors of the Company, who are elected and appointed from the persons with legal capacity at the shareholders' meeting. The total shares number of the registered shares of the Company held by all of the directors shall be determined according to the provisions of "Rules and Review Procedures for Director and Supervisor Ownership Ratios at Public Companies".

The term of office of directors is for a period of 3 years. They may

be reappointed following their re-election.

Independent directors shall not be less than three in number and shall not be less than one-fifth of the total number of directors.

Directors shall be elected by adopting candidate nomination system in accordance with the Article 192-1 of Company Act. A shareholder shall elect from the nominees listed in the roster of candidates. The election of independent and non-Independent directors should be held together while elected quotas should be calculated separately.

Article16-1 Pursuant to Article 14-4 of the Securities and Exchange Act, the Company will establish an Audit Committee. The Audit Committee shall make up of the entire number of independent directors, and it is responsible of executing powers relegated to Supervisors by the Company Act, Securities and Exchange Act and other laws and regulations.

The organizing members, exercise of powers and other matters to be abided by the Audit Committee shall follow related laws, regulations or rules or regulation of the Company. The organization regulations of the Audit Committee shall be adopted by the Board of Director.

Article 17 The Board of Directors of the Company shall comprise the directors to exercise the Director's power and authority. A Chairman, who represents the Company, and a Vice Chairman shall be elected from and among the Directors. Where the Chairman is on leave or absent or cannot exercise his/her power and authority for any cause, the Vice Chairman shall act on his/her behalf. Where the Vice Chairman is also on leave or absent or cannot exercise his/her power and authority, the Chairman of the Board of Directors shall designate one of the Directors to act on his behalf. In the absence of such a designation, the Directors shall elect from and among themselves an acting chairperson of the Board of Directors.

Article 18 Meetings of the Board of Directors shall be quarterly convened by the Chairman. Unless otherwise provided for in the Company Act, resolutions of the Board of Directors shall be adopted by a majority of the directors at a meeting attended by a majority of the Directors. The Chairperson may where necessary convene extraordinary meetings of the Board at any time.

When a Director is unable to attend the meeting of the Board of Directors in person, he/she may be represented by another Director in accordance with laws.

The meeting notice of the Board of Directors could be made in hard copy, e-mail, or fax.

- Article 19 (deleted)
- Article 20 The salaries of executive directors might be paid as employees with reference to the standard of listed companies in cement industry. And the amount of such salaries shall be determined by the Board of Directors.
- Article 21 The Company shall have a President, Vice Presidents, Chief Auditor, General Plant Manager, Chief Engineer, Assistant Vice Presidents, Deputy Chief Auditor, Managers, and Plant Managers. The appointment and dismissal of the above staffs shall be approved by the resolutions of the Board of Directors and adopted by a majority of the Directors at a meeting attended by a majority of the Directors.
- Article 22 The Chairman, Vice Chairman and President shall handle the daily affairs of the Company in compliance with the resolutions of the Board of Directors.

#### **Chapter V – Accounting**

- Article 23 The Company's fiscal year shall commence on January 1st of each year, and ends on December 31st of the same year. The final accounts are settled at the end of the Company's fiscal year.
- Article 24 The Board of Directors shall in accordance with law furnish various documents and statements and submit for approval at the General Shareholders' Meeting.
- The appointment, dismissal and remuneration of the accountants, who audit and review the above documents and statements, shall be resolved at the meeting of the Board of Directors.
- Article 25 1% to 4% of profit of the current year should be distributed as employees' compensation and not more than 2.5% of profit of the current year should be distributed as directors' remuneration in the case where there are profits for the current year. However, the Company's accumulated losses shall have been covered.
- The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, to determine the actual ratio, amount, form (in the form of shares or in cash) and the number of shares of the profit distributable as Employees' compensation; and a report of such distribution shall be submitted to the shareholders' meeting.
- The actual ratio and amount of the profit distributable as directors' remuneration shall also be determined by Board of Directors, and a report of such distribution shall be submitted to the shareholders' meeting.
- Article 26 Apart from paying all its income taxes in the case where there are net incomes at the end of the year, the Company shall make up for

accumulated losses in past years. Where there is still balance, 10% of which shall be set aside by the Company as legal reserve and a special reserve as required by law shall be set aside. Subject to certain business conditions under which the Company may retain a portion of the remaining balance, the Company may distribute to the shareholders the remainder together with undistributed profits from previous years in proportion to the number of the shares held by each shareholder as shareholders' dividend. However in the case of increase in the Company's share capital, the shareholders' dividend to be distributed to the shareholders of increased shares for the year shall be decided by the shareholders' meeting.

