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## THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in doubt as to any aspect of this Scheme Document, the Scheme or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

Holders of Scheme Shares should read the whole of this Scheme Document. In addition, this Scheme Document should be read in conjunction with the accompanying forms of proxy and the Election Form.

If you have sold or transferred all your shares in TCC International Holdings Limited, you should at once hand this Scheme Document and the accompanying forms of proxy and the Election Form to the purchaser or the transferee or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this Scheme Document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Scheme Document.

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**TAIWAN CEMENT CORPORATION**

(台灣水泥股份有限公司)

*(A joint stock company incorporated in Taiwan)*

**TCC INTERNATIONAL HOLDINGS LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1136.HK)**



**TCC INTERNATIONAL LIMITED**

*(Incorporated in the British Virgin Islands with limited liability)*

### PROPOSED PRIVATISATION OF TCC INTERNATIONAL HOLDINGS LIMITED BY TAIWAN CEMENT CORPORATION AND TCC INTERNATIONAL LIMITED BY WAY OF A SCHEME OF ARRANGEMENT (UNDER SECTION 86 OF THE COMPANIES LAW OF THE CAYMAN ISLANDS)

**Financial Adviser to Taiwan Cement Corporation and TCC International Limited**



**BNP PARIBAS**

**Independent Financial Adviser to the Independent Board Committee**



**SOMERLEY CAPITAL LIMITED**

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Unless the context otherwise requires, capitalised terms used in this Scheme Document have the meanings set out in the section headed "Definitions" in Part I of this Scheme Document.

A letter from the Board is set out in Part IV of this Scheme Document. A letter from the Independent Board Committee containing its advice to the Disinterested Scheme Shareholders in respect of the Proposal is set out in Part V of this Scheme Document. A letter from Somerley, the Independent Financial Adviser to the Independent Board Committee, containing its advice to the Independent Board Committee in respect of the Proposal is set out in Part VI of this Scheme Document. An Explanatory Memorandum regarding the Proposal is set out in Part VII of this Scheme Document.

Notices convening the Court Meeting, the EGM and the Special EGM to be held at Alexandra Room, 2/F Mandarin Oriental Hotel, 5 Connaught Road, Central, Hong Kong on Monday, September 18, 2017 at 9:00 a.m., 9:30 a.m. and 10:00 a.m. respectively (or in the case of the EGM immediately after the conclusion or adjournment of the Court Meeting; and in the case of the Special EGM immediately after the conclusion or adjournment of the EGM) are set out in Appendix VII, Appendix VIII and Appendix IX, respectively, to this Scheme Document. Whether or not you are able to attend the Court Meeting, EGM and/or the Special EGM, you are strongly urged to complete and sign the enclosed **pink** form of proxy in respect of the Court Meeting, the enclosed **white** form of proxy in respect of the EGM and the enclosed **green** form of proxy in respect of the Special EGM, in accordance with the instructions printed on them, respectively, and to deposit them at the Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible but in any event not later than the respective times and dates as stated under the section headed "24. Actions to be Taken" in the Explanatory Memorandum in Part VII of this Scheme Document. The **pink** form of proxy in respect of the Court Meeting may alternatively be handed to the chairman of the Court Meeting at the Court Meeting before the taking of the poll if it is not so deposited and the chairman shall have absolute discretion as to whether or not to accept it.

This Scheme Document is issued jointly by Taiwan Cement Corporation, TCC International Limited and TCC International Holdings Limited.

**The English language text of this Scheme Document shall prevail over the Chinese language text.**

August 24, 2017

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## IMPORTANT NOTICE

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### NOTICE TO UNITED STATES INVESTORS

The Proposal relates to the Ordinary Shares with par value of HK\$0.10 each and Convertible Preference Shares with par value of HK\$0.10 each in the share capital of the Company, an exempted company incorporated with limited liability in the Cayman Islands, the Ordinary Shares of which are listed on the Stock Exchange, and is proposed to be effected by way of a scheme of arrangement under the laws of the Cayman Islands and applicable rules and regulations in Hong Kong and Taiwan. Accordingly, the Proposal is subject to disclosure requirements, rules and practices applicable in the Cayman Islands, Hong Kong and Taiwan, and the information disclosed in this Scheme Document may not be the same as that which would have been disclosed if this Scheme Document had been prepared for the purpose of complying with the requirements of United States federal securities laws or in accordance with the laws or regulations of any other jurisdiction. The financial information included in this Scheme Document has not been, and will not be, prepared in accordance with US GAAP and thus may not be comparable to financial information of United States companies or companies whose financial statements are prepared in accordance with US GAAP. In addition, the settlement procedure with respect to the Proposal will comply with the rules of the Takeovers Code, the Companies Law and relevant rules in Taiwan, which differ from United States domestic settlement procedures in certain material respects, particularly with regard to the date of payment of consideration.

The receipt of cash pursuant to the Proposal by a United States holder of Shares may be a taxable transaction for United States federal income tax purposes and under applicable state and local, as well as foreign and other tax laws. Each holder of Scheme Shares is urged to consult his or her independent professional adviser immediately regarding the tax consequences of the Proposal.

It may be difficult for United States holders of the Shares to enforce their rights and any claim arising out of United States securities law, since the Offeror and the Company are incorporated outside of the United States, some or all of their respective officers and directors are resident outside of the United States and a substantial portion of their respective assets are located outside of the United States. United States holders of the Shares may not be able to sue a non-United States company or its officers or directors in a non-United States court for violations of United States securities laws, or enforce against them a judgment rendered by a United States court. Further, it may be difficult to compel a non-United States company and its affiliates to subject themselves to a United States court's jurisdiction.

Neither the United States Securities and Exchange Commission nor any other United States federal or state securities commission or regulatory authority has approved or disapproved or passed upon the accuracy or adequacy of this Scheme Document. Any representation to the contrary is a criminal offence in the United States.

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## **IMPORTANT NOTICE**

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Shareholders may obtain free copies of this Scheme Document and the accompanying forms of proxy and the Election Form at the websites maintained by the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and by the Company at <http://www.tcchk.com/>.

### **NOTICE TO SHAREHOLDERS OUTSIDE OF HONG KONG AND THE UNITED STATES**

The implementation of the Proposal to Shareholders who are not resident in Hong Kong or the United States may be subject to the laws of the relevant jurisdictions in which such holders are located. Such holders should inform themselves about and observe any applicable legal or regulatory requirements.

Please refer to the section headed “19. Overseas Shareholders” in the Explanatory Memorandum in Part VII of this Scheme Document for further information.

### **CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This Scheme Document contains forward-looking statements, which may be identified by words such as “believe”, “expect”, “anticipate”, “intend”, “plan”, “seek”, “estimate”, “will”, “would” or words of similar meaning, that involve risks and uncertainties, as well as assumptions. All statements other than statements of historical fact are statements that could be deemed forward-looking statements.

### **EXCHANGE RATE**

For the purpose of this Scheme Document, unless otherwise indicated, the exchange rate at HK\$1.00 = NT\$3.90 has been used, where applicable, for purpose of illustration only and does not constitute a representation that any amount has been, could have been or may be exchanged.

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## CONTENTS

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		<i>Page</i>
<b>PART I</b>	<b>– DEFINITIONS .....</b>	<b>1</b>
<b>PART II</b>	<b>– QUESTIONS AND ANSWERS .....</b>	<b>10</b>
<b>PART III</b>	<b>– EXPECTED TIMETABLE .....</b>	<b>22</b>
<b>PART IV</b>	<b>– LETTER FROM THE BOARD .....</b>	<b>26</b>
<b>PART V</b>	<b>– LETTER FROM THE INDEPENDENT BOARD COMMITTEE .....</b>	<b>53</b>
<b>PART VI</b>	<b>– LETTER FROM SOMERLEY .....</b>	<b>55</b>
<b>PART VII</b>	<b>– EXPLANATORY MEMORANDUM .....</b>	<b>101</b>
<b>APPENDIX I</b>	<b>– FINANCIAL INFORMATION OF THE GROUP .....</b>	<b>I-1</b>
<b>APPENDIX II</b>	<b>– FINANCIAL INFORMATION OF TCC GROUP .....</b>	<b>II-1</b>
<b>APPENDIX III</b>	<b>– PROPERTY VALUATION OF THE GROUP .....</b>	<b>III-1</b>
<b>APPENDIX IV</b>	<b>– PROPERTY VALUATION OF TCC GROUP .....</b>	<b>IV-1</b>
<b>APPENDIX V</b>	<b>– GENERAL INFORMATION .....</b>	<b>V-1</b>
<b>APPENDIX VI</b>	<b>– SCHEME OF ARRANGEMENT .....</b>	<b>VI-1</b>
<b>APPENDIX VII</b>	<b>– NOTICE OF COURT MEETING .....</b>	<b>VII-1</b>
<b>APPENDIX VIII</b>	<b>– NOTICE OF EGM .....</b>	<b>VIII-1</b>
<b>APPENDIX IX</b>	<b>– NOTICE OF SPECIAL EGM .....</b>	<b>IX-1</b>
<b>APPENDIX X</b>	<b>– INFORMATION MEMORANDUM .....</b>	<b>X-1</b>

*In this Scheme Document, the following expressions have the meanings respectively set opposite them unless the content requires otherwise:*

“acting in concert”	has the meaning given to it in the Takeovers Code, and “persons acting in concert” and “concert parties” will be construed accordingly
“Announcement”	the announcement dated April 20, 2017 issued jointly by the Offeror and the Company pursuant to Rule 3.5 of the Takeovers Code in relation to the Proposal
“Announcement Date”	April 20, 2017, being the date of the Announcement
“Articles”	the articles of association of the Company (as amended from time to time)
“associate(s)”	has the meaning given to it in the Takeovers Code
“Authorisations”	all the necessary authorisations, registrations, filings, rulings, consents, permissions and approvals in connection with the Proposal
“Beneficial Owner”	any beneficial owner of the Shares registered in the name of any nominee, trustee, depository or any other authorised custodian or third party
“BNP Paribas Securities”	BNP Paribas Securities (Asia) Limited, a corporation licensed to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and the financial adviser to the Offeror
“Board”	the board of Directors
“Business Day”	a day on which the Stock Exchange is open for the transaction of business
“Cancellation Consideration”	the Cash Alternative or the Share Alternative
“Cash Alternative”	the cash consideration alternative under the Proposal, being HK\$3.60 in cash for each Ordinary Scheme Share and Ordinary Share underlying the Convertible Preference Scheme Shares (as the case may be)

“CCASS”	the Central Clearing and Settlement System established and operated by the HKSCC
“CCASS Participant”	a person admitted to participate in CCASS as a participant, including an Investor Participant
“Chia Hsin Cement”	Chia Hsin Cement Corporation (嘉新水泥股份有限公司), a joint stock company incorporated in Taiwan, the shares of which are listed on the Taiwan Stock Exchange (stock code: 1103.TWSE)
“CHPL”	Chia Hsin Pacific Limited, a company incorporated in the Cayman Islands, being a direct non-wholly owned subsidiary of Chia Hsin Cement
“Committed Shareholders”	Chia Hsin Cement and CHPL
“Committed Shares”	(i) the aggregate of 488,678,512 Ordinary Shares owned by the Committed Shareholders, representing approximately 9.89% of the Ordinary Shares in issue as at the Latest Practicable Date; and (ii) any additional shares, securities or other interests of the Company which the Committed Shareholders may acquire on or after the date hereof
“Companies Law”	the Companies Law (2016 Revision) of the Cayman Islands
“Company”	TCC International Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the Ordinary Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1136.HK)
“Conditions”	the condition(s) to the implementation of the Proposal and the Scheme as described under the section headed “4. Conditions of the Proposal” in the Explanatory Memorandum set out in Part VII of this Scheme Document
“Conversion Rate”	the rate for conversion of the Convertible Preference Shares into Ordinary Shares, calculated by dividing the issue price of the Convertible Preference Shares of HK\$4.90 by its conversion price of HK\$4.49 in accordance with the terms of the Convertible Preference Shares as set out in the Articles

“Convertible Preference Scheme Share(s)”	Convertible Preference Share(s) other than those held by the Offeror
“Convertible Preference Scheme Shareholder(s)”	holder(s) of Convertible Preference Scheme Share(s)
“Convertible Preference Share(s)”	the non-redeemable restricted voting convertible preference shares of par value HK\$0.10 each in the capital of the Company, which conversion rights are currently exercisable
“Convertible Preference Shareholder(s)”	holder(s) of Convertible Preference Share(s)
“Court Hearing”	the hearing by the Grand Court of the petition seeking sanction of the Scheme and to confirm the Reduction
“Court Meeting”	a meeting of the holders of Scheme Shares convened at the direction of the Grand Court at which the Scheme (with or without modification) will be voted upon, notice of which is set out in Appendix VII to this Scheme Document, and any adjournment thereof
“Court Order”	the order of the Grand Court sanctioning the Scheme under Section 86 of the Companies Law and confirming the Reduction under Section 16 of the Companies Law
“Directors”	directors of the Company
“Disinterested Scheme Share(s)”	the Scheme Share(s) held by the Disinterested Scheme Shareholder(s)
“Disinterested Scheme Shareholder(s)”	the Scheme Shareholder(s) other than the Offeror Concert Parties
“Effective Date”	the date on which the Scheme, if approved and sanctioned by the Grand Court, becomes effective in accordance with its terms and the Companies Law, being the date on which a copy of the Court Order is delivered to the Registrar of Companies for registration pursuant to Section 86(3) of the Companies Law, and which is expected to be November 16, 2017 (Cayman Islands time)

“EGM”	an extraordinary general meeting of the Shareholders (including any adjournment thereof) to be convened to consider and vote on, among other things, the Reduction
“Election Form”	the <b>blue</b> form of election to be completed by Scheme Shareholders in order to elect the Share Alternative enclosed with this Scheme Document
“Election Time”	4:30 p.m. (Hong Kong time) on October 3, 2017, being the latest time when the Scheme Shareholders may elect the Share Alternative
“Eligible Taiwanese Account”	valid account to hold and trade securities listed on the Taiwan Stock Exchange
“Estate of Koo Cheng-Yun, Leslie”	the estate of Koo Cheng-Yun, Leslie, the beneficiaries of which comprise the two adult children (Koo, Gung Kai and Koo, Hsuan Hui) and the spouse (Hou, Tien Yi) of Koo, Cheng-Yun, Leslie, and as at the Latest Practicable Date, none of the beneficiaries is a director of the Offeror or the Company
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate thereof
“Explanatory Memorandum”	the explanatory memorandum set out in Part VII of this Scheme Document and issued in compliance with the Rules of the Grand Court of the Cayman Islands 1995 (revised)
“Facility”	the US\$800,000,000 loan facility provided by BNP Paribas acting through its offshore banking branch in Republic of China
“FSC”	Financial Supervisory Commission of Taiwan
“Grand Court”	the Grand Court of the Cayman Islands
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC



“Independent Board Committee” or “IBC”	the independent board committee of the Company, comprising all the non-executive Directors and independent non-executive Directors (other than Mr. Chang Kang-Lung, Jason, Ms. Wang, Lishin, Elizabeth, Ms. Wang, Chi-May and Dr. Liao Poon Huai, Donald) established by the Board to make a recommendation to the Disinterested Scheme Shareholders in respect of the Proposal
“Independent Financial Adviser” or “IFA”	Somerley, the independent financial adviser appointed by the Independent Board Committee to advise the Independent Board Committee on the Proposal
“Information Memorandum”	the information memorandum published by TCC in connection with the issuance of TCC Shares in respect of the Share Alternative prepared in accordance with the relevant laws, rules and regulations of Taiwan, an advanced draft of which is set out in Appendix X to this Scheme Document
“Investor Participant”	a person admitted to participate in CCASS as an investor participant
“Irrevocable Undertaking”	the irrevocable undertaking dated April 24, 2017 (as amended by the Irrevocable Undertaking Amendment) given by the Committed Shareholders in favour of the Offeror to, among others, attend the Court Meeting and EGM and vote to approve the Proposal, the Scheme and the Reduction at such meetings
“Irrevocable Undertaking Amendment”	the amendment to the Irrevocable Undertaking dated May 4, 2017 entered into between the Committed Shareholders and the Offeror which provides that the undertakings of the Committed Shareholders to vote to approve the Scheme and the Proposal and to elect the Share Alternative under the Irrevocable Undertaking shall additionally be subject to the approval by the Investment Commission of MOEA of CHPL’s investment in TCC
“Last Trading Day”	April 18, 2017, being the last trading day prior to the date of publication of the Announcement