The distribution of shareholders' dividend shall take into consideration the changes in the outlook for the Company's businesses, the lifespan of the various products or services that have an impact on future capital needs and taxation. Shareholders' dividend shall be distributed aimed at maintaining the stability of shareholders' dividend distributions.

Save for the purposes of improving the financial structure, reinvestments, production expansion or other capital expenditures in which capital is required, when distributing shareholders' dividend, the dividend payout ratio each fiscal year shall be no less than fifty percent (50%) of the final surplus which is the sum of after-tax profit of the fiscal year to withhold previous loss, if any, legal reserve and special reserve as required by law; the cash dividend shall not be less than 10% of the shareholders' dividend distributed in the same year.

Article 27 Allocation of surplus assets to prefer shares of the Company shall not exceed the par value.

#### **Chapter VI – Supplementary Provisions**

Article 28 The organizational rules and bylaws of the Company shall be drawn and amended additionally.

Article 29 All matters not covered herein shall be undertaken in accordance with the Company Act and the other relevant laws and regulations.

Article 30 At the close of each fiscal year, all the statements and records of accounts prepared by the Board of Directors shall be submitted to each shareholder after the ratification by the general shareholders' meeting in accordance with Paragraph 1, Article 230 of the Company Act.

Article 31 These Articles of Incorporation were drafted on January 27, 1957, and came into effect following its approval by the competent authorities. Amendments shall take effect following their approval at the shareholders' meetings.

First amendment on March 5, 1958;

Second amendment on February 5, 1960;  
Third amendment on October 20, 1961;  
Fourth amendment on April 11, 1962;  
Fifth amendment on March 24, 1963;  
Sixth amendment on October 22, 1963;  
Seventh amendment on July 28, 1964;  
Eighth amendment on October 22, 1965;  
Ninth amendment on April 23, 1966;  
Tenth amendment on April 15, 1967;  
Eleventh amendment on April 22, 1968;  
Twelfth amendment on April 30, 1969;  
Thirteenth amendment on April 25, 1970;  
Fourteenth amendment on July 8, 1970;  
Fifteenth amendment on April 28, 1971;  
Sixteenth amendment on April 27, 1973;  
Seventeenth amendment on May 3, 1974;  
Eighteenth amendment on April 28, 1975;  
Nineteenth amendment on April 8, 1976;  
Twentieth amendment on September 24, 1976;  
Twenty-first amendment on April 15, 1977;  
Twenty-second amendment on April 21, 1978;  
Twenty-third amendment on April 26, 1979;  
Twenty-fourth amendment on April 21, 1980;  
Twenty-fifth amendment on April 24, 1981;  
Twenty-sixth amendment on April 28, 1982;  
Twenty-seventh amendment on April 28, 1983;  
Twenty-eighth amendment on April 25, 1984;  
Twenty-ninth amendment on April 29, 1985;  
Thirtieth amendment on April 23, 1986;  
Thirty-first amendment on April 16, 1987;  
Thirty-second amendment on April 12, 1988;  
Thirty-third amendment on April 12, 1990;  
Thirty-fourth amendment on April 12, 1991;  
Thirty-fifth amendment on May 7, 1992;  
Thirty-sixth amendment on May 7, 1993;  
Thirty-seventh amendment on May 6, 1994;  
Thirty-eighth amendment on April 28, 1995;  
Thirty-ninth amendment on May 17, 1996;  
Fortieth amendment on May 14, 1997;

Forty-first amendment on May 13, 1998;  
Forty-second amendment on May 14, 1999;  
Forty-third amendment on May 12, 2000;  
Forty-fourth amendment on May 16, 2001;  
Forty-fifth amendment on June 7, 2002;  
Forty-sixth amendment on June 9, 2005;  
Forty-seventh amendment on June 7, 2006;  
Forty-eighth amendment on June 17, 2008.  
Forty-ninth amendment on June 22, 2011.  
Fiftieth amendment on June 21, 2013.  
Fifty-first Amendment on June 21, 2016.  
Fifty-second Amendment on June 27, 2017.  
Fifty-third Amendment on June 26, 2018.  
Fifty-forth Amendment on June 24, 2019.

\*In case of any discrepancy between this English translation and the Chinese text of this document, the Chinese text shall prevail.

## 2. Meeting Rules of Shareholders for Asia Cement Corporation

Take effect on March 24, 1963

First amended on May 23, 1997

Second amended on May 13, 1998

Third amended on June 7, 2002

Last amended on June 21, 2013

Article 1      The Shareholders' Meeting of the Company shall be held according to the rules herein.

Article 2      The location for Shareholders' Meeting shall be the Company's place of business or a place convenient for attendance by shareholders (or by proxies) that is suitable for holding of this meeting. The meeting shall be held between 9:00am and 3:00pm.

The shareholders (or proxies) when attending the meeting shall wear admission badge and hand in signed attendance form.

When convening Shareholders' Meeting, the Company shall incorporate electronic vote casting as one of the alternative ways to cast the vote, and the procedure of electronic casting shall be written in the notice of Shareholders' Meeting. Shareholders who vote via electronic casting is deemed as presented in person. With respect to extemporaneous motions, amendments of the original proposals, and substitute proposals raised in the Shareholders' Meeting, those who vote via electronic casting shall be considered as abstain.

Number of shareholders in attendance shall be calculated based on the number of attending shares, which equals to the sum of number of shares shown on the signed attended forms and the number of voting shares via electronic casting.

The Company may appoint lawyers, accountants or related personnel to attend the Shareholders' Meeting.

The personnel in charge of handling the affairs of the meeting shall wear identification badge or armband.

For a Shareholders' Meeting convened by the Board of Directors, the chairperson of the Board of Directors shall preside at the meeting. If the chairperson of the Board of Directors is on leave or unable to exercise the rights, the vice-chairperson of the Board of Directors shall preside instead. If the position of vice-chairperson is vacant or the vice-chairperson is on leave or unable to exercise the rights, the chairperson of the Board of Directors shall designate a director to preside at the meeting. If no director is so designated, the chairperson of the meeting shall be elected by the Board of Directors among themselves.

For a Shareholders' Meeting convened by any other person having the convening right, he/she shall act as the chairperson of that meeting; if there are two or more persons having the convening right, the chairperson of the meeting shall be elected

among themselves.

The complete processes of the meeting shall be recorded by voice or video recorders and all the records shall be kept by the Company for a minimum period of at least one year.

Article 3 The chairperson shall announce starting of the meeting when the attending shareholders (or proxies) represent more than half of the total shares issued in public. The chairperson may announce postponement of meeting if the legal quorum is not present after the designated meeting time. Such postponement is limited to two times and the aggregated postponed time shall not exceed one hour. If quorum is still not present after two postponements but the attending shareholders (or proxies) represent more than one third of the total shares issued in public, tentative resolutions may be passed with respect to ordinary resolutions by a majority of those present.

After proceeding with the aforesaid tentative resolutions, the chairperson may put the tentative resolutions for re-voting over the meeting if and when the shares represented by the attending shareholders (or proxies) reached the legal quorum.

Article 4 If the Shareholders' Meeting is convened by the Board of Directors, the agenda shall be designated by the Board of Directors. The meeting shall proceed in accordance with the designated agenda and shall not be amended without resolutions.

If the meeting is convened by person, other than the Board of Directors, having the convening right, the provision set out in the preceding paragraph shall apply *mutatis mutandis*.

Except with shareholders' resolution, the chairperson shall not declare adjournment of the meeting before the completion of the meeting agenda (including motions) set forth according to the two sections above.

During the meeting, if the chairperson declares adjournment of the meeting in violation of the preceding rule, a new chairperson may be elected by a resolution passed by majority of the attending shareholders to continue the meeting.

When the meeting is adjourned by resolution, the shareholders shall not elect another chairperson to continue the meeting at the same location or another venue.

Article 5 The shareholders (or proxies) shall complete statement slip setting out the number of his/her attendance card, name and statement brief before speaking, and the chairperson will designate the order in which each person is to speak during the session.