“Latest Practicable Date”	August 22, 2017, being the latest practicable date prior to the despatch of this Scheme Document for the purpose of ascertaining certain information contained in this Scheme Document
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	December 31, 2017
“Meeting Record Date”	September 18, 2017, being the record date for the purpose of determining the entitlement of the Shareholders to attend and vote at the Court Meeting, the EGM and the Special EGM, or such other date as announced by the Company
“MOEA”	Ministry of Economic Affairs of Taiwan
“MOPS”	the Market Observation Post System of the Taiwan Stock Exchange ( <a href="http://mops.twse.com.tw/">http://mops.twse.com.tw/</a> )
“NT\$”	New Taiwan Dollar(s), the lawful currency of Taiwan
“Offer Period”	the period from April 20, 2017 (being the date on which the Company first announced the Scheme) to the Effective Date, both dates inclusive
“Offeror”	TCC and TCCI
“Offeror Concert Parties”	all parties acting in concert with the Offeror as defined under the Takeovers Code
“Offeror Directors”	TCC Directors and TCCI Directors
“Ordinary Scheme Share(s)”	Ordinary Share(s) other than those held by the Offeror
“Ordinary Scheme Shareholder(s)”	holder(s) of Ordinary Scheme Share(s)
“Ordinary Share(s)”	ordinary share(s) of par value HK\$0.10 each in the capital of the Company
“PRC”	the People’s Republic of China, but for the purpose of this Scheme Document, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

“Proposal”	the proposal for the privatisation of the Company by the Offeror by way of the Scheme
“Reduction”	the proposed reduction of the issued share capital of the Company in connection with the Proposal under Section 16 of the Companies Law
“Register”	the register of members of the Company
“Registered Owner(s)”	Registered Shareholder(s) other than any person or entity holding the Shares who is a Beneficial Owner, for example, a nominee, trustee, depository or any other authorised custodian
“Registered Shareholder(s)”	holder(s) of Shares whose name appears on the Register
“Registrar”	Computershare Hong Kong Investor Services Limited, the Hong Kong branch share registrar of the Company
“Registrar of Companies”	the registrar of companies appointed under the Companies Law
“Relevant Authorities”	competent governments and/or governmental bodies, regulatory bodies, courts or institutions
“Relevant Period”	the period commencing on October 20, 2016, being the date falling six months prior to the commencement of the Offer Period, and ending on the Latest Practicable Date, both dates inclusive
“Scheme”	a scheme of arrangement under Section 86 of the Companies Law involving the cancellation of all the Scheme Shares, and the simultaneous issuance of an equivalent number of new Shares to TCC and TCCI (as the case may be)
“Scheme Document”	this composite scheme document, including each of the letters, statements, appendices and notices in it, as may be amended or supplemented from time to time

“Scheme Record Date”	September 25, 2017, being the record date for determining entitlements under the Scheme, or such other date as announced by the Company
“Scheme Share(s)”	Ordinary Scheme Share(s) and Convertible Preference Scheme Share(s)
“Scheme Shareholder(s)”	holder(s) of Scheme Shares as at the Scheme Record Date
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“Share(s)”	the Ordinary Shares and the Convertible Preference Shares
“Share Alternative”	the share alternative under the Proposal, being 0.420 TCC Share for each Ordinary Scheme Share and Ordinary Share underlying the Convertible Preference Scheme Shares (as the case may be)
“Shareholder(s)”	holder(s) of Shares
“Sommerley”	Sommerley Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, which is the independent financial adviser to the Independent Board Committee in connection with the Proposal
“Special EGM”	the extraordinary general meeting at which the Convertible Preference Shareholders will consider the special resolution to consent to the cancellation of all the Convertible Preference Scheme Shares as required under Article 3A(k)(iv) of the Articles
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Taiwan Stock Exchange”	Taiwan Stock Exchange Corporation
“Takeovers Code”	the Code on Takeovers and Mergers in Hong Kong

“TCC”	Taiwan Cement Corporation (台灣水泥股份有限公司), a joint stock company incorporated in Taiwan, the shares of which are listed on the Taiwan Stock Exchange (stock code: 1101.TWSE)
“TCC Board”	the board of directors of TCC
“TCC Directors”	directors of TCC
“TCC Group”	TCC and its subsidiaries from time to time
“TCC Share(s)”	the listed common share(s) in the share capital of TCC
“TCCI”	TCC International Limited, a company incorporated in the British Virgin Islands with limited liability, being a direct wholly-owned subsidiary of TCC
“TCCI Directors”	directors of TCCI
“TCCI Share(s)”	the share(s) in the share capital of TCCI
“trading day”	a day on which the Stock Exchange is open for the business of dealings in securities
“U.S.” or “United States”	the United States of America
“US\$”	United States dollars, the lawful currency of the United States

*All references in this Scheme Document to times and dates are references to Hong Kong times and dates, except as otherwise specified and other than references to the expected date of the Grand Court hearing of the petition to sanction the Scheme and confirm the Reduction and the Effective Date, which are the relevant dates in the Cayman Islands. For reference only, Cayman Islands time is 13 hours behind Hong Kong time as at the date of this Scheme Document.*

The following are some of the questions you, as a Shareholder, may have and the answers to those questions. **However, you are urged to read this entire Scheme Document, including the Appendices, carefully.**

**1. WHAT IS THE PURPOSE OF THIS SCHEME DOCUMENT?**

- The purpose of this Scheme Document is to provide you with information regarding the Proposal and the Scheme, including the Cancellation Consideration and the Expected Timetable, to give you notices of the Court Meeting, the EGM and the Special EGM and to inform you of the date and place of the Court Hearing.

**2. WHAT ARE THE PROPOSAL AND THE SCHEME?**

- The Proposal is the proposed privatisation of the Company by the Offeror by way of the Scheme. The Scheme is a scheme of arrangement under Section 86 of the Companies Law between the Company and the Scheme Shareholders involving the cancellation of all the Scheme Shares in exchange for the Cancellation Consideration.
- Upon the Scheme becoming effective, the Scheme will be binding on the Company and all of the Scheme Shareholders, regardless of whether such Scheme Shareholders attended or voted at the Court Meeting, the EGM or the Special EGM, and the Company will become a wholly-owned subsidiary of TCC. The Company will also apply to the Stock Exchange for the withdrawal of listing of the Ordinary Shares on the Stock Exchange.
- Please refer to the sections headed “2. Terms of the Proposal” and “4. Conditions of the Proposal” in the Explanatory Memorandum of this Scheme Document for the detailed terms and conditions of the Proposal.

**3. WHAT ARE THE COURT MEETING, THE EGM AND THE SPECIAL EGM? WHAT IS THE COURT HEARING?**

- The Court Meeting is a meeting of the Scheme Shareholders to vote on the Scheme.
- At the EGM, the Reduction and the issue of new Shares to TCC and TCCI (as the case may be) in connection with the Scheme will be voted on by the Shareholders.
- At the Special EGM, the cancellation of the Convertible Preference Scheme Shares will be voted on by the Convertible Preference Shareholders.

- The Court Meeting, the EGM and the Special EGM will be held at Alexandra Room, 2/F Mandarin Oriental Hotel, 5 Connaught Road, Central, Hong Kong on Monday, September 18, 2017 at 9:00 a.m., 9:30 a.m. (or immediately after the conclusion or adjournment of the Court Meeting) and 10:00 a.m. (or immediately after the conclusion or adjournment of the EGM), respectively.
- The purpose of the Court Hearing is for the Grand Court to sanction the Scheme and confirm the Reduction. The Court Hearing will be held at the Grand Court in the Cayman Islands and is expected to take place on Friday, November 10, 2017 (Cayman Islands time). The Scheme will become effective after the Grand Court sanctions the Scheme and the relevant court order and documents are registered with the Registrar of Companies.

**4. WHAT ARE THE RECOMMENDATIONS OF THE INDEPENDENT BOARD COMMITTEE AND THE INDEPENDENT FINANCIAL ADVISER?**

- Please refer to “Part V – Letter from the Independent Board Committee” and “Part VI – Letter from Somerley” of this Scheme Document.

**5. WHAT VOTE IS REQUIRED FROM THE SHAREHOLDERS IN ORDER FOR THE SCHEME TO BE APPROVED?**

**Court Meeting**

- With respect to the Scheme:
  - (a) a majority in number of the Scheme Shareholders representing not less than 75% in value of the Scheme Shares held by the Scheme Shareholders present and voting either in person or by proxy at the Court Meeting vote in favour of the Scheme;
  - (b) Disinterested Scheme Shareholders holding at least 75% of the votes attaching to the Disinterested Scheme Shares held by the Disinterested Scheme Shareholders that are voted either in person or by proxy at the Court Meeting vote in favour of the Scheme; and
  - (c) the number of votes cast against the resolution to approve the Scheme is not more than 10% of the votes attaching to all Disinterested Scheme Shares held by all the Disinterested Scheme Shareholders.

**EGM**

- With respect to the approval of the Reduction by cancelling all the Scheme Shares: a special resolution needs to be passed by a majority of not less than 75% of the votes cast by the Shareholders present and voting in person or by proxy at the EGM; and
- With respect to the issue of new Shares to TCC and TCCI (as the case may be) in connection with the Scheme: an ordinary resolution needs to be passed by more than 50% of the votes cast by the Shareholders present and voting in person or by proxy at the EGM.

**Special EGM**

- With respect to the cancellation of all the Convertible Preference Scheme Shares: a special resolution needs to be passed by a majority of not less than 75% of the votes cast by the Convertible Preference Shareholders present and voting in person or by proxy at the Special EGM.

**6. HOW DO I VOTE?****Registered Shareholders**

- You may vote in person or by proxy at the Court Meeting, the EGM and/or the Special EGM.
- If you decide to vote by proxy, you should fill in the relevant form of proxy as enclosed with this Scheme Document:
  - (a) For Court Meeting: **pink** form
  - (b) For EGM: **white** form
  - (c) For Special EGM: **green** form.

The form(s) of proxy should be lodged with the Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong by the deadline below:

- (a) **pink** form: not later than 9:00 a.m. on Saturday, September 16, 2017
- (b) **white** form: not later than 9:30 a.m. on Saturday, September 16, 2017
- (c) **green** form: not later than 10:00 a.m. on Saturday, September 16, 2017.



The **pink** form of proxy may alternatively be handed to the chairman at the Court Meeting before the taking of the poll (who shall have absolute discretion as to whether or not to accept it).

Completion and return of a form of proxy will not preclude you from attending and voting in person at the relevant meeting. In such event, the form of proxy lodged will be deemed to have been revoked.

### **Beneficial Owners**

- If your Shares are held upon trust by, and registered in the name of, a Registered Owner (other than HKSCC Nominees Limited), you should contact the Registered Owner and provide him/her/it with instructions or make arrangements with the Registered Owner as to the manner in which your Shares should be voted at the Court Meeting, the EGM and/or the Special EGM. Such instructions and/or arrangements should be given or made in advance of the deadline set by the Registered Owner to provide the Registered Owner with sufficient time to complete his/her/its form of proxy accurately and submit it by the latest time for lodgement of such forms of proxy.
- If your Shares are deposited in CCASS and registered under the name of HKSCC Nominees Limited, you must, unless you are an Investor Participant, contact your broker, custodian, nominee or other relevant person who is, or has in turn deposited such Shares with, another CCASS Participant regarding voting instructions to be given to such persons. You should contact your broker, custodian, nominee or other relevant person in advance of the deadline set by them, in order to provide the broker, custodian, nominee or other relevant person with sufficient time to make arrangements with or provide HKSCC Nominees Limited with instructions in relation to the manner in which your Shares should be voted.

### **7. HOW DO I BECOME A REGISTERED SHAREHOLDER?**

- If your Shares are deposited in CCASS, you may become a Registered Shareholder of record and have the right to attend and vote at the Court Meeting, the EGM and/or Special EGM, by withdrawing all or any of your Shares from CCASS and becoming a Registered Shareholder of such Shares.

You should contact your broker, custodian, nominee or other relevant person in advance of the detailed procedures and the latest time for lodging transfers of Shares into your name so as to qualify to attend and vote at the Court Meeting, the EGM and/or the Special EGM, in order to provide such broker, custodian, nominee or other relevant person with sufficient time to withdraw the Shares from CCASS and register them in your name.

**8. CAN I CHANGE MY VOTE AFTER I HAVE SUBMITTED MY PROXY WITH VOTING INSTRUCTIONS?****Registered Shareholders**

- You can revoke your proxy and change your voting instructions in two ways:
  - (a) you can notify the Company in writing of the revocation of your proxy not later than 48 hours before the time for holding the Court Meeting, the EGM and/or the Special EGM. In the case of the **pink** form of proxy in respect of the Court Meeting, you may also hand the new **pink** form of proxy to the chairman at the Court Meeting before the taking of the poll (who shall have absolute discretion as to whether or not to accept it); or
  - (b) you may attend and vote at the Court Meeting, the EGM and/or the Special EGM in person and in such event, your relevant form of proxy will be deemed to have been revoked.

**Beneficial Owners**

- You should contact your Registered Owner, broker, custodian, nominee or other relevant person and follow its direction to change your vote or revoke your proxy.

**9. WHAT CANCELLATION CONSIDERATION WILL I RECEIVE IF THE SCHEME IS APPROVED AND BECOMES EFFECTIVE?****Ordinary Scheme Shareholder**

- Under the Scheme, each Ordinary Scheme Shareholder will be entitled to receive either:
  - (a) **Cash Alternative:** cash of HK\$3.60 for each Ordinary Scheme Share;or, at the valid election of the relevant Ordinary Scheme Shareholders,
  - (b) **Share Alternative:** 0.420 TCC Share for each Ordinary Scheme Share.

**Convertible Preference Scheme Shareholder**

- Under the Scheme, each Convertible Preference Scheme Shareholder will be entitled to receive either:
  - (a) **Cash Alternative:** cash of HK\$3.60 for each Ordinary Share underlying a Convertible Preference Scheme Share (or approximately HK\$3.93 for each Convertible Preference Scheme Share, being HK\$3.60 multiplied by the Conversion Rate (i.e. approximately 1.0913 times));or, at the valid election of the relevant Convertible Preference Scheme Shareholders,
  - (b) **Share Alternative:** 0.420 TCC Share for each Ordinary Share underlying a Convertible Preference Scheme Share (or approximately 0.458 TCC Share for each Convertible Preference Scheme Share, being 0.420 TCC Share multiplied by the Conversion Rate (i.e. approximately 1.0913 times)).

**If you do not make any election for the Share Alternative, or if your election for the Share Alternative is invalid, you will receive the Cash Alternative.**

**10. CAN I ELECT TO RECEIVE BOTH THE CASH ALTERNATIVE AND THE SHARE ALTERNATIVE?**

- **No.** Each Scheme Shareholder (except HKSCC Nominees Limited who may make different elections in respect of Scheme Shares held on behalf of Beneficial Owners) can only elect to receive either the Cash Alternative or the Share Alternative in respect of all the Scheme Shares it holds.

**11. WHAT SHOULD I DO IF I WANT TO RECEIVE THE CASH ALTERNATIVE?**

- You do not need to do anything other than voting your Shares in favour of the Scheme and other matters at the Court Meeting, the EGM and/or the Special EGM.

**12. HOW WILL I RECEIVE THE CASH ALTERNATIVE?****Registered Shareholders**

- If the Scheme is approved and becomes effective, within seven Business Days following the Effective Date, cheques for the cash entitlements will be sent by post in pre-paid envelopes addressed to you at your registered address (or in the case of joint holders, to the registered address of that joint holder whose name stands first in the Register in respect of the joint holding), unless specific instructions to the contrary in writing is given to the Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong. All such cheques will be sent at your own risk and none of the Offeror, the Company, BNP Paribas Securities, the Registrar or any of them will be responsible for any loss or delay in despatch.

**Beneficial Owners**

- If your Shares are held upon trust by, and registered in the name of, a Registered Owner (other than HKSCC Nominees Limited), within seven Business Days following the Effective Date, cheques for the cash entitlements will be sent by post in pre-paid envelopes addressed to your Registered Owner. You should contact your Registered Owner for the subsequent arrangements for receiving the cash entitlements.
- If your Shares are deposited in CCASS and registered under the name of HKSCC Nominees Limited, within seven Business Days following the Effective Date under the Scheme, cheques for the cash entitlements which is expected to be paid on or before Monday, November 27, 2017 will be sent by post in pre-paid envelopes addressed to HKSCC Nominees Limited. Upon receipt of cheque for the cash entitlement, HKSCC will cause such payment to be credited to the designated bank accounts of the relevant CCASS Participants in accordance with the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

**13. WHAT ARE TCC SHARES?**

- TCC Shares are shares of Taiwan Cement Corporation, a company incorporated in Taiwan and listed on the Taiwan Stock Exchange (stock code: 1101.TWSE). Please refer to the section headed "11. Comparison of Value – The Share Alternative" in the Explanatory Memorandum for the details of the Share Alternative. Please also refer to Appendix X of this Scheme Document for the Information Memorandum which contains important details regarding TCC and TCC Shares.

**14. WHAT SHOULD I DO IF I WANT TO RECEIVE THE SHARE ALTERNATIVE?****Eligibility to receive the Share Alternative**

- You must have an Eligible Taiwanese Account maintained in your name in order to receive the Share Alternative. **You have an Eligible Taiwanese Account if you fall within one of the three cases below:**
  - (a) you hold a securities account through a local stockbroker, bank or registered institution in Taiwan;
  - (b) you have registered yourself as a “Foreign Institutional Investor” (“**FINI**”) or “Foreign Individual Investor” (“**FIDI**”) in Taiwan and hold a FINI or FIDI account; or
  - (c) you hold a securities account (which can hold and trade Taiwan listed securities) through a bank or securities brokerage firm in Hong Kong which has registered itself as a FINI.

**In all cases, we recommend that you consult your stockbroker, bank or other professional advisers as soon as practicable as to whether you fall within any of the cases above and/or whether you are eligible to open any one of the accounts as set out in (a) or (c) above or register yourself as a FINI or FIDI and open a FINI or FIDI account.**

- If you wish to open a securities account through a bank or securities brokerage firm in Hong Kong which has registered itself as a FINI and your stockbroker, bank or professional advisers are unable to provide you with the relevant information or advice, you may contact the following entities (which have registered themselves as FINI) to assist you:

Fubon Securities (Hong Kong) Limited  
Address: 17/F, Central 88, 88-98 Des Voeux Road Central, Hong Kong  
Opening Hours: 9:00 a.m. – 5:30 p.m. (Monday to Friday)  
Telephone: (852) 2881-4500  
Fax: (852) 2812-6269  
Email: yujing.dai@fubon.com  
Contact Person: Vivian Dai

CTBC ASIA LIMITED  
Address: 28/F, Two International Finance Centre, 8 Finance Street,  
Central, Hong Kong  
Opening Hours: 9:00 a.m. – 5:45 p.m. (Monday to Friday)  
Telephone: (852) 2916-1772 / (852) 2916-1742  
0080-185-5898 (Taiwan toll free)  
Fax: (852) 2234-7667  
Email: Allen.Cheng@ctbcasia.com.hk / Jason.Lam@ctbcasia.com.hk  
Contact Person: Allen Cheng / Jason Lam

Please note that Fubon Securities (Hong Kong) Limited and CTBC ASIA LIMITED are not financial advisers to the Offeror or the Company in respect of the Scheme. They will not provide advice on the merits of the Proposal or the Scheme or give any financial or legal advice, and will not be soliciting proxies or votes in respect of the resolutions to be voted on at the Court Meeting, the EGM and the Special EGM.

The process of opening an account with a bank or securities brokerage firm in Hong Kong which has registered itself as a FINI generally takes **approximately 5 to 15 business days** after all required information and documents have been duly provided to your stockbroker. Accordingly, you are advised to contact your stockbroker, bank or other professional advisers as soon as practicable and allow sufficient time to open an Eligible Taiwanese Account should you wish to elect the Share Alternative.

- You are free to consult, contact or engage with other stockbrokers, banks or registered institutions of your choice regarding the opening of an Eligible Taiwanese Account. **In such case, you must inform such entity of your intention to elect for and receive the Share Alternative as soon as practicable to enable it to provide you with the information necessary to complete the Election Form and to make appropriate arrangement for the receipt of the TCC Shares by your Eligible Taiwanese Account maintained with such bank or securities brokerage firm.**

#### Steps to receive the Share Alternative

##### (a) *Registered Shareholders*

*Step 1: Have an Eligible Taiwanese Account before the Election Time*

- You must have an Eligible Taiwanese Account in your name **before 4:30 p.m. on Tuesday, October 3, 2017**, being the Election Time.

*Step 2: Fill in the Election Form*

- A **blue** Election Form is enclosed with this Scheme Document. Alternatively, copies of the Election Form can be obtained from the Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, or downloaded from the websites maintained by the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and by the Company at <http://www.tcchk.com/>.

If you have sold or transferred all of your Shares, you should at once hand this Scheme Document and the accompanying forms of proxy and the Election Form to the purchaser or the transferee or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

- You should fill in and sign the Election Form in accordance with the instructions appearing thereon. In the Election Form, you are required to specify, among other things, details of your Eligible Taiwanese Account which you will use to receive the Share Alternative.

*Step 3: Submit the Election Form by the Election Time*

- You should deliver the completed and signed Election Form to the Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on Tuesday, October 3, 2017 or such later date and time as may be notified by the Offeror and the Company through announcement.

**(b) Beneficial Owners holding Shares through Registered Owners (other than HKSCC Nominees Limited)**

- If your Shares are held upon trust by, and registered in the name of, a Registered Owner (other than HKSCC Nominees Limited), your Registered Owner will receive the Share Alternative as a Registered Shareholder in the manner described in paragraph (a) above, provided that the Registered Owner has duly completed Steps 1 to 3 above and has validly elected the Share Alternative. Otherwise, your Registered Owner will receive the Cash Alternative.
- You should consult your Registered Owner and any other professional advisers on making the election and subsequent arrangement of the entitlements.

**(c) Beneficial Owners holding Shares through HKSCC Nominees Limited**

- If your Shares are deposited in CCASS and registered in the name of HKSCC Nominees Limited, the TCC Shares under the Share Alternative will be issued to you directly (instead of being issued to HKSCC Nominees Limited for subsequent transfer to you).

You should consult your broker, custodian, nominee or other relevant person as soon as practicable as to the timing and procedures for the election of the Share Alternative. They may set a timeline which may be earlier than the Election Time to allow them sufficient time to submit the election to HKSCC Nominees Limited by the deadline set by HKSCC Nominees Limited. You should therefore allow sufficient time to have an Eligible Taiwanese Account which is maintained in your name opened and ready before the deadline imposed by your broker, custodian, nominee or other relevant person.

- **Please note that** if you hold Convertible Preference Scheme Share(s) through HKSCC Nominees Limited and wish to receive the Share Alternative in respect of such shares, HKSCC Nominees Limited will not make any election for you as the Convertible Preference Scheme Share(s) are not eligible securities in CCASS. You must first withdraw your Convertible Preference Scheme Share(s) from CCASS and become a Registered Shareholder of such Convertible Preference Scheme Share(s) and then make election in the capacity as a Registered Shareholder in accordance with the instructions set out in part (a) above.

You should contact your broker, custodian, nominee or other relevant person in advance of the detailed procedures and the latest time for lodging transfers of Convertible Preference Scheme Share(s) from HKSCC Nominees Limited into your name.

#### **Other important points about the election**

- **Any Scheme Shareholder (a) who has not returned an Election Form before the prescribed time as stated herein, or (b) who has returned an Election Form which is not duly completed or executed in accordance with the instructions thereon or contains inaccurate, incorrect, invalid or incomplete information or illegible writing or is otherwise not valid in accordance with the terms of the Scheme (including but not limited to the failure to provide complete and correct information of an Eligible Taiwanese Account), will receive the Cash Alternative.**
- Scheme Shareholders are entitled to either the Cash Alternative or the Share Alternative but not both (except for HKSCC Nominees Limited, who may make different elections in respect of the Scheme Shares held on behalf of Beneficial Owners).



- The Offeror and the Company shall have the right to reject any or all of the Election Forms that they determine to be not duly completed or executed in accordance with the instructions thereon or containing inaccurate, incorrect, invalid or incomplete information or illegible writing or otherwise not valid in accordance with the terms of the Scheme (including but not limited to the failure to provide complete and correct information of an Eligible Taiwanese Account). In such case, the relevant Scheme Shareholder will receive the Cash Alternative. The Offeror and the Company are not obliged to give notice to any Scheme Shareholder of any such defects or irregularities and hereby disclaim any and all liabilities arising from not giving such notification.
- The Offeror and the Company shall also have the right to treat any Election Form that has not been duly completed in accordance with the instructions thereon, or has otherwise been completed incorrectly, as being valid, provided that the Offeror and the Company in their absolute discretion consider the omissions or errors to be immaterial.
- The right to receive the Cancellation Consideration is subject to the Scheme being sanctioned and becoming effective.
- No acknowledgement of receipt of any Election Form will be given. An Election Form so completed and delivered shall be irrevocable and incapable of being amended or withdrawn.
- You are responsible for ensuring that your Eligible Taiwanese Account continues to be effective for receipt of the Share Alternative after the Effective Date (which is expected to be Thursday, November 16, 2017 (Cayman Islands time)). None of the Offeror, the Company, BNP Paribas Securities or the Registrar take any responsibility for your failure to do so.

**Warning: There are risks associated with holding TCC Shares. Please refer to the section headed “2. Terms of the Proposal – Risks relating to the holding of TCC Shares” in the Explanatory Memorandum in Part VII and the Information Memorandum in Appendix X to this Scheme Document for further details.**

#### **15. HOW WILL I RECEIVE THE SHARE ALTERNATIVE?**

- If the Scheme is approved and becomes effective and provided you have delivered a duly completed, executed and valid Election Form in accordance with Steps 1 to 3 under paragraph 14(a) above, within seven Business Days following the Effective Date, the number of TCC Shares you are entitled to under the Scheme will be issued and allotted to you.

**Hong Kong time**  
(unless otherwise stated)

Date of despatch of this Scheme Document . . . . . Thursday, August 24, 2017

Latest time for lodging transfers of Shares in order to  
qualify for attending and voting at the Court Meeting,  
the EGM and the Special EGM . . . . . 4:30 p.m. on  
Monday, September 11, 2017

Register of members of the Company closed for  
determination of entitlements of holders of Scheme  
Shares to attend and vote at the Court Meeting and  
entitlements of Shareholders to attend and vote at the  
EGM and the Special EGM (*Note 1*) . . . . . Tuesday, September 12, 2017 to  
Monday, September 18, 2017  
(both days inclusive)

Latest time for lodging forms of proxy in respect of (*Note 2*):

Court Meeting . . . . . 9:00 a.m. on  
Saturday, September 16, 2017  
(or to be handed directly to  
the chairman at  
the Court Meeting before  
the taking of the poll)

EGM . . . . . 9:30 a.m. on  
Saturday, September 16, 2017

Special EGM . . . . . 10:00 a.m. on  
Saturday, September 16, 2017

Meeting Record Date . . . . . Monday, September 18, 2017

Court Meeting (*Note 3*) . . . . . 9:00 a.m. on  
Monday, September 18, 2017

EGM (*Note 3*) . . . . . 9:30 a.m. on  
Monday, September 18, 2017  
(or immediately  
after the conclusion or  
adjournment of the  
Court Meeting)

**Hong Kong time**  
(unless otherwise stated)

Special EGM ( <i>Note 3</i> ) . . . . .	10:00 a.m. on Monday, September 18, 2017 (or immediately after the conclusion or adjournment of the EGM)
Announcement of the results of the Court Meeting, the EGM and the Special EGM published on the website of the Stock Exchange and the website of the Company . . . . .	No later than 7:00 p.m. on Monday, September 18, 2017
Expected latest time for dealing in the Ordinary Shares on the Stock Exchange . . . . .	4:00 p.m. on Tuesday, September 19, 2017
Latest time for lodging transfers of the Shares in order to qualify for entitlements under the Scheme . . . . .	4:30 p.m. on Thursday, September 21, 2017
Register of members of the Company closed for determining entitlements to qualify under the Scheme ( <i>Note 4</i> ) . . . . .	From Friday, September 22, 2017 onwards
Scheme Record Date . . . . .	Monday, September 25, 2017
Latest time to submit Election Form to elect the Share Alternative . . . . .	4:30 p.m. on Tuesday, October 3, 2017
Application to the FSC for the new issuance of TCC Shares and updated draft Information Memorandum published on MOPS ( <i>Note 5</i> ) . . . . .	Thursday, October 19, 2017
Approval by the FSC of the new issuance of TCC Shares ( <i>Note 6</i> ) . . . . .	Monday, November 6, 2017
Final Information Memorandum published on MOPS . . . . .	Monday, November 6, 2017

**Hong Kong time**  
(unless otherwise stated)

Court Hearing to sanction the Scheme and to  
confirm the Reduction (*Note 7*) . . . . . Friday, November 10, 2017  
**(Cayman Islands Time)**

Announcement of (1) the results of the Court Hearing  
to sanction the Scheme and confirm the Reduction,  
(2) the expected Effective Date and (3) the intention  
to withdraw the listing of the Ordinary Shares  
on the Stock Exchange . . . . . Before 8:30 a.m. on  
Monday, November 13, 2017

Effective Date (*Note 7 and Note 8*) . . . . . Thursday, November 16, 2017  
**(Cayman Islands Time)**

Announcement of the Effective Date and withdrawal  
of listing of the Ordinary Shares on the Stock Exchange . . . . . Friday, November 17, 2017

Withdrawal of listing of the Ordinary Shares on the  
Stock Exchange becomes effective . . . . . 9:00 a.m. on  
Monday, November 20, 2017

Cheques for cash entitlements to be despatched (*Note 9*) . . . . . On or before  
Monday, November 27, 2017

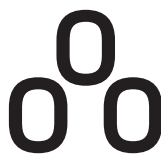
TCC Shares under the Share Alternative to be allotted (*Note 9*) . . . . . On or before  
Monday, November 27, 2017

**Shareholders should note that the timetable is subject to change. Further  
announcement(s) will be made in the event that there is any change to the timetable.**

*Notes:*

- (1) The closure of the register of members of the Company during this period is not for the purpose of determining entitlements under the Scheme. Instead, it is for the purpose of determining entitlements of holders of Scheme Shares to attend and vote at the Court Meeting and of the Shareholders to attend and vote at the EGM and the Special EGM.

- (2) Forms of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notorially certified copy thereof, must be deposited with the Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, as soon as possible and in any event not later than the times and dates stated above. In order to be valid, the **pink** form of proxy for the Court Meeting, the **white** form of proxy for the EGM and the **green** form of proxy for the Special EGM must be deposited by the times and dates stated above. The **pink** form of proxy in respect of the Court Meeting may alternatively be handed to the chairman of the Court Meeting at the Court Meeting before the taking of the poll if it is not so deposited and the chairman shall have absolute discretion as to whether or not to accept it. Completion and return of a form of proxy for the Court Meeting, the EGM and/or the Special EGM will not preclude a holder of Scheme Shares and a Shareholder, respectively, from attending the relevant meeting and voting in person. In such event, the relevant form of proxy will be deemed to have been revoked.
- (3) The Court Meeting, the EGM and the Special EGM will be held at Alexandra Room, 2/F Mandarin Oriental Hotel, 5 Connaught Road, Central, Hong Kong at the times and dates specified above. Notice of the Court Meeting is set out in Appendix VII to this Scheme Document, notice of the EGM is set out in Appendix VIII to this Scheme Document and notice of the Special EGM is set out in Appendix IX to this Scheme Document.
- (4) The register of members of the Company will be closed as from such time and on such date for the purpose of determining Scheme Shareholders who are qualified for entitlements under the Scheme.
- (5) An updated draft Information Memorandum with the aggregate number of TCC Shares to be issued will be uploaded onto MOPS at <http://mops.twse.com.tw/>.
- (6) The approval of the FSC will be deemed granted if the FSC does not voice its objection within 12 business days in Taiwan after the filing of such application.
- (7) All references in this Scheme Document to times and dates are references to Hong Kong times and dates, other than references to the expected dates of the Court Hearing and the Effective Date, which are the relevant times and dates in the Cayman Islands. Cayman Islands time is 13 hours behind Hong Kong time.
- (8) The Scheme will become effective upon all the Conditions set out in the section headed "4. Conditions of the Proposal" in Part VII – Explanatory Memorandum of this Scheme Document having been fulfilled or waived, as applicable.
- (9) Cheques for cash entitlements to the Scheme Shareholders will be despatched by post and TCC Shares will be allotted to the Scheme Shareholders who have validly elected the Share Alternative, in both cases, within seven (7) Business Days from the Effective Date.



**TCC INTERNATIONAL HOLDINGS LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1136.HK)**

*Executive Directors:*

Chang, An-Ping, Nelson (*Chairman*)  
Koo, Jason Kung Yi (*Managing Director*)

*Non-executive Directors:*

Shan Weijian  
Chang, Kang-Lung, Jason  
Wang, Lishin, Elizabeth  
Wang, Chi-May

*Independent Non-executive Directors:*

Liao Poon Huai, Donald  
Chih Ching Kang, Kenneth  
Shieh, Jen-Chung, Roger

*Registered Office:*

P.O. Box 309, Uglan House  
Grand Cayman  
KY1-1104  
Cayman Islands

*Head Office and Principal Place  
of Business:*

16/F HK Diamond Exchange Building  
8-10 Duddell Street  
Central  
Hong Kong

August 24, 2017

*To the Shareholders*

Dear Sir or Madam,

**PROPOSED PRIVATISATION OF  
TCC INTERNATIONAL HOLDINGS LIMITED  
BY TAIWAN CEMENT CORPORATION AND  
TCC INTERNATIONAL LIMITED  
BY WAY OF A SCHEME OF ARRANGEMENT  
(UNDER SECTION 86 OF THE COMPANIES LAW OF THE CAYMAN ISLANDS)**

**INTRODUCTION**

On April 20, 2017, the respective directors of the Offeror and the Company jointly announced that the Offeror requested the Board to put forward the Proposal to the Scheme Shareholders for the privatisation of the Company by way of a scheme of arrangement under Section 86 of the Companies Law.