The statement will be deemed to be invalid if the shareholder (or proxy) merely completes the statement slip without speaking at the meeting. If there is any discrepancy between the content of the statement slip and the speech, the speech content shall be adopted after confirmation.

- Article 6 Any proposal for the agendas shall be submitted in written form. Except for the proposals set out in the agenda, any proposal by the shareholders (or proxies) to amend, substitute or to initiate extemporary motions with respect to the original proposal shall be seconded by other shareholders (or proxies). The same rule shall apply to any proposal to amend the agenda and motion to adjourn the meeting. The shares represented by the proponents and the seconders shall reach 100,000.
- Article 7 The explanation of proposal shall be limited to 5 minutes. The statement of inquiry and reply shall be limited to 3 minutes per person. The time may be extended for 3 minutes with the chairperson's permission.
- The chairperson may restrain shareholders (or proxies) from speaking if that shareholders (or proxies) speak overtime, speak beyond the allowed frequency or content of the speech is beyond the scope of the proposal. When a shareholder (or proxy) is speaking, other shareholder (or proxy) shall not interrupt without consent of the chairperson and the speaking shareholder (or proxy). Anyone disobedient to the preceding rule shall be prohibited by the chairperson.
- Article 14 of this meeting rule shall apply if anyone disobedient to the preceding rule and do not follow the chairperson's instructions.
- Article 8 For the same proposal, each person shall not speak more than 2 times.
- Where a juristic person is authorized to attend a Shareholders' Meeting, such juristic person shall appoint only one representative to attend the meeting.
- Where a juristic person appoints more than two representatives to the meeting, only one representative is allowed to speak.
- Article 9 After speaking by the attending shareholder (or proxy), the chairperson may reply in person or assign relevant officer to reply.
- Over the proposal discussion, the chairperson may conclude the discussion in a timely manner and where necessary announce discussion is closed.
- Article 10 For proposal in which discussion has been concluded or closed, the chairperson shall submit it for voting.
- No discussion or voting shall proceed for matters unrelated to the proposals.
- The poll-watchers and tally clerks shall be appointed by the chairperson with the consent of the shareholders (or proxies). The poll-watchers shall be limited to shareholders of the Company.
- Article 11 In regards to the resolution of proposals, unless otherwise provided for in the relevant law and regulation or company's articles of incorporation, resolution shall be passed by a majority of the voting rights represented by the shareholders (or proxies) attending the meeting.
- The proposal for a resolution shall be deemed approved if no objection expressed by shareholders casting their votes via electronic casting, and if the chairperson inquires and receives no objection from shareholders in attendance in person. The

validity of such approval has the same effect as if the resolution has been put to vote.

If any objection of a proposal being expressed, such proposal shall be put to vote. All proposals may be put to vote one after the other by its sequence, or may be put to vote together and numbers of votes for each proposal are counted separately. Whichever way of the voting procedures shall be decided by the chairperson.

If there are amendments or substitute proposals for the same proposal, the sequence of which to be put to vote shall be decided by the chairperson. If one of the two proposals has been approved, the other proposal shall be deemed rejected without requirement to put it to vote.

The results of voting shall be reported on the spot and kept for records.

Article 12 During the meeting, the chairperson may at his/her discretion declare time for break.

Article 13 The chairperson may maintain the meeting order by instructing the security guards. The security guards shall wear the armband for identification when helping maintaining the venue order.

Article 14 The shareholders (or proxies) shall obey the instructions of the chairperson and security guards in terms of maintaining the order. The chairperson or security guards may exclude the persons disturbing the Shareholders' Meeting from the meeting.

Article 15 For matters not governed by the rules specified herein, shall be governed according to the Company Act, Securities and Exchange Act and the other related laws and regulations.

Article 16 The rules herein take effect after approval at the Shareholders' Meeting. The same provision applies for any amendments.

\*In case of any discrepancy between this English translation and the Chinese text of this document, the Chinese text shall prevail.

### 3. Election Rules for Directors

Last amended on June 27, 2017

Article 1      These rules shall apply to the election of independent directors and non-independent directors of the Company.