The purpose of this Scheme Document is to provide you with, *inter alia*, further information regarding the Proposal, the Scheme and the Expected Timetable and to give you notices of the Court Meeting, of the EGM and of the Special EGM (together with proxy forms in relation thereto).

Your attention is also drawn to the Letter from the Independent Board Committee set out in Part V of this Scheme Document, the Letter from Somerley set out in Part VI of this Scheme Document, the Explanatory Memorandum set out in Part VII of this Scheme Document, the Scheme of Arrangement set out in Appendix VI to this Scheme Document, and the Information Memorandum set out in Appendix X to this Scheme Document.

## **THE PROPOSAL**

### **Ordinary Scheme Shares**

Under the Scheme, the Ordinary Scheme Shares will be cancelled in exchange for either:

(a) **Cash Alternative:** cash of HK\$3.60 for each Ordinary Scheme Share; or,

at the valid election of the relevant Ordinary Scheme Shareholders,

(b) **Share Alternative:** 0.420 TCC Share for each Ordinary Scheme Share.

### **Convertible Preference Scheme Shares**

As at the Latest Practicable Date, each Convertible Preference Share is convertible at the Conversion Rate into approximately 1.0913 Ordinary Shares. Therefore, the 494,333,645 Convertible Preference Shares in issue as at the Latest Practicable Date represent 539,473,242 Ordinary Shares on a fully-converted basis.

Under the Scheme, the Convertible Preference Scheme Shares will be cancelled in exchange for either:

(i) **Cash Alternative:** cash of HK\$3.60 for each Ordinary Share underlying a Convertible Preference Scheme Share (or approximately HK\$3.93 for each Convertible Preference Scheme Share, being HK\$3.60 multiplied by the Conversion Rate (i.e. approximately 1.0913 times));

or, at the valid election of the relevant Convertible Preference Scheme Shareholders,

- (ii) **Share Alternative:** 0.420 TCC Share for each Ordinary Share underlying a Convertible Preference Scheme Share (or approximately 0.458 TCC Share for each Convertible Preference Scheme Share, being 0.420 TCC Share multiplied by the Conversion Rate (i.e. approximately 1.0913 times)).

Given that each Convertible Preference Share is convertible at the Conversion Rate into approximately 1.0913 Ordinary Shares, the Cancellation Consideration offered to Convertible Preference Scheme Shareholders is determined on an identical basis with reference to the Cancellation Consideration offered to the Ordinary Scheme Shareholders in accordance with the requirements under Rule 14 of the Takeovers Code.

As at December 31, 2016, the audited net asset value of TCC Group attributable to the controlling interest was NT\$106,768,051,000 (representing NT\$28.92 or approximately HK\$7.42 per TCC Share, based on 3,692,175,869 TCC Shares in issue as at the Latest Practicable Date) as disclosed in the audited consolidated financial statements of the TCC Group for the year ended December 31, 2016. As at the Last Trading Day, the closing price per TCC Share as quoted on the Taiwan Stock Exchange was NT\$36.45 (approximately HK\$9.35). Applying such closing price on the Last Trading Day, under the Share Alternative, each Ordinary Scheme Share and Ordinary Share underlying a Convertible Preference Scheme Share will be cancelled in exchange for cash consideration of approximately HK\$3.93 and each Convertible Preference Scheme Share will be cancelled in exchange for cash consideration of approximately HK\$4.28. As at the Latest Practicable Date, the closing price per TCC Share as quoted on the Taiwan Stock Exchange was NT\$34.25 (approximately HK\$8.78). Applying such closing price on the Latest Practicable Date, under the Share Alternative, each Ordinary Scheme Share and Ordinary Share underlying a Convertible Preference Scheme Share will be cancelled in exchange for cash consideration of approximately HK\$3.69 and each Convertible Preference Scheme Share will be cancelled in exchange for cash consideration of approximately HK\$4.02.

#### **Election of Cancellation Consideration**

Each Scheme Shareholder may elect to receive the Share Alternative as the form of Cancellation Consideration in respect of its entire holdings of Scheme Shares (but not, for the avoidance of doubt, a combination of the two alternatives, save for HKSCC Nominees Limited, who may make different elections in respect of Scheme Shares held on behalf of Beneficial Owners). Scheme Shareholders who do not make any election, or fail to make a valid election, for the Share Alternative in accordance with this Scheme Document, will receive the Cash Alternative.



The actual number of TCC Shares to be made available for allotment and issuance under the Share Alternative will be determined after the latest time for the election of the Share Alternative. Fractions of TCC Shares to be issued to the Scheme Shareholders who have elected the Share Alternative are to be rounded down to the nearest whole number.

TCC has agreed, subject to the Scheme becoming effective, that it will make available for allotment and issuance such number of TCC Shares as will be required under the Share Alternative.

Shareholders whose names appear on the Register as at the record date for entitlement to a dividend (if any) declared by the Company on or before the Effective Date will be entitled to receive such dividend (if any). Save for the final dividend of HK1.0 cent per Share for the year ended December 31, 2016 approved by the Shareholders in the annual general meeting of the Company on June 2, 2017, the Company does not expect to declare any dividend on or before the Effective Date.

#### **Share Capital of the Company**

As at the Latest Practicable Date, the authorised share capital of the Company comprises 5,000,000,000 Ordinary Shares and 494,344,810 Convertible Preference Shares, of which 4,943,464,851 Ordinary Shares and 494,333,645 Convertible Preference Shares are in issue.

Of the 4,943,464,851 Ordinary Shares in issue, TCC (through TCCI) and other Offeror Concert Parties held in aggregate 3,219,107,857 Ordinary Shares, representing approximately 65.12% of the total Ordinary Shares in issue. The Scheme Shareholders hold 1,826,448,522 Ordinary Shares (representing approximately 36.95% of the total Ordinary Shares in issue) of which 102,091,528 Ordinary Shares are held by the Offeror Concert Parties and 1,724,356,994 Ordinary Shares are held by the Disinterested Scheme Shareholders.

Of the 494,333,645 Convertible Preference Shares in issue, TCC (through TCCI) held in aggregate 494,251,511 Convertible Preference Shares, representing approximately 99.98% of the total Convertible Preference Shares in issue, and the Scheme Shareholders (comprising 20 registered holders of Convertible Preference Shares as at July 31, 2017) held 82,134 Convertible Preference Shares, representing approximately 0.02% of the total Convertible Preference Shares in issue. No Offeror Concert Party holds any Convertible Preference Shares.

The Convertible Preference Shares were issued and allotted by the Company in 2011 as a result of an open offer which was underwritten by TCCI. As very few public shareholders subscribed for the Convertible Preference Shares at the time, TCCI became a 99.98% holder of the Convertible Preference Shares. The Convertible Preference Shares are not listed on any stock exchanges and have been largely illiquid since their issuance in 2011.

According to the register of Convertible Preference Shareholders of the Company as at July 31, 2017, there are currently 20 registered Convertible Preference Shareholders who are not the Offeror or parties acting in concert with it. These 20 Convertible Preference Shareholders include four nominees, namely Bank of China (Hong Kong) Nominees Limited, CITI (Nominees) Limited, HKSCC Nominees Limited and HSBC Nominees (Hong Kong) Limited.

The Scheme Shares, comprising 1,826,448,522 Ordinary Shares and 82,134 Convertible Preference Shares, represent approximately 33.31% of the total issued share capital of the Company on a fully-converted basis.

Save as disclosed above, the Company does not have any outstanding convertible securities, warrants, options or derivatives in respect of any Shares.

#### **The Cash Alternative**

The cash consideration of HK\$3.60 per Ordinary Scheme Share (or Ordinary Share underlying a Convertible Preference Scheme Share) under the Cash Alternative represents:

- a premium of approximately 0.8% over the closing price of HK\$3.57 per Ordinary Share as quoted on the Stock Exchange on the Latest Practicable Date;
- a premium of approximately 38.5% over the closing price of HK\$2.60 per Ordinary Share as quoted on the Stock Exchange on the Last Trading Day;
- a premium of approximately 43.1% over the average closing price of approximately HK\$2.52 per Ordinary Share based on the daily closing prices as quoted on the Stock Exchange for the 10 trading days up to and including the Last Trading Day;
- a premium of approximately 51.0% over the average closing price of approximately HK\$2.38 per Ordinary Share based on the daily closing prices as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Day;
- a premium of approximately 66.9% over the average closing price of approximately HK\$2.16 per Ordinary Share based on the daily closing prices as quoted on the Stock Exchange for the 60 trading days up to and including the Last Trading Day;

- a premium of approximately 78.3% over the average closing price of approximately HK\$2.02 per Ordinary Share based on the daily closing prices as quoted on the Stock Exchange for the 120 trading days up to and including the Last Trading Day; and
- a discount of approximately 4.1% to the audited consolidated net asset value per Ordinary Share of approximately HK\$3.75 as at December 31, 2016.

During the period commencing one year preceding the Announcement Date, the highest closing price of Ordinary Share as quoted on the Stock Exchange was HK\$2.60 per Ordinary Share on April 18, 2017, and the lowest closing price of Ordinary Share as quoted on the Stock Exchange was HK\$1.19 per Ordinary Share on June 16, 2016.

The Convertible Preference Shares are not listed on any stock exchanges, so there is no quoted share price information available in respect of the period commencing one year preceding the Announcement Date.

During the Relevant Period, the highest closing price of Ordinary Shares as quoted on the Stock Exchange was HK\$3.59 per Ordinary Share on August 7, 2017, August 8, 2017 and August 9, 2017 and the lowest closing price of Ordinary Shares as quoted on the Stock Exchange was HK\$1.71 per Ordinary Share on December 16, 2016.

The Cash Alternative has been determined on a commercial basis after taking into account the prices of the Ordinary Shares traded on the Stock Exchange, the trading multiples of comparable trading companies and with reference to other privatisation transactions in Hong Kong in recent years.

#### **The Share Alternative**

The Share Alternative has been determined after careful analysis of quantifiable figures and objective data of TCC and the Company adopting different valuation models. The analysis takes into account the published net worth per share and profitability of both TCC and the Company, the present and future operating conditions of TCC and the Company, the impact of integration of research & development capabilities and business resources on business integration and development and cost savings.

The actual number of TCC Shares to be made available for allotment and issuance under the Share Alternative is expected to be determined by Thursday, October 19, 2017 with an application to be made by TCC to the FSC for the new issuance of TCC Shares. If all the Scheme Shareholders elect the Share Alternative, 767,146,025 TCC Shares shall be issued to the Scheme Shareholders, representing approximately 17.20% of the fully diluted issued share capital of TCC as at the Latest Practicable Date. Please see the section headed “Shareholding Structure” on the shareholding structure of the Company and TCC as at the Latest Practicable Date and upon completion of the Proposal.

The TCC Shares are shares of a company incorporated in Taiwan and listed on the Taiwan Stock Exchange. As at December 31, 2016, the audited net asset value of TCC Group attributable to the controlling interest was NT\$106,768,051,000 (representing NT\$28.92 or approximately HK\$7.42 per TCC Share, based on 3,692,175,869 TCC Shares in issue as at the Latest Practicable Date) as disclosed in the audited consolidated financial statements of the TCC Group for the year ended December 31, 2016. As at the Last Trading Day, the closing price per TCC Share as quoted on the Taiwan Stock Exchange was NT\$36.45 (approximately HK\$9.35). Applying such closing price on the Last Trading Day, under the Share Alternative, each Ordinary Scheme Share and Ordinary Share underlying a Convertible Preference Scheme Share will be cancelled in exchange for cash consideration of approximately HK\$3.93 and each Convertible Preference Scheme Share will be cancelled in exchange for cash consideration of approximately HK\$4.28. As at the Latest Practicable Date, the closing price per TCC Share as quoted on the Taiwan Stock Exchange was NT\$34.25 (approximately HK\$8.78).

During the period commencing one year preceding the Announcement Date, the highest and lowest closing prices of the TCC Shares as quoted on the Taiwan Stock Exchange were NT\$38.40 (approximately HK\$9.85) per TCC Share on March 21, 2017 and NT\$27.70 (approximately HK\$7.10) per TCC Share on May 19, 2016, respectively.

During the Relevant Period, the highest closing price of TCC Shares as quoted on the Taiwan Stock Exchange was NT\$38.40 per TCC Share on March 21, 2017 and the lowest closing price of TCC Shares as quoted on the Taiwan Stock Exchange was NT\$33.85 per TCC Share on June 16, 2017.

Your attention is drawn to the Information Memorandum set out in Appendix X to this Scheme Document which contains details of TCC and the issuance of the TCC Shares pursuant to the laws, rules and regulations of Taiwan.

The TCC Share(s) to be issued pursuant to the Proposal will be issued free from all encumbrances, credited as fully paid up and will rank *pari passu* with the existing TCC Share(s), including the right to receive all dividends and other distributions, if any, declared or paid after they are issued. There will be no restrictions on the transfer of the TCC Share(s) to be issued pursuant to the Proposal.

Investors should be aware of, among other things but not limited to, the following risk factors of holding TCC Shares:

- TCC Shares are listed on the Taiwan Stock Exchange and are subject to rules and regulations in Taiwan which are different from, and may not confer the same degree of protections conferred by, the Listing Rules and the Takeovers Code;
- TCC Shares are traded on another stock exchange which is a very different market from the Stock Exchange;
- there are legal restrictions on opening securities accounts and trading securities in Taiwan by foreigners whose source of funds is derived from Taiwan or PRC and PRC citizens; and the restrictions may change from time to time;
- TCC Shares are denominated and will be traded in NT\$ and investors may be subject to currency exchange risk;
- there is no guarantee that any dividend will be paid in respect of TCC Shares;
- changes in the business and economic environment could adversely affect the operating profits of TCC or the value of TCC's assets. For example, financial factors such as currency controls, devaluation or regulatory changes, or stability factors such as mass riots, civil war and other potential events could contribute to TCC's operational risks;
- securities transaction tax will be imposed on the seller at the rate of 0.3% of the transaction price upon a sale of the TCC Shares in Taiwan;
- currency risk as a result of TCC's assets and business operations being across national borders; and
- general business risk associated with the cement production industry and conducting business in Taiwan.

**Conditions to the Proposal and the Scheme**

The Scheme will become effective and binding on the Company and all Scheme Shareholders, subject to the fulfilment or waiver (as applicable) of the following conditions:

- (a) the approval of the Scheme (by way of poll) by a majority in number of the Scheme Shareholders representing not less than 75% in value of the Scheme Shares held by the Scheme Shareholders present and voting either in person or by proxy at the Court Meeting, provided that:
  - (i) the Scheme is approved (by way of poll) by Disinterested Scheme Shareholders holding at least 75% of the votes attaching to the Disinterested Scheme Shares held by Disinterested Scheme Shareholders that are voted either in person or by proxy at the Court Meeting; and
  - (ii) the number of votes cast (by way of poll) by Disinterested Scheme Shareholders present and voting either in person or by proxy at the Court Meeting against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes attaching to all Disinterested Scheme Shares held by all the Disinterested Scheme Shareholders;

For the purpose of this Condition (a), the value of the Scheme Shares and votes attaching to the Disinterested Scheme Shares will be calculated based on the total number of Ordinary Scheme Shares and Ordinary Shares underlying the Convertible Preference Scheme Shares held by Scheme Shareholders and Disinterested Scheme Shareholders who attend and vote in person or by proxy at the Court Meeting, respectively.