Article 2      The election of the Company's directors shall be on the basis of accumulation of votes. Ballot of the eligible voter shall be assigned with code of certificate of present voter. The ballots to be prepared by Board of Directors shall indicate serial number of present voter and the number of votes he represented.

Article 3      The election of independent directors and non-independent directors shall be pursued according to the number of position required and shall be held together; provided, however, that the independent and non-independent directors elected shall be calculated separately. The candidates that obtain more number of votes shall be elected. If there are two or more candidates obtaining the same number of vote but the number of position offered is limited, a draw shall be made amongst them to determine. The chairperson shall conduct the drawing for the candidate who is absent.

Directors shall be elected by adopting the candidate nomination system specified in Article 192-1 of Company Act.

The overall composition of the Board of Directors shall be taken into consideration in the selection of this Corporation's directors. The composition of the Board of Directors shall be determined by taking diversity into consideration and formulating an appropriate policy on diversity based on the company's business operations, operating dynamics, and development needs. It is advisable that the policy include, without being limited to, the following two general standards:

1. Basic requirements and values: Gender, age, nationality, and culture.
2. Professional knowledge and skills: A professional background (e.g., law, accounting, industry, finance, marketing, technology), professional skills, and industry experience.

Each board member shall have the necessary knowledge, skill, and experience to perform their duties; the abilities that must be present in the board as a whole are as follows:

1. The ability to make judgments about operations.
2. Accounting and financial analysis ability.
3. Business management ability.
4. Crisis management ability.
5. Knowledge of the industry.

6. An international market perspective.
7. Leadership ability.
8. Decision-making ability.

Moreover, the professional qualifications, the assessment of independence and other matters of the independent directors shall be in compliance with the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies” or other relevant regulations.

Article 4 In the beginning of the election, the chairman shall designate two canvassers and two tally clerks to carry out relevant missions. The canvasser shall be limited to shareholder of the Company.

Article 5 The canvasser shall perform the following missions:

- (1) Prior to casting of votes, open the vote box to the participants and have a seal attached onto the cover of box.
- (2) Maintain good order for vote casting and prevent any negligence or irregularities in voting.
- (3) Upon completion of voting, remove the seal from box cover, take out the ballots and count the number of ballots.
- (4) Check to see if there are any invalid votes and have the valid votes hand over to tally clerk.
- (5) Conduct supervision over the votes recorded by tally clerk and votes won by the eligible Directors/supervisors.

Article 6 Where a candidate is a natural person, the voters shall expressly enter the candidate’s account name and shareholder account number on the ballots if he is a shareholder, and shall expressly enter the candidate’s name and ID document number on the ballots if he is not a shareholder.

Where a candidate is a government or a corporate shareholder, other than the shareholder account number, the voters may enter as well the name of the government or a corporate shareholder and name of the representative. In case of several representatives, the names of representatives shall be entered.

Article 7 A ballot is null and void if:

- (1) Not in the ballot form as required under the Rules;
- (2) Bearing two or more candidates on a same ballot;
- (3) Remaining blank bearing no entries from the vote;
- (4) Bearing entries not satisfactory to Article 6 or bearing other irrelevant wording;

(5) Bearing vague, illegible wording;

(6) Bearing a candidate who proves nonconforming in qualifications.

Article 8      The ballot box is prepared by the Company, and examined publicly by the scrutineers before voting.

Article 9      After all ballots are cast into ballot box, the canvasser shall join the tally clerk in opening of ballot box.

Article 10     The canvasser shall supervise over the count of ballots of tally clerk.

Article 11     In case of any doubts about the ballots, the canvasser shall be requested to conduct a verification to see the validity of the ballots. The invalid ballots shall be segregated from the valid ones and be certified as invalid ballots by the canvasser after having counted number of ballots and the voting rights.

Article 12     According to results of the votes, the canvasser shall conduct a check on the valid ballots and invalid ballots and produce a record indicating the number of valid ballots and voting rights, the invalid ballots and the voting rights and then the chairman shall announce the names of the elected directors and supervisors.

Article 13     Board of Directors shall issue notice of the elected directors.

Article 14     The rules herein take effect after approval at the stockholders' meeting. The same provision shall apply for any amendments.

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# Appendix

## 1. Shareholding of Directors

| Title                         | Name                                                            | Representative                         | Shareholdings | Ratio of Shareholding |
|-------------------------------|-----------------------------------------------------------------|----------------------------------------|---------------|-----------------------|
| Chairman                      | Douglas Tong Hsu                                                | -                                      | 23,278,334    | 0.69%                 |
| Independent Director          | Ta-Chou Huang                                                   | -                                      | 0             | 0.00%                 |
|                               | Chi Schive                                                      | -                                      | 20,000        | 0.00%                 |
|                               | Gordon S. Chen                                                  | -                                      | 0             | 0.00%                 |
| Director                      | Far Eastern New Century Corporation                             | T.H. Chang<br>Johnny Shih<br>C.V. Chen | 750,511,324   | 22.33%                |
|                               | Bai-Yang Investment Holdings Corporation                        | Chin-Der Ou                            | 3,849,468     | 0.11%                 |
|                               | U-Ding Corporation                                              | K.Y. Lee                               | 1,895,136     | 0.06%                 |
|                               | Far Eastern Y.Z. Hsu Science And Technology Memorial Foundation | Peter Hsu<br>C.K. Chang                | 6,218,800     | 0.19%                 |
|                               | Ta Chu Chemical Fiber Co.,Ltd                                   | Ruey Long Chen                         | 1,560,068     | 0.05%                 |
|                               | Huey Kang Investment Corporation                                | Connie Hsu                             | 4,837,436     | 0.14%                 |
|                               | Far Eastern Medical Foundation                                  | Champion Lee                           | 181,566,797   | 5.40%                 |
|                               | U-Ming Corporation                                              | K.T. Li                                | 1,505,585     | 0.04%                 |
| Shareholding of All Directors |                                                                 |                                        | 975,242,948   | 29.01%                |

**Note 1:** The ratios above are calculated based on total issued shares (3,361,447,198 shares) on book closure date (April 25, 2020).

**Note 2:** The minimum required combined shareholding of all directors by law: 80,674,732 shares.

**Note 3:** The shareholdings of all directors and supervisors meet the minimum required combined shareholding.

## 2. Effects on Business Performance and EPS Resulting From Stock Dividend Distribution

| Year                                    |                                                                                                |                                               | 2020 (Estimated)    |
|-----------------------------------------|------------------------------------------------------------------------------------------------|-----------------------------------------------|---------------------|
| Item                                    |                                                                                                |                                               |                     |
| Paid-In Capital (Beginning of The Year) |                                                                                                |                                               | NT \$33,614,471,980 |
| Stock & Cash Dividend Distribution      | Cash Dividend Per Share                                                                        |                                               | NT\$3.0             |
|                                         | Stock Dividend From Retained Earnings Per Share                                                |                                               | 0.00 Share          |
|                                         | Stock Dividend From Capital Surplus Per Share                                                  |                                               | 0.00 Share          |
| Variance In Business Performance        | Operating Income                                                                               |                                               | Not Applicable*     |
|                                         | % Change In Operating Income                                                                   |                                               | //                  |
|                                         | Net Income                                                                                     |                                               | //                  |
|                                         | % Change In Net Income                                                                         |                                               | //                  |
|                                         | Earnings Per Share                                                                             |                                               | //                  |
|                                         | % Change In EPS                                                                                |                                               | //                  |
|                                         | Average Return on Investment (%) (Reciprocal of Average P/E Ratio)                             |                                               | //                  |
| Pro Forma EPS & P/E Ratio               | If Retained Earnings Distributed In Cash Dividend                                              | Pro Forma Earnings Per Share                  | //                  |
|                                         |                                                                                                | Pro Forma Average Yearly Return on Investment | //                  |
|                                         | If Capital Surplus Not Distributed In Stock Dividend                                           | Pro Forma Earnings Per Share                  | //                  |
|                                         |                                                                                                | Pro Forma Average Yearly Return on Investment | //                  |
|                                         | If Retained Earnings & Capital Surplus Distributed In Cash Dividend Rather Than Stock Dividend | Pro Forma Earnings Per Share                  | //                  |
|                                         |                                                                                                | Pro Forma Average Yearly Return on Investment | //                  |

\* As the Company does not disclose its financial forecast information, in compliance with relevant governmental regulations, there is no need to provide this information.