- (b) (i) the passing of a special resolution by a majority of not less than three-fourths of the votes cast by the Shareholders present and voting in person or by proxy at the EGM to approve and give effect to the Reduction by cancelling all of the Scheme Shares and reducing the issued share capital of the Company; and (ii) the passing of an ordinary resolution by the Shareholders at the EGM to simultaneously increase the issued share capital of the Company by an amount equal to the number of Scheme Shares cancelled pursuant to the Reduction and apply the reserve created as a result of the aforesaid cancellation to pay up in full at par such number of new Shares as is equal to the number of Scheme Shares cancelled for issuance to TCC and TCCI (as the case may be);

- (c) the passing of a special resolution by a majority of not less than three-fourths of the votes cast by the Convertible Preference Shareholders present and voting in person or by proxy at the Special EGM to approve and give effect to the Reduction by cancelling all of the Convertible Preference Scheme Shares pursuant to Article 3A(k)(iv) of the Articles;
- (d) the sanction of the Scheme (with or without modifications) by the Grand Court and, to the extent necessary, the Grand Court's confirmation of the Reduction and the delivery to the Registrar of Companies in the Cayman Islands of a copy of the orders of the Grand Court and the minutes in respect of the Reduction for registration;
- (e) compliance, to the extent necessary, with the procedural requirements and conditions, if any, under Sections 15 to 17 of the Companies Law in relation to the Reduction;
- (f) approval of the issuance of TCC Shares to be issued pursuant to the Proposal by the Taiwan Stock Exchange pursuant to Article 53-9 of the Operating Rules of the Taiwan Stock Exchange Corporation;
- (g) approval of the additional investment by TCC in the PRC by the Investment Commission of MOEA pursuant to Article 35 of the Act Governing Relations between the People of the Taiwan Area and the Mainland China (as amended from time to time) and the regulations promulgated thereunder;
- (h) deemed approval of the issuance of TCC Shares to be issued pursuant to the Proposal by the FSC pursuant to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers;
- (i) all Authorisations in connection with the Proposal having been obtained or made from, with or by (as the case may be) the Relevant Authorities in the Cayman Islands, Hong Kong, Taiwan and any other relevant jurisdictions;
- (j) all Authorisations remaining in full force and effect without variation, and all necessary statutory or regulatory obligations in all relevant jurisdictions having been complied with and no requirement having been imposed by any Relevant Authorities which is not expressly provided for, or is in addition to requirements expressly provided for, in relevant laws, rules, regulations or codes in connection with the Proposal or any related matters, documents (including circulars) or things, in each case up to and at the time when the Scheme becomes effective;

- (k) all necessary consents in connection with the Proposal and the withdrawal of listing of the Company from the Stock Exchange which may be required under any existing contractual obligations of the Company being obtained and remaining in effect;
- (l) if required, the obtaining by the Offeror of such other necessary consent, approval, authorisation, permission, waiver or exemption which may be required from any Relevant Authorities or other third parties which are necessary for the performance of the Scheme under the applicable laws and regulations;
- (m) no government, governmental, quasi-governmental, statutory or regulatory body, court or agency in any jurisdiction having taken or instituted any action, proceeding, suit, investigation or enquiry (or enacted, made or proposed, and there not continuing to be outstanding, any statute, regulation, demand or order) that would make the Proposal or the Scheme or its implementation in accordance with its terms void, unenforceable, illegal or impracticable (or which would impose any material and adverse conditions or obligations with respect to the Proposal or the Scheme or its implementation in accordance with its terms), other than such actions, proceedings, suits, investigations or enquiries as would not have a material adverse effect on the legal ability of the Offeror to proceed with the Proposal or the Scheme;
- (n) since the Announcement Date, there having been no adverse change in the business, assets, financial or trading positions, profits or prospects of any member of the Group (to an extent which is material in the context of the Group taken as a whole or in the context of the Proposal); and
- (o) since the Announcement Date, there not having been instituted or remaining outstanding any litigation, arbitration proceedings, prosecution or other legal proceedings to which any member of the Group is a party (whether as plaintiff, defendant or otherwise) and no such proceedings having been threatened in writing against any such member (and no investigation by any government or quasi-governmental, supranational, regulatory or investigative body or court against or in respect of any such member or the business carried on by any such member having been threatened in writing, announced, instituted or remaining outstanding by, against or in respect of any such member), in each case which is material and adverse in the context of the Group taken as a whole or in the context of the Proposal.

When the Conditions are fulfilled or waived, as applicable, the Scheme will become effective and binding on the Offeror, the Company and all Scheme Shareholders. The Offeror reserves the right (but is not obliged) to waive Conditions (i) to (o) either in whole or in part, either generally or in respect of any particular matter. Conditions (a) to (h) cannot be waived in any event.



In respect of Condition (i), as at the Latest Practicable Date, the Offeror and the Company do not reasonably foresee any necessary Authorisations required in connection with the Proposal from, with or by (as the case may be) the Relevant Authorities in the Cayman Islands, Hong Kong, Taiwan and any other relevant jurisdictions, save for the Authorisations already set out above as a Condition, the sanction by the Grand Court and the registration by the Registrar of Companies of a copy of the orders of the Grand Court and the minutes in respect of the Reduction.

In respect of Condition (l), as at the Latest Practicable Date, save for the Authorisations already set out above as a Condition, the Offeror and the Company are not aware of any consent, approval, authorisation, permission, waiver or exemption from any Relevant Authorities or other third parties which are necessary for the performance of the Scheme under the applicable laws and regulations.

As at the Latest Practicable Date and as set out in joint announcements issued by the Offeror and the Company on June 29, 2017 and July 25, 2017, Conditions (f) and (g) have been fulfilled. All of the Conditions will have to be fulfilled or waived, as applicable, on or before the Long Stop Date (or such later date as the Offeror and the Company may agree or, to the extent applicable, as the Grand Court may direct), failing which the Proposal and the Scheme will lapse. The Company has no right to waive any of the Conditions.

Assuming that the Conditions are fulfilled (or, as applicable, waived), it is expected that the Scheme will become effective on or around Thursday, November 16, 2017 (Cayman Islands time) and the listing of the Ordinary Shares on the Stock Exchange will be withdrawn at 9:00 a.m. on Monday, November 20, 2017 pursuant to Rule 6.15(2) of the Listing Rules. Further announcements will be made in the event of a change of the expected Effective Date of the Scheme.

An announcement will be made by the Offeror and the Company if the Scheme lapses. Further announcements regarding the Proposal will be made as and when appropriate.

**Warnings:**

**Shareholders and/or potential investors should be aware that the implementation of the Proposal and the Scheme is subject to the satisfaction of the Conditions being fulfilled or waived, as applicable, and thus the Proposal may or may not be implemented and the Scheme may or may not become effective. Shareholders and potential investors should therefore exercise caution when dealing in the securities of the Company. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisers.**

**IRREVOCABLE UNDERTAKINGS**

The Offeror has received the Irrevocable Undertaking from the Committed Shareholders, pursuant to which the Committed Shareholders jointly, severally and irrevocably undertook to the Offeror that, subject to (i) the Scheme being implemented in accordance with the terms set out in the Announcement, (ii) the approval of the reduction of investment by Chia Hsin Cement in the PRC by the Investment Commission of MOEA being obtained and (iii) the Investment Commission of MOEA's approval of CHPL's investment in TCC, they shall, amongst other things, (i) attend and exercise or procure the attendance and exercise of the voting rights attached to the Committed Shares at (a) the Court Meeting and (b) the EGM, in each case, to approve the Scheme and the Reduction; and (ii) elect the Share Alternative as the form of consideration.

In addition to the above undertakings, the Committed Shareholders jointly, severally and irrevocably undertook that they shall not, among other things, before the Scheme becomes effective, or before the Irrevocable Undertaking is terminated, other than pursuant to the Proposal and the Scheme (i) sell, transfer, charge, encumber, grant any option over or otherwise dispose of any interest in the Committed Shares (other than to the Offeror); or (ii) acquire any additional shares, securities or other interests of the Company and if they do, such shares, securities or interests shall be deemed to be Committed Shares for the purpose of the Irrevocable Undertaking. The Irrevocable Undertaking will extend to any increased or improved proposals by or on behalf of the Offeror.

As at the Latest Practicable Date, the Committed Shareholders are together the beneficial owner of 488,678,512 Ordinary Shares, representing 9.89% of the total Ordinary Shares in issue and 28.34% of the total issued Ordinary Shares held by Disinterested Scheme Shareholders. As at the Latest Practicable Date, none of the Committed Shareholders hold any options, convertible preference shares, warrants or other rights to subscribe for, purchase or otherwise acquire any securities of the Company. If the Scheme becomes effective, the Committed Shareholders will receive from TCC 205,244,975 TCC Shares (being 3,708,290 TCC Shares for Chia Hsin Cement and 201,536,685 TCC Shares for CHPL, respectively).

The Irrevocable Undertaking shall terminate immediately if (i) the Scheme is not approved at the Court Meeting; or (ii) the Reduction is not approved at the EGM or by the Convertible Preference Shareholders; or (iii) at the Court Hearing, the Grand Court does not sanction the Scheme or confirm the Reduction; or (iv) the Conditions fail to become fulfilled or waived, as applicable, before the Long Stop Date.

As at the Latest Practicable Date, save as disclosed above, the Offeror has confirmed that no other persons have irrevocably committed themselves to vote to approve or reject the Scheme at the Court Meeting or the resolutions to be proposed at the EGM and the Special EGM.

## SHAREHOLDING STRUCTURE

## Shareholding structure of the Company

The tables below set out the shareholding structure of the Company as at the Latest Practicable Date and immediately upon completion of the Proposal (i) based on the current shareholding structure as at the Latest Practicable Date and (ii) on a fully-converted basis:

## (a) Based on current shareholding structure as at the Latest Practicable Date

	As at the Latest Practicable Date				Upon completion of the Proposal			
	No. of Ordinary Shares	% of total issued Ordinary Shares	No. of Convertible Preference Shares	% of total issued Convertible Preference Shares	No. of Ordinary Shares	% of total issued Ordinary Shares	No. of Convertible Preference Shares	% of total issued Convertible Preference Shares
TCC (through TCCI) (Note 1)	3,117,016,329	63.05	494,251,511	99.98	4,943,464,851	100	494,333,645	100
<b>Offeror Concert Parties</b> (Shares held subject to the Scheme)								
Chang Kang-Lung, Jason (Note 2)	3,000,000	0.06	-	-	-	-	-	-
Estate of Koo Cheng-Yun, Leslie	99,091,528	2.00	-	-	-	-	-	-
<b>Aggregate held by the Offeror and Offeror Concert Parties</b>	<u>3,219,107,857</u>	<u>65.12</u>	<u>494,251,511</u>	<u>99.98</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Chia Hsin Cement (Note 3)	8,829,262	0.18	-	-	-	-	-	-
CHPL	479,849,250	9.71	-	-	-	-	-	-
Other public shareholders (Note 4)	<u>1,235,678,482</u>	<u>25.00</u>	<u>82,134</u>	<u>0.02</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Aggregate held by the Disinterested Scheme Shareholders</b>	<u>1,724,356,994</u>	<u>34.88</u>	<u>82,134</u>	<u>0.02</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>4,943,464,851</u>	<u>100</u>	<u>494,333,645</u>	<u>100</u>	<u>4,943,464,851</u>	<u>100</u>	<u>494,333,645</u>	<u>100</u>

## Notes:

- (1) TCCI is a direct wholly-owned subsidiary of TCC. The Ordinary Shares and Convertible Preference Shares in which TCC (through TCCI) is interested will not form part of the Scheme Shares and will not be cancelled.

- (2) The 3,000,000 Ordinary Shares are held by Goldcrest Corporation, a corporation controlled by the spouse of Chang Kang-Lung, Jason. Chang Kang-Lung, Jason is (i) a non-executive Director and (ii) a director of TCC. Accordingly, controlled corporation of the spouse of Chang Kang-Lung, Jason is presumed to be acting in concert with TCC in relation to the Company.
- (3) As at the Latest Practicable Date, Chia Hsin Cement has two representatives on the Board, being Chang Kang-Lung, Jason and Wang Lishin, Elizabeth (who is the chairman of CHPL and the chief financial officer of Chia Hsin Cement).
- (4) As at the Latest Practicable Date, the other public shareholders held 1,235,678,482 Ordinary Shares and 82,134 Convertible Preference Shares (representing 89,634 Ordinary Shares on an as-converted basis). 6,980 Ordinary Shares are held by BNP Paribas Arbitrage SNC, an associate of BNP Paribas Securities, in its capacity as an exempt principal trader.

**(b) Fully-converted basis**

	As at the Latest Practicable Date		Upon completion of the Proposal	
	No. of Ordinary Shares	% of total issued Ordinary Shares	No. of Ordinary Shares	% of total issued Ordinary Shares
TCC (through TCCI) (Note 1)	3,656,399,937	66.69	5,482,938,093	100
<b>Offeror Concert Parties</b>				
(Shares held subject to the Scheme)				
Chang Kang-Lung, Jason (Note 2)	3,000,000	0.05	–	–
Estate of Koo Cheng-Yun, Leslie	99,091,528	1.81	–	–
<b>Aggregate held by the Offeror and Offeror Concert Parties</b>	<u>3,758,491,465</u>	<u>68.55</u>	<u>–</u>	<u>–</u>
Chia Hsin Cement (Note 3)	8,829,262	0.16	–	–
CHPL	479,849,250	8.75	–	–
Other public shareholders (Note 4)	<u>1,235,768,116</u>	<u>22.54</u>	<u>–</u>	<u>–</u>
<b>Aggregate held by the Disinterested Scheme Shareholders</b>	<u>1,724,446,628</u>	<u>31.45</u>	<u>–</u>	<u>–</u>
Total	<u>5,482,938,093</u>	<u>100</u>	<u>5,482,938,093</u>	<u>100</u>

*Notes:*

- (1) TCCI is a direct wholly-owned subsidiary of TCC. As at the Latest Practicable Date, TCC (through TCCI) held 3,117,016,329 Ordinary Shares and 494,251,511 Convertible Preference Shares (representing 539,383,608 Ordinary Shares on an as-converted basis). The Shares in which TCC (through TCCI) is interested will not form part of the Scheme Shares and will not be cancelled.
- (2) The 3,000,000 Ordinary Shares are held by Goldcrest Corporation a corporation controlled by the spouse of Chang Kang- Lung, Jason. Chang Kang-Lung, Jason is (i) a non-executive Director and (ii) a director of TCC. Accordingly, controlled corporation of the spouse of Chang Kang-Lung, Jason is presumed to be acting in concert with TCC in relation to the Company.
- (3) As at the Latest Practicable Date, Chia Hsin Cement has two representatives on the Board, being Chang Kang-Lung, Jason and Wang Lishin, Elizabeth (who is the chairman of CHPL and the chief financial officer of Chia Hsin Cement).
- (4) As at the Latest Practicable Date, the other public shareholders held 1,235,678,482 Ordinary Shares and 82,134 Convertible Preference Shares (representing 89,634 Ordinary Shares on an as-converted basis). 6,980 Ordinary Shares are held by BNP Paribas Arbitrage SNC, an associate of BNP Paribas Securities, in its capacity as an exempt principal trader.

**Shareholding structure of TCC**

As at the Latest Practicable Date, the authorised share capital of TCC comprises 6,000,000,000 common shares, of which 3,692,175,869 common shares were in issue and there are no outstanding convertible securities, warrants, options or derivatives in respect of any TCC Shares.

The table below sets out the shareholding structure of TCC as at the Latest Practicable Date and immediately following implementation of the Proposal assuming only the Committed Shareholders elect the Share Alternative and all other Scheme Shareholders are to receive the Cash Alternative (the relevant interests in TCC Shares are calculated pursuant to the requirements under the SFO and the Takeovers Code):

	As at the Latest Practicable Date		Upon completion of the Proposal	
	No. of TCC Shares	% of total issued TCC Shares	Upon completion of the Proposal	% of total issued TCC Shares
<b>Offeror Concert Parties</b>				
Chang An-Ping, Nelson (Note 1)	10,372,211	0.28	10,372,211	0.27
Chang Kang-Lung, Jason (Note 2)	190,000	0.01	190,000	0.00
Chang Chi-Wen (Note 3)	2,010,027	0.05	2,010,027	0.05
Chen Chien-Tong (Note 4)	86,921	0.00	86,921	0.00
Eric T. Wu (Note 5)	664,599	0.02	664,599	0.02
Jennifer Lin, Esq. (Note 6)	400,000	0.01	400,000	0.01
Lin Nan-Chou (Note 7)	2,280,642	0.06	2,280,642	0.06
Hsieh Chi-Chia (Note 8)	400,000	0.01	400,000	0.01
Chen Chi-Te (Note 9)	4,570	0.00	4,570	0.00
Koo, Jason Kung-Yi (Note 10)	306,759	0.01	306,759	0.01
Kenneth C.M. Lo (Note 11)	4,400,000	0.12	4,400,000	0.11
Estate of Koo Cheng-Yun, Leslie	225,965,686	6.12	225,965,686	5.80
<b>Other shareholders</b>				
Chia Hsin Cement (Note 12)	23,105,050	0.63	26,813,340	0.69
CHPL (Note 13)	–	–	201,536,685	5.17
Others	<u>3,421,989,404</u>	<u>92.68</u>	<u>3,421,989,404</u>	<u>87.80</u>
Total	<u><u>3,692,175,869</u></u>	<u><u>100</u></u>	<u><u>3,897,420,844</u></u>	<u><u>100</u></u>

*Notes:*

- (1) Chang An-Ping, Nelson is a director of each of TCC and TCCI. Accordingly, he is presumed to be a party acting in concert with the Offeror. Of the 10,372,211 TCC Shares, 156,573 TCC Shares are directly beneficially owned by Chang An-Ping, Nelson, 3,059,817 TCC Shares are held by the spouse of Chang An-Ping, Nelson and 7,155,821 TCC Shares are held by companies controlled by Chang An-Ping, Nelson.
- (2) Chang Kang-Lung, Jason is a director of TCC. Accordingly, he is presumed to be a party acting in concert with TCC.
- (3) Chang Chi-Wen is a director of TCC and thus, is presumed to be a party acting in concert with TCC.
- (4) Chen Chien-Tong is a director of TCC and thus, is presumed to be a party acting in concert with TCC.

- (5) Eric T. Wu is a director of TCC and thus, is presumed to be a party acting in concert with TCC. 604,172 TCC Shares are held by the close relatives of Eric T. Wu.
- (6) Jennifer Lin, Esq. is a director of TCC and thus, is presumed to be a party acting in concert with TCC.
- (7) Lin Nan-Chou is a director of TCC and thus, is presumed to be a party acting in concert with TCC.
- (8) Hsieh Chi-Chia is a director of TCC and thus, is presumed to be a party acting in concert with TCC.
- (9) Chen Chi-Te is a director of TCC and thus, is presumed to be a party acting in concert with TCC. The 4,570 TCC Shares are held by the close relatives of Chen Chi-Te.
- (10) Koo, Jason Kung-Yi is a director of each of TCC and TCCI. Accordingly, he is presumed to be a party acting in concert with the Offeror. Of the 306,759 TCC Shares, 759 TCC shares are held by the close relatives of Koo, Jason Kung-Yi and 306,000 TCC Shares are held by a company controlled by the close relatives of Koo, Jason Kung-Yi and Koo, Jason Kung-Yi.
- (11) Kenneth C.M. Lo is a director of TCC. Accordingly, he is presumed to be a party acting in concert with TCC. Of the 4,400,000 TCC Shares, 1,400,000 TCC Shares are held by Ming Shan Investment Co., Ltd., a company controlled by the spouse and children of Kenneth C.M. Lo and Kenneth C.M. Lo, 1,000,000 TCC Shares are held by Yi Chang Investment Co., Ltd., a company controlled by the spouse and children of Kenneth C.M. Lo and Kenneth C.M. Lo, 1,000,000 TCC Shares are held by Tai-Hsuan Investment Co., Ltd., a company controlled by Kenneth C.M. Lo and 1,000,000 TCC Shares are held by Tai-Ya Investment Co., Ltd., a company controlled by the spouse of Kenneth C.M. Lo.
- (12) Chia Hsin Cement is a company listed on the Taiwan Stock Exchange. As at the Latest Practicable Date, TCC is a shareholder of Chia Hsin Cement, holding approximately 3.54% of the total issued share capital of Chia Hsin Cement. As at the Latest Practicable Date, Chia Hsin Cement is a shareholder of TCC, holding approximately 0.63% of the issued share capital of TCC. Chang Kang-Lung, Jason and Chen Chi-Te are directors of TCC and Chia Hsin Cement.
- (13) CHPL is a direct non-wholly owned subsidiary of Chia Hsin Cement.

The table below sets out the shareholding structure of TCC as at the Latest Practicable Date and immediately following implementation of the Proposal assuming all Scheme Shareholders elect the Share Alternative (the relevant interests in TCC Shares are calculated pursuant to the requirements under the SFO and the Takeovers Code):

	As at the Latest Practicable Date		Upon completion of the Proposal	
	No. of TCC Shares	% of total issued TCC Shares	Upon completion of the Proposal	% of total issued TCC Shares
<b>Offeror Concert Parties</b>				
Chang An-Ping, Nelson (Note 1)	10,372,211	0.28	10,372,211	0.23
Chang Kang-Lung, Jason (Note 2)	190,000	0.01	1,450,000 (Note 3)	0.03
Chang Chi-Wen (Note 4)	2,010,027	0.05	2,010,027	0.05
Chen Chien-Tong (Note 5)	86,921	0.00	86,921	0.00
Eric T. Wu (Note 6)	664,599	0.02	664,599	0.01
Jennifer Lin, Esq. (Note 7)	400,000	0.01	400,000	0.01
Lin Nan-Chou (Note 8)	2,280,642	0.06	2,280,642	0.05
Hsieh Chi-Chia (Note 9)	400,000	0.01	400,000	0.01
Chen Chi-Te (Note 10)	4,570	0.00	4,570	0.00
Koo, Jason Kung-Yi (Note 11)	306,759	0.01	306,759	0.01
Kenneth C.M. Lo (Note 12)	4,400,000	0.12	4,400,000	0.10
Estate of Koo Cheng-Yun, Leslie	225,965,686	6.12	267,584,128	6.00
<b>Scheme Shareholders (other than Offeror Concert Parties)</b>				
Chia Hsin Cement (Note 13)	23,105,050	0.63	26,813,340	0.60
CHPL (Note 14)	–	–	201,536,685	4.52
Other Scheme Shareholders	–	–	519,022,608	11.64
<b>Other shareholders</b>	<u>3,421,989,404</u>	<u>92.68</u>	<u>3,421,989,404</u>	<u>76.74</u>
<b>Total</b>	<u><u>3,692,175,869</u></u>	<u><u>100</u></u>	<u><u>4,459,321,894</u></u>	<u><u>100</u></u>

*Notes:*

- (1) Chang An-Ping, Nelson is a director of each of TCC and TCCI. Accordingly, he is presumed to be a party acting in concert with the Offeror. Of the 10,372,211 TCC Shares, 156,573 TCC Shares are directly beneficially owned by Chang An-Ping, Nelson, 3,059,817 TCC Shares are held by the spouse of Chang An-Ping, Nelson and 7,155,821 TCC Shares are held by companies controlled by Chang An-Ping, Nelson.
- (2) Chang Kang-Lung, Jason is a director of TCC. Accordingly, he is presumed to be a party acting in concert with TCC.
- (3) Of the 1,450,000 TCC Shares, 190,000 shares are held by Chang Kang-Lung, Jason and 1,260,000 shares will be held by Goldcrest Corporation, a controlled corporation of the spouse of Chang Kang-Lung, Jason, being a Scheme Shareholder.



- (4) Chang Chi-Wen is a director of TCC and thus, is presumed to be a party acting in concert with TCC.
- (5) Chen Chien-Tong is a director of TCC and thus, is presumed to be a party acting in concert with TCC.
- (6) Eric T. Wu is a director of TCC and thus, is presumed to be a party acting in concert with TCC. 604,172 TCC Shares are held by the close relatives of Eric T. Wu.
- (7) Jennifer Lin, Esq. is a director of TCC and thus, is presumed to be a party acting in concert with TCC.
- (8) Lin Nan-Chou is a director of TCC and thus, is presumed to be a party acting in concert with TCC.
- (9) Hsieh Chi-Chia is a director of TCC and thus, is presumed to be a party acting in concert with TCC.
- (10) Chen Chi-Te is a director of TCC and thus, is presumed to be a party acting in concert with TCC. The 4,570 shares are held by the close relatives of Chen Chi-Te.
- (11) Koo, Jason Kung-Yi is a director of each of TCC and TCCI. Accordingly, he is presumed to be a party acting in concert with the Offeror. Of the 306,759 TCC Shares, 759 TCC shares are held by the close relatives of Koo, Jason Kung-Yi and 306,000 TCC Shares are held by a company controlled by the close relatives of Koo, Jason Kung-Yi and Koo, Jason Kung-Yi.
- (12) Kenneth C.M. Lo is a director of TCC. Accordingly, he is presumed to be a party acting in concert with TCC. Of the 4,400,000 TCC Shares, 1,400,000 TCC Shares are held by Ming Shan Investment Co., Ltd., a company controlled by the spouse and children of Kenneth C.M. Lo and Kenneth C.M. Lo, 1,000,000 TCC Shares are held by Yi Chang Investment Co., Ltd., a company controlled by the spouse and children of Kenneth C.M. Lo and Kenneth C.M. Lo, 1,000,000 TCC Shares are held by Tai-Hsuan Investment Co., Ltd., a company controlled by Kenneth C.M. Lo and 1,000,000 TCC Shares are held by Tai-Ya Investment Co., Ltd., a company controlled by the spouse of Kenneth C.M. Lo.
- (13) Chia Hsin Cement is a company listed on the Taiwan Stock Exchange. As at the Latest Practicable Date, TCC is a shareholder of Chia Hsin Cement, holding approximately 3.54% of the total issued share capital of Chia Hsin Cement. As at the Latest Practicable Date, Chia Hsin Cement is a shareholder of TCC, holding approximately 0.63% of the issued share capital of TCC. Chang Kang-Lung, Jason and Chen Chi-Te are directors of TCC and Chia Hsin Cement.
- (14) CHPL is a direct non-wholly owned subsidiary of Chia Hsin Cement.

**CONFIRMATION OF FINANCIAL RESOURCES**

On the basis that (i) the Committed Shareholders elect the Share Alternative and (ii) all other Scheme Shareholders are to receive the Cash Alternative, the total maximum cash consideration payable under the Proposal is HK\$4,816,294,823.

The Offeror intends to finance the amount payable under the Proposal from the Facility and internal financial resources of TCC. The documents in relation to the Facility do not contain any terms to the effect that the Scheme Shares acquired by the Offeror pursuant to the Proposal will be transferred, charged or pledged to any persons. After the Effective Date, the Offeror does not intend to use the profits generated from the business of the Company and the Group to pay interest and repay the loan under the Facility.

BNP Paribas Securities, the financial adviser to the Offeror, is satisfied that sufficient financial resources are available to the Offeror for the full implementation of the Proposal in accordance with its terms.

**INFORMATION ON THE COMPANY**

The Company is a company incorporated in the Cayman Islands with limited liability, the Ordinary Shares of which have been listed on the Main Board of the Stock Exchange since October 1997 (Stock Code: 1136.HK). The Convertible Preference Shares are not listed on any stock exchanges. The principal activities of the Group consist of the import and distribution of cement in Hong Kong and the manufacture and distribution of cement, clinker, concrete and other cement related products in other areas of the PRC. Through its associates, the Group is also engaged in the production and distribution of ready-mixed concrete in Hong Kong.

**INFORMATION ON THE OFFEROR**

TCC is a company incorporated in Taiwan, the shares of which have been listed on the Taiwan Stock Exchange since 1962 (stock code: 1101.TWSE). The principal activities of TCC and its subsidiaries (other than TCCI and the Group) consist of the production and distribution of cement, cement products and cement materials. Please refer to the Information Memorandum in Appendix X to this Scheme Document for further details on TCC (including the information of the major shareholders of TCC set out in the section headed “I. Overview – 4. Corporate Capital and Shares – (3) Distribution of Equity”).

TCCI is a company incorporated in the British Virgin Islands on May 22, 1997 with limited liability. Its principal activity is investment holding. As at the Latest Practicable Date, its investments included a holding of 3,117,016,329 Ordinary Shares (representing approximately 63.05% of the total issued Ordinary Shares) and 494,251,511 Convertible Preference Shares (representing approximately 99.98% of the total issued Convertible Preference Shares). TCCI is a wholly-owned subsidiary of TCC.

**OFFEROR'S INTENTION REGARDING THE GROUP**

Following implementation of the Proposal, the Offeror intends that the Group will continue to carry on its current business of manufacture and distribution of cement and cement related products.

The Offeror does not intend to introduce significant changes to the existing operations (including any major disposal or redeployment of the Group's assets) save for those changes which the Offeror may from time to time implement following the review of its strategic options relating to the business, structure and/or direction of the Group.

The Board is pleased to note the Offeror's intention as stated above and is willing to render reasonable co-operation to the Offeror for the implementation of its intention regarding the Group which is in the best interests of the Group and the Shareholders as a whole.

**REASONS FOR AND BENEFITS OF THE PROPOSAL**

The Proposal aims to generate the following benefits:

- (a) the Proposal presents an immediate opportunity for Scheme Shareholders to realise their investments in the Scheme Shares for cash and redeploy the cash received from the Proposal into other investment opportunities or to participate in the investment in TCC, which is a Taiwan listed company and a larger and more diversified group than the Group. Given that the Ordinary Shares are generally thinly traded on the Stock Exchange and that Convertible Preference Shares are not publicly listed, there is limited opportunity for Scheme Shareholders to divest their investments in the Company. For the 12 months up to and including the Last Trading Day, the average daily trading volume of the Ordinary Shares was 3,928,444 Ordinary Shares, or approximately 0.08% of the number of total issued Ordinary Shares as at the Last Trading Day;
- (b) since the Offeror holds approximately 63.05% of the total issued Ordinary Shares, it is unlikely that the Scheme Shareholders will receive any alternative general offers or other similar proposals from third parties to acquire the Scheme Shares without the approval of the Offeror, which holds its Ordinary Shares and Convertible Preference Shares as a long-term investment;

- (c) the successful privatisation and resultant withdrawal of listing of the Company can:
  - (i) facilitate financial, business and operational integration between the Offeror and the Group and provide the Offeror with greater flexibility to support the future business development of the Group free from pressures of market expectations, earnings visibility and share price fluctuations associated with maintaining the listing status of the Company;
  - (ii) consolidate the Offeror's interests in the Company, with the intention of simplifying the shareholding structure and improving the corporate efficiency of the Company; and
  - (iii) allow the Company to save on the costs and expenses associated with compliance and maintenance of the listing status of the Company.

#### **WITHDRAWAL OF LISTING OF THE SHARES**

Upon the Scheme becoming effective, all Scheme Shares will be cancelled (with an equivalent number of new Shares being issued to the Offeror) and the share certificates in respect of the Scheme Shares will thereafter cease to have effect as documents or evidence of title, and the register of members of the Company will be updated to reflect the same. The Company will apply to the Stock Exchange for the withdrawal of the listing of the Ordinary Shares on the Stock Exchange in accordance with Rule 6.15(2) of the Listing Rules.

Dealings in the Ordinary Shares on the Stock Exchange are expected to cease after 4:00 p.m. on Tuesday, September 19, 2017, and the listing of the Ordinary Shares on the Stock Exchange is expected to be withdrawn at 9:00 a.m. on Monday, November 20, 2017. Shareholders will be notified by way of an announcement of the exact dates of the last day for dealing in the Shares and on which the Scheme and the withdrawal of the listing of the Ordinary Shares on the Stock Exchange will become effective.

The Scheme will lapse if any of the Conditions has not been fulfilled or waived, as applicable, on or before the Long Stop Date (or such later date as the Offeror and the Company may agree or, to the extent applicable, as the Grand Court may direct). If the Scheme is not approved or the Proposal otherwise lapses, the Company has no intention to seek the immediate withdrawal of the listing of the Ordinary Shares on the Stock Exchange.

If the Scheme is not approved or the Proposal otherwise lapses, there are restrictions under the Takeovers Code on making subsequent offers, to the effect that neither the Offeror nor any person who acted in concert with it in the course of the Proposal (nor any person who is subsequently acting in concert with any of them) may within 12 months from the date on which the Scheme is not approved or the Proposal otherwise lapses announce an offer or possible offer for the Company, except with the consent of the Executive.

#### **OVERSEAS SHAREHOLDERS**

This Scheme Document does not constitute an offer or invitation to sell, purchase, subscribe for or issue any securities or the solicitation of an offer to buy or subscribe for securities pursuant to the document or otherwise in any jurisdiction in which such offer, invitation or solicitation is unlawful.

The distribution of this Scheme Document, and the making and implementation of the Proposal who are not resident in Hong Kong may be subject to the laws of the relevant jurisdictions. Such persons should inform themselves about and observe any applicable legal, tax or regulatory requirements. It is the responsibility of any overseas Scheme Shareholders wishing to take any action in relation to the Proposal (including the election of the Cash Alternative or the Share Alternative), to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with other necessary formalities and the payment of any issue, transfer or other taxes due in such jurisdiction. Any acceptance by such overseas Scheme Shareholders will be deemed to constitute a representation and warranty from such persons to the Offeror and the Company and their respective advisers that those local laws and regulatory requirements have been complied with. For the avoidance of doubt, neither HKSCC nor HKSCC Nominees Limited will give, or be subject to, any of the above representations and warranties. If you are in doubt as to your position, you should consult your own professional advisers.

**SCHEME SHARES, COURT MEETING, EGM AND SPECIAL EGM OF THE COMPANY**

All Scheme Shareholders will be entitled to attend the Court Meeting and vote on the Scheme, however the votes of Scheme Shareholders who are Offeror Concert Parties will not be counted for the purpose of satisfying the additional requirements under Rule 2.10 of the Takeovers Code, as set out in subsections (a) and (b) to Condition (i) above.

As at the Latest Practicable Date, TCC, through TCCI, held 3,117,016,329 Ordinary Shares representing approximately 63.05% of the total issued Ordinary Shares of the Company and 494,251,511 Convertible Preference Shares, representing approximately 99.98% of the total issued Convertible Preference Shares of the Company. These Ordinary Shares and Convertible Preference Shares will not form part of the Scheme Shares and will not be cancelled upon the Scheme becoming effective. As neither TCC nor TCCI is a Scheme Shareholder, neither of them will vote on the Scheme at the Court Meeting. The Offeror has undertaken to the Grand Court that they will be bound by the Scheme, so as to ensure that they will be subject to the terms and conditions of the Scheme.

As at the Latest Practicable Date, the Offeror Concert Parties include the Estate of Koo Cheng-Yun, Leslie, Chang An-Ping, Nelson, Koo, Jason Kung-Yi, Chang Kang-Lung, Jason and Chen Chi-Te together with their close relatives, related trusts and companies controlled by any of them, their close relatives or related trusts. As at the Latest Practicable Date, the Offeror Concert Parties held in aggregate 102,091,528 Ordinary Shares (being 99,091,528 Ordinary Shares held by the Estate of Koo Cheng-Yun, Leslie and 3,000,000 Ordinary Shares held by Goldcrest Corporation, a controlled corporation of the spouse of Chang Kang-Lung, Jason), representing approximately 2.07% of the total issued Ordinary Shares of the Company, all of which will form part of the Scheme Shares. However, as these Offeror Concert Parties are not Disinterested Scheme Shareholders, their votes will not be counted for the purpose of satisfying the additional requirements under Rule 2.10 of the Takeovers Code, as set out in subsections (a) and (b) to Condition (i) above.

By reason of being the financial adviser to the Offeror, BNP Paribas Securities is presumed to be acting in concert with the Offeror in relation to the Company. As at the Latest Practicable Date, and so far as the Offeror is aware taking into account Note 1 to Rule 3.5 of the Takeovers Code, BNP Paribas Securities and persons controlling, controlled by or under the same control with it (except those which are exempt principal traders recognised by the Executive as such for the purpose of the Takeovers Code) which are presumed to be acting in concert with the Offeror in relation to the Company held no interest or position in the Shares or any convertible securities, warrants, options or derivatives in respect of the Shares.

All Shareholders whose names appear on the register of members of the Company as at the Meeting Record Date will be entitled to attend the EGM of the Company and vote, either in person or by proxy, on (i) the special resolution to approve and give effect to the Reduction by cancelling and extinguishing the Scheme Shares, and (ii) the ordinary resolution to simultaneously restore the issued share capital of the Company to the amount prior to the Reduction and apply the reserve created as a result of the Reduction to pay up in full at par such number of new Shares as is equal to the number of Scheme Shares cancelled as a result of the Scheme, credited as fully paid, for issuance to TCC and TCCI (as the case may be).

All Convertible Preference Shareholders whose names appear on the register of members of the Company as at the Meeting Record Date will be entitled to attend the Special EGM of the Company and vote, either in person or by proxy, on the special resolution to consent to the cancellation of all the Convertible Preference Scheme Shares as required under Article 3A(k)(iv) of the Articles.

The Notice of Court Meeting, Notice of EGM and Notice of Special EGM are set out in Appendix VII, Appendix VIII and Appendix IX to this Scheme Document, respectively. The Court Meeting, EGM and Special EGM will be held at 9:00 a.m., 9:30 a.m. and 10:00 a.m. (Hong Kong time) on Monday, September 18, 2017 at Alexandra Room, 2/F Mandarin Oriental Hotel, 5 Connaught Road, Central, Hong Kong, respectively.

#### **RECOMMENDATIONS**

Your attention is drawn to the recommendations of the Independent Board Committee in respect of the Proposal as set out in the Letter from Independent Board Committee in Part V of this Scheme Document.

Somerley has been appointed by the Independent Board Committee to advise them in connection with the Proposal and to confirm whether the arrangements of the Proposal are fair and reasonable. The text of the letter of advice from Somerley containing its recommendation and the principal factors and reasons that it has taken into consideration in arriving at its recommendation is set out in Part VI of this Scheme Document. We would advise you to read this letter carefully before you take any action in respect of the Proposal.

#### **TAXATION AND INDEPENDENT ADVICE**

Your attention is also drawn to the paragraph headed “20. Taxation” in the Explanatory Memorandum set out in Part VII of this Scheme Document and if you are in any doubt as to any aspect of this Scheme Document or as to the action to be taken, you should consult an appropriately qualified professional adviser.

It is emphasised that none of the Company, the Offeror, BNP Paribas Securities, Somerley or any of their respective directors or associates or any other person involved in the Scheme and the Proposal accept responsibility for any tax or other effects on, or liabilities of, any person or persons as a result of the implementation or otherwise of the Proposal.

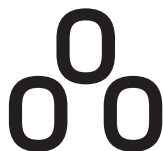
**FURTHER INFORMATION**

You are urged to read carefully:

- (a) Letter from the Independent Board Committee set out in Part V of this Scheme Document;
- (b) Letter from Somerley set out in Part VI of this Scheme Document;
- (c) Explanatory Memorandum set out in Part VII of this Scheme Document;
- (d) the Scheme of Arrangement set out in Appendix VI to this Scheme Document;
- (e) Notice of Court Meeting set out in Appendix VII to this Scheme Document;
- (f) Notice of EGM set out in Appendix VIII to this Scheme Document;
- (g) Notice of Special EGM set out in Appendix IX to this Scheme Document;
- (h) the Information Memorandum set out in Appendix X to this Scheme Document;
- (i) Proxy Form (Court Meeting) enclosed with this Scheme Document;
- (j) Proxy Form (EGM) enclosed with this Scheme Document;
- (k) Proxy Form (Special EGM) enclosed with this Scheme Document;
- (l) Election Form enclosed with this Scheme Document.

Yours faithfully,  
By Order of the Board of  
**TCC International Holdings Limited**  
**Chang, An-Ping, Nelson**  
*Chairman*





**TCC INTERNATIONAL HOLDINGS LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1136.HK)**

August 24, 2017

*To the Scheme Shareholders*

Dear Sir or Madam,

**PROPOSED PRIVATISATION OF  
TCC INTERNATIONAL HOLDINGS LIMITED  
BY TAIWAN CEMENT CORPORATION AND  
TCC INTERNATIONAL LIMITED  
BY WAY OF A SCHEME OF ARRANGEMENT  
(UNDER SECTION 86 OF THE COMPANIES LAW OF THE CAYMAN ISLANDS)**

We refer to the Scheme Document dated August 24, 2017 (the **Scheme Document**) jointly issued by Taiwan Cement Corporation and TCC International Limited (together, the **Offeror**) and TCC International Holdings Limited (the **Company**) in relation to the proposed privatisation (the **Proposal**) of the Company by the Offeror by way of a scheme of arrangement under section 86 of the Companies Law of the Cayman Islands, of which this letter forms part.

Unless the context otherwise requires, terms used in this letter shall have the same meanings as defined in the Scheme Document.

Details of the Proposal are set out in the Letter from the Board and the Explanatory Memorandum in Part IV and Part VII of the Scheme Document, respectively.

For the purpose of the Proposal, we have been appointed by the Board as the Independent Board Committee to give a recommendation to the Scheme Shareholders in respect of the Proposal. Somerley has been appointed with our approval as our Independent Financial Adviser in respect of the Proposal. Details of the advice from Somerley and the principal factors Somerley has taken into consideration in arriving at its recommendation are set out in the Letter from Somerley in Part VI of the Scheme Document.

We also wish to draw the attention of the Scheme Shareholders to the additional information set out in the Appendices to the Scheme Document.

**RECOMMENDATIONS**

Having considered the terms of the Proposal and taken into account the advice from Somerley, in particular the factors, reasons and recommendations as set out in the Letter from Somerley, we consider that the terms of the Proposal are fair and reasonable so far as the Scheme Shareholders are concerned. Accordingly, we recommend that:

- (a) at the Court Meeting, the Scheme Shareholders vote in favour of the resolution to approve the Scheme;
- (b) at the EGM, the Shareholders vote in favour of:
  - (i) the special resolution to approve and give effect to the Reduction by cancelling all of the Scheme Shares and reducing the issued share capital of the Company; and
  - (ii) the ordinary resolution to simultaneously increase the issued share capital of the Company by an amount equal to the number of Scheme Shares cancelled pursuant to the Reduction and apply the reserve created as a result of the aforesaid cancellation to pay up in full at par such number of new Shares as is equal to the number of Scheme Shares cancelled for issuance to TCC and TCCI (as the case may be); and
- (c) at the Special EGM, the Convertible Preference Shareholders vote in favour of the special resolution to approve and give effect to the Reduction by cancelling all of the Convertible Preference Scheme Shares.

Scheme Shareholders are recommended to read the full text of the Letter from Somerley.

Yours faithfully,

**The Independent Board Committee**

**Shan Weijian**  
*Non-executive Director*

**Chih Ching Kang, Kenneth**  
*Independent*  
*Non-executive Director*

**Shieh, Jen-Chung, Roger**  
*Independent*  
*Non-executive Director*

*Set out below is the letter of advice from Somerley Capital Limited, the Independent Financial Adviser to the Independent Board Committee regarding the Proposal and the Scheme for the purpose of incorporation in this Scheme Document.*



**SOMERLEY CAPITAL LIMITED**

20th Floor

China Building

29 Queen's Road Central

Hong Kong

24 August 2017

*To: Independent Board Committee*

Dear Sirs,

**PROPOSED PRIVATISATION OF  
TCC INTERNATIONAL HOLDINGS LIMITED  
BY TAIWAN CEMENT CORPORATION AND  
TCC INTERNATIONAL LIMITED  
BY WAY OF A SCHEME OF ARRANGEMENT  
(UNDER SECTION 86 OF THE COMPANIES LAW OF  
THE CAYMAN ISLANDS)**

**INTRODUCTION**

We refer to our appointment to advise the Independent Board Committee in connection with the Proposal to the Scheme Shareholders for the privatisation of the Company by way of a scheme of arrangement under Section 86 of the Companies Law. Details of the Proposal and the Scheme are set out in the Scheme Document dated 24 August 2017, of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Scheme Document unless the context otherwise requires.

On 20 April 2017, the respective directors of the Offeror and the Company jointly announced that the Offeror requested the Board to put forward the Proposal to the Scheme Shareholders for the privatisation of the Company by way of a scheme of arrangement under Section 86 of the Companies Law. Following the Effective Date, the listing of the Ordinary Shares on the Stock Exchange will be withdrawn, and the Company will become a wholly-owned subsidiary of the Offeror.

The Independent Board Committee, which comprises all non-executive directors and independent non-executive directors of the Company who are not interested in the Proposal, namely, Dr. Shan Weijian, Dr. Chih Ching Kang, Kenneth and Mr. Shieh, Jen-Chung, Roger, has been established by the Board to make a recommendation to the Disinterested Scheme Shareholders as to whether the terms of the Proposal and the Scheme are, or are not, fair and reasonable and as to voting. Mr. Chang, Kang-Lung, Jason, a non-executive director of the Company, is one of the Offeror Concert Parties. Ms. Wang, Lishin, Elizabeth, a non-executive director of the Company is the niece of Mr. Chang An-Ping, Nelson, a director of each of TCC and TCCI, and is therefore not considered as independent for the purpose of giving advice or recommendation to the Disinterested Scheme Shareholders. Ms. Wang, Chi-May, a non-executive director of the Company is not considered as independent for the purpose of giving advice or recommendation to the Disinterested Scheme Shareholders as she is the senior vice president of TCC. Dr. Liao Poon Huai, Donald, an independent non-executive director of the Company, is not considered as independent for the purpose of giving advice or recommendation to the Disinterested Scheme Shareholders as he is a shareholder of TCC holding 0.02% of TCC Shares as at the Announcement Date and the Latest Practicable Date. Accordingly, Mr. Chang, Kang-Lung, Jason, Ms. Wang, Lishin, Elizabeth, Ms. Wang, Chi-May and Dr. Liao Poon Huai, Donald have been precluded from joining the Independent Board Committee. The Independent Board Committee has approved our appointment as the Independent Financial Adviser to advise them in this regard.

We are not associated with the Company, the Offeror or any party acting, or presumed to be acting, in concert with any of them and, accordingly, are considered eligible to give independent advice on the Proposal and the Scheme. Apart from normal professional fees paid or payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company, the Offeror or any party acting, or presumed to be acting, in concert with any of them.

In formulating our opinion, we have relied on the information and facts supplied, and the opinions expressed, by the Directors and management of the Group (the “**Management**”), which we have assumed to be true, accurate and complete. We have reviewed, among other things, the annual report of the Company for the year ended 31 December 2015 (the “**2015 Annual Report**”), the annual report of the Company for the year ended 31 December 2016 (the “**2016 Annual Report**”), the interim results announcement of the Company for the six months ended 30 June 2017 (the “**2017 IR Announcement**”), the annual report of TCC for the year ended 31 December 2016, the published unaudited financial statements of TCC Group for the six months ended 30 June 2017, the trading performance of the Ordinary Shares on the Stock Exchange, the

trading performance of the TCC Shares on the Taiwan Stock Exchange and information set out in the Scheme Document. We have sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed to us. We consider that the information we have received is sufficient for us to reach our opinion and give the advice and recommendation set out in this letter. We have no reason to believe that any material information has been omitted or withheld, or doubt the truth or accuracy of the information provided. We have, however, not conducted any independent investigation into the business and affairs of the Group, the Offeror or any of their respective associates or any party acting, or presumed to be acting, in concert with any of them, nor have we carried out any independent verification of the information supplied. We have also assumed that all representations contained or referred to in the Scheme Document were true at the time they were made and continue to be true, accurate and complete in all material aspects up to the Latest Practicable Date, and Scheme Shareholders will be informed of any material change as soon as practicable.

We have not considered the tax and regulatory implications on the Scheme Shareholders of acceptance or non-acceptance of the Proposal, as the case may be, since these are particular to their individual circumstances. In particular, the Scheme Shareholders who are overseas residents or subject to overseas taxation or Hong Kong taxation on securities dealings should consider their own tax position and, if in any doubt, should consult their own professional advisers.

#### **PRINCIPAL TERMS OF THE PROPOSAL AND THE SCHEME**

On 20 April 2017, the respective directors of the Offeror and the Company jointly announced that the Offeror requested the Board to put forward the Proposal to the Scheme Shareholders for the privatisation of the Company by way of the Scheme. It is stated in the Announcement that if the Proposal is approved and implemented:

- a) all Scheme Shares held by the Scheme Shareholders on the Effective Date will be cancelled in exchange for the payment of the Cash Alternative or, at the election of the relevant Scheme Shareholders, the Share Alternative;
- b) the issued share capital of the Company will, on the Effective Date, be reduced by cancelling and extinguishing the Scheme Shares. Upon such reduction, the issued share capital of the Company will be restored to its former amount by the issuance at par to TCC and TCCI (as the case may be), credited as fully paid, of the same number of Shares as the number of Scheme Shares cancelled. The reserve created in the books of accounts of the Company as a result of the cancellation of the Scheme Shares will be applied in paying up in full at par the new Shares so issued, credited as fully paid, to TCC and TCCI (as the case may be);

- c) the Company will become a wholly-owned subsidiary of TCC; and
- d) the Company will apply to the Stock Exchange for the withdrawal of the listing of the Ordinary Shares on the Stock Exchange pursuant to Rule 6.15 of the Listing Rules so that such withdrawal is to take place immediately following the Effective Date.

As at the Latest Practicable Date, the authorised share capital of the Company comprises 5,000,000,000 Ordinary Shares and 494,344,810 Convertible Preference Shares, of which 4,943,464,851 Ordinary Shares and 494,333,645 Convertible Preference Shares are in issue. Of the 4,943,464,851 Ordinary Shares in issue, TCC (through TCCI) and other Offeror Concert Parties held in aggregate 3,219,107,857 Ordinary Shares, representing approximately 65.12% of the total Ordinary Shares in issue. The Scheme Shareholders hold 1,826,448,522 Ordinary Shares (representing approximately 36.95% of the total Ordinary Shares in issue) of which 102,091,528 Ordinary Shares are held by the Offeror Concert Parties and 1,724,356,994 Ordinary Shares are held by the Disinterested Scheme Shareholders. Of the 494,333,645 Convertible Preference Shares in issue, TCC (through TCCI) held in aggregate 494,251,511 Convertible Preference Shares, representing approximately 99.98% of the total Convertible Preference Shares in issue, and the Scheme Shareholders (comprising 20 registered holders of Convertible Preference Shares as at 31 July 2017) held 82,134 Convertible Preference Shares, representing approximately 0.02% of the total Convertible Preference Shares in issue. No Offeror Concert Party holds any Convertible Preference Shares.

The Scheme Shares, comprising 1,826,448,522 Ordinary Shares and 82,134 Convertible Preference Shares, represent approximately 33.31% of the total issued share capital of the Company on a fully-converted basis. Other than the Convertible Preference Shares, there are no outstanding convertible securities, warrants, options or derivatives in respect of any Shares.

### **Ordinary Scheme Shares**

Under the Scheme, the Ordinary Scheme Shares will be cancelled in exchange for either:

- (i) **Cash Alternative:** cash of HK\$3.60 for each Ordinary Scheme Share;

or, at the valid election of the relevant Ordinary Scheme Shareholders,

- (ii) **Share Alternative:** 0.420 TCC Share(s) for each Ordinary Scheme Share.

Based on the closing price per TCC Share as quoted on the Taiwan Stock Exchange of NT\$36.45 (equivalent to approximately HK\$9.35) as at the Last Trading Day, the implied value under the Share Alternative for each Ordinary Scheme Share was approximately HK\$3.93 (the “**Share Alternative Reference Value**”). The implied value of the Share Alternative for each Ordinary Scheme Share based on the closing price per TCC Share of NT\$34.25 each as at the Latest Practicable Date was approximately HK\$3.69.

**Convertible Preference Scheme Shares**

As at the Latest Practicable Date, each Convertible Preference Share is convertible at the Conversion Rate into approximately 1.0913 Ordinary Shares. Therefore, the 494,333,645 Convertible Preference Shares in issue represent 539,473,242 Ordinary Shares on a fully-converted basis.

Under the Scheme, the Convertible Preference Scheme Shares will be cancelled in exchange for either:

- (i) **Cash Alternative:** cash of HK\$3.60 for each Ordinary Share underlying a Convertible Preference Scheme Share (or approximately HK\$3.93 for each Convertible Preference Scheme Share, being HK\$3.60 multiplied by the Conversion Rate (i.e. approximately 1.0913 times));

or, at the valid election of the relevant Convertible Preference Scheme Shareholders,

- (ii) **Share Alternative:** 0.420 TCC Share for each Ordinary Share underlying a Convertible Preference Scheme Share (or approximately 0.458 TCC Share for each Convertible Preference Scheme Share, being 0.420 TCC Share multiplied by the Conversion Rate (i.e. approximately 1.0913 times)).

Given that each Convertible Preference Share is convertible at the Conversion Rate into approximately 1.0913 Ordinary Shares, the Cancellation Consideration offered to Convertible Preference Scheme Shareholders is determined on an identical basis with reference to the Cancellation Consideration offered to the Ordinary Scheme Shareholders in accordance with the requirements under Rule 14 of the Takeovers Code.

Based on the closing price per TCC Share as quoted on the Taiwan Stock Exchange of NT\$36.45 (equivalent to approximately HK\$9.35) on the Last Trading Day, the implied value under the Share Alternative for each Convertible Preference Scheme Share was approximately HK\$4.28. The implied value of the Share Alternative for each Convertible Preference Scheme Share based on the closing price per TCC Share of NT\$34.25 each as at the Latest Practicable Date was approximately HK\$4.02.

**Election of Cancellation Consideration**

Each Scheme Shareholder may elect to receive the Share Alternative as the form of Cancellation Consideration in respect of its entire holdings of Scheme Shares (but not, for the avoidance of doubt, a combination of the two alternatives, save for HKSCC Nominees Limited, who may make different elections in respect of Scheme Shares held on behalf of Beneficial Owners). Scheme Shareholders who do not make such election, or fail to make a valid election, for the Share Alternative in accordance with the Scheme Document, will receive the Cash Alternative.

The actual number of TCC Shares to be made available for allotment and issuance under the Share Alternative will be determined after the latest time for the election of the Share Alternative. Fractions of TCC Shares to be issued to the Scheme Shareholders who have elected the Share Alternative are to be rounded down to the nearest whole number.

Shareholders whose names appear on the Register as at the record date for entitlement to a dividend (if any) declared by the Company on or before the Effective Date will be entitled to receive such dividend (if any). Save for the final dividend of HK1.0 cent per Share for the year ended 31 December 2016 approved by the Shareholders in the annual general meeting of the Company on 2 June 2017, the Company does not expect to declare any dividend on or before the Effective Date.

#### **Conditions to the Proposal and the Scheme**

The Scheme will become effective and binding on the Company and all Shareholders, subject to the fulfilment or waiver (as applicable) of the following conditions:

- a) the approval of the Scheme (by way of poll) by a majority in number of the Scheme Shareholders representing not less than 75% in value of the Scheme Shares held by the Scheme Shareholders present and voting either in person or by proxy at the Court Meeting, provided that:
  - (i) the Scheme is approved (by way of poll) by Disinterested Scheme Shareholders holding at least 75% of the votes attaching to the Disinterested Scheme Shares held by Disinterested Scheme Shareholders that are voted either in person or by proxy at the Court Meeting; and
  - (ii) the number of votes cast (by way of poll) by Disinterested Scheme Shareholders present and voting either in person or by proxy at the Court Meeting against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes attaching to all Disinterested Scheme Shares held by all the Disinterested Scheme Shareholders;

For the purpose of this Condition (a), the value of the Scheme Shares and votes attaching to the Disinterested Scheme Shares will be calculated based on the total number of Ordinary Scheme Shares and Ordinary Shares underlying the Convertible Preference Scheme Shares held by Scheme Shareholders and Disinterested Scheme Shareholders who attend and vote in person or by proxy at the Court Meeting, respectively.



- b) (i) the passing of a special resolution by a majority of not less than three-fourths of the votes cast by the Shareholders present and voting in person or by proxy at the EGM to approve and give effect to the Reduction by cancelling all of the Scheme Shares and reducing the issued share capital of the Company; and (ii) the passing of an ordinary resolution by the Shareholders at the EGM to simultaneously increase the issued share capital of the Company by an amount equal to the number of Scheme Shares cancelled pursuant to the Reduction and apply the reserve created as a result of the aforesaid cancellation to pay up in full at par such number of new Shares as is equal to the number of Scheme Shares cancelled for issuance to TCC and TCCI (as the case may be);
- c) the passing of a special resolution by a majority of not less than three-fourths of the votes cast by the Convertible Preference Shareholders present and voting in person or by proxy at the Special EGM to approve and give effect to the Reduction by cancelling all of the Convertible Preference Scheme Shares pursuant to Article 3A(k)(iv) of the Articles;
- d) the sanction of the Scheme (with or without modifications) by the Grand Court and, to the extent necessary, the Grand Court's confirmation of the Reduction and the delivery to the Registrar of Companies in the Cayman Islands of a copy of the orders of the Grand Court and the minutes in respect of the Reduction for registration;
- e) compliance, to the extent necessary, with the procedural requirements and conditions, if any, under Sections 15 to 17 of the Companies Law in relation to the Reduction;
- f) approval of the issuance of TCC Shares to be issued pursuant to the Proposal by the Taiwan Stock Exchange pursuant to Article 53-9 of the Operating Rules of the Taiwan Stock Exchange Corporation;
- g) approval of the additional investment by TCC in the PRC by the Investment Commission of MOEA pursuant to Article 35 of the Act Governing Relations between the People of the Taiwan Area and the Mainland China (as amended from time to time) and the regulations promulgated thereunder;
- h) deemed approval of the issuance of TCC Shares to be issued pursuant to the Proposal by the FSC pursuant to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers;
- i) all Authorisations in connection with the Proposal having been obtained or made from, with or by (as the case may be) the Relevant Authorities in the Cayman Islands, Hong Kong, Taiwan and any other relevant jurisdictions;

- j) all Authorisations remaining in full force and effect without variation, and all necessary statutory or regulatory obligations in all relevant jurisdictions having been complied with and no requirement having been imposed by any Relevant Authorities which is not expressly provided for, or is in addition to requirements expressly provided for, in relevant laws, rules, regulations or codes in connection with the Proposal or any related matters, documents (including circulars) or things, in each case up to and at the time when the Scheme becomes effective;
- k) all necessary consents in connection with the Proposal and the withdrawal of listing of the Company from the Stock Exchange which may be required under any existing contractual obligations of the Company being obtained and remaining in effect;
- l) if required, the obtaining by the Offeror of such other necessary consent, approval, authorisation, permission, waiver or exemption which may be required from any Relevant Authorities or other third parties which are necessary for the performance of the Scheme under the applicable laws and regulations;
- m) no government, governmental, quasi-governmental, statutory or regulatory body, court or agency in any jurisdiction having taken or instituted any action, proceeding, suit, investigation or enquiry (or enacted, made or proposed, and there not continuing to be outstanding, any statute, regulation, demand or order) that would make the Proposal or the Scheme or its implementation in accordance with its terms void, unenforceable, illegal or impracticable (or which would impose any material and adverse conditions or obligations with respect to the Proposal or the Scheme or its implementation in accordance with its terms), other than such actions, proceedings, suits, investigations or enquiries as would not have a material adverse effect on the legal ability of the Offeror to proceed with the Proposal or the Scheme;
- n) since the Announcement Date, there having been no adverse change in the business, assets, financial or trading positions, profits or prospects of any member of the Group (to an extent which is material in the context of the Group taken as a whole or in the context of the Proposal); and
- o) since the Announcement Date, there not having been instituted or remaining outstanding any litigation, arbitration proceedings, prosecution or other legal proceedings to which any member of the Group is a party (whether as plaintiff, defendant or otherwise) and no such proceedings having been threatened in writing against any such member (and no investigation by any government or quasi-governmental, supranational, regulatory or investigative body or court against or in respect of any such member or the business carried on by any such member having been threatened in writing, announced, instituted or remaining outstanding by, against or in respect of any such member), in each case which is material and adverse in the context of the Group taken as a whole or in the context of the Proposal.

The Offeror reserves the right (but is not obliged) to waive conditions (i) to (o) either in whole or in part, either generally or in respect of any particular matter. Conditions (a) to (h) cannot be waived in any event. The Company has no right to waive any of the Conditions. Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, the Offeror may only invoke any or all of the Conditions as a basis for not proceeding with the Scheme and the Proposal if the circumstances which give rise to a right to invoke any such Condition are of material significance to the Offeror in the context of the Proposal or the Scheme.

Please refer to “Part VII – Explanatory Memorandum” of the Scheme Document for further details of the Conditions. As at the Latest Practicable Date, Conditions (f) and (g) have been fulfilled.

### **Irrevocable Undertaking to accept the Proposal**

As disclosed in “Part VII – Explanatory Memorandum” of the Scheme Document, the Offeror has received the Irrevocable Undertaking from the Committed Shareholders, pursuant to which the Committed Shareholders jointly, severally and irrevocably undertook to the Offeror that, subject to (a) the Scheme being implemented in accordance with the terms set out in the Announcement, (b) the approval of the reduction of investment by Chia Hsin Cement in the PRC by the Investment Commission of MOEA being obtained and (c) the Investment Commission of MOEA’s approval of CHPL’s investment in TCC, they shall, amongst other things, (1) attend and exercise or procure the attendance and exercise of the voting rights attached to the Committed Shares at (i) the Court Meeting and (ii) the EGM, in each case, to approve the Scheme and the Reduction; and (2) elect the Share Alternative as the form of consideration.

In addition to the above undertakings, the Committed Shareholders also jointly, severally and irrevocably undertook that they shall not, among other things, before the Scheme becomes effective, or before the Irrevocable Undertaking is terminated, other than pursuant to the Proposal and the Scheme (a) sell, transfer, charge, encumber, grant any option over or otherwise dispose of any interest in the Committed Shares (other than to the Offeror); or (b) acquire any additional shares, securities or other interests of the Company and if they do, such shares, securities or interests shall be deemed to be Committed Shares for the purpose of the Irrevocable Undertaking. The Irrevocable Undertaking will extend to any increased or improved proposals by or on behalf of the Offeror.

The Irrevocable Undertaking shall terminate immediately if (a) the Scheme is not approved at the Court Meeting; or (b) the Reduction is not approved at the EGM or by the Convertible Preference Shareholders; or (c) at the Court Hearing, the Grand Court does not sanction the Scheme or confirm the Reduction; or (d) the Conditions fail to become fulfilled or waived, as applicable, before the Long Stop Date.

As at the Latest Practicable Date, the Committed Shareholders are together the beneficial owner of 488,678,512 Ordinary Shares, representing 9.89% of the total Ordinary Shares in issue and 28.34% of the total issued Ordinary Shares held by Disinterested Scheme Shareholders. If the Scheme becomes effective, the Committed Shareholders will receive from TCC 205,244,975 TCC Shares (being 3,708,290 TCC Shares for Chia Hsin Cement and 201,536,685 TCC Shares for CHPL, respectively).

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In formulating our opinion and recommendation with regard to the Proposal and the Scheme, we have taken into account the following principal factors and reasons:

#### **1. Background to and reasons for the Proposal and the Scheme**

As set out in “Part VII – Explanatory Memorandum” of the Scheme Document, the Proposal aims to generate the following benefits:

- 1) the Proposal presents an immediate opportunity for Scheme Shareholders to realise their investments in the Scheme Shares for cash and redeploy the cash received from the Proposal into other investment opportunities or to participate in the investment in TCC, which is a Taiwan listed company and a larger and more diversified group than the Group. Given that the Ordinary Shares are generally thinly traded on the Stock Exchange and that Convertible Preference Shares are not publicly listed, there is limited opportunity for Scheme Shareholders to divest their investments in the Company. For the 12 months up to and including the Last Trading Day, the average daily trading volume of the Ordinary Shares was 3,928,444 Ordinary Shares, or approximately 0.08% of the number of total issued Ordinary Shares as at the Last Trading Day;
- 2) since the Offeror holds approximately 63.05% of the total issued Ordinary Shares, it is unlikely that the Scheme Shareholders will receive any alternative general offers or other similar proposals from third parties to acquire the Scheme Shares without the approval of the Offeror, which holds its Ordinary Shares and Convertible Preference Shares as a long-term investment;
- 3) the successful privatisation and resultant withdrawal of listing of the Company can:
  - (a) facilitate financial, business and operational integration between the Offeror and the Group and provide the Offeror with greater flexibility to support the future business development of the Group free from pressures of market expectations, earnings visibility and share price fluctuations associated with maintaining the listing status of the Company;

- (b) consolidate the Offeror's interests in the Company, with the intention of simplifying the shareholding structure and improving the corporate efficiency of the Company; and
- (c) allow the Company to save on the costs and expenses associated with compliance and maintenance of the listing status of the Company.

As we will further discuss in the section headed "4. Analysis on price performance and trading liquidity of the Ordinary Shares – (b) Historical trading liquidity of the Ordinary Shares" below, the liquidity of the Ordinary Shares has been at a low level over a long period of time and such low trading liquidity of the Ordinary Shares could make it difficult for the Ordinary Scheme Shareholders to execute substantial on-market disposals without adversely affecting the price of the Ordinary Shares and also make it difficult for the Ordinary Scheme Shareholders to dispose of a large number of Ordinary Shares when any event that has an adverse impact on the Company's share price occurs. The Proposal is, therefore, intended to provide the Scheme Shareholders with an opportunity to realise their investment in the Company for cash without having to suffer any illiquidity discount. In case the Scheme Shareholders would like to retain their interests in the Company following completion of the Proposal and the Scheme, such objective could also be achieved by electing the Share Alternative so as to swap their investments in the Company to TCC, being a larger group of which the Company forms part.

## **2. Information and prospects of the Group**

### ***(a) Background information of the Company***

The Company is a company incorporated in the Cayman Islands with limited liability, the Ordinary Shares of which have been listed on the Main Board of the Stock Exchange since October 1997 (stock code: 1136.HK). The Convertible Preference Shares are not listed on any stock exchanges. The principal activities of the Group consist of the import and distribution of cement in Hong Kong and the manufacture and distribution of cement, clinker, concrete and other cement related products in other areas of the PRC. Through its associates, the Group is also engaged in the production and distribution of ready-mixed concrete in Hong Kong.

**(b) Historical financial information of the Group****(i) Financial performance**

Set out below are certain key financial information of the Group as extracted from the consolidated statement of profit or loss for the three years ended 31 December 2016 and the six months ended 30 June 2016 and 30 June 2017 (collectively, the “**Period**”), details of which are set out in the 2015 Annual Report, the 2016 Annual Report and the 2017 IR Announcement:

	For the six months ended		For the year ended		
	30 June		31 December		
	2017	2016	2016	2015	2014
	(unaudited)	(unaudited)	(audited)	(audited)	(audited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	6,129,183	4,885,814	11,412,814	10,911,069	13,752,863
Cost of sales	<u>(4,765,779)</u>	<u>(4,119,376)</u>	<u>(9,022,356)</u>	<u>(9,236,140)</u>	<u>(9,520,046)</u>
Gross profit	1,363,404	766,438	2,390,458	1,674,929	4,232,817
Profit/(loss) before income tax	688,558	(120,341)	442,651	(266,968)	2,774,136
Income tax (expense)/credit	<u>(206,685)</u>	<u>(32,102)</u>	<u>(225,219)</u>	<u>20,806</u>	<u>(703,603)</u>
Profit/(loss) for the year	<u>481,873</u>	<u>(152,443)</u>	<u>217,432</u>	<u>(246,162)</u>	<u>2,070,533</u>
<i>Profit/(loss) for the year attributable to:</i>					
- Owners of the Company	469,357	(156,093)	193,840	(249,391)	2,051,156
- Non-controlling interests	12,516	3,650	23,592	3,229	19,377

Revenue generated from the manufacture and distribution of cement, clinker and slag powder in the PRC has been the main source of income which represented over 90% of the total revenue of the Group during the Period. The rest of the revenue came from the business of import, distribution and handling of cement in Hong Kong.

As disclosed in the 2015 Annual Report, during the financial year ended 31 December 2015 (“**FY2015**”), an inevitable decline of the Group’s product average selling prices (“**ASP**”) caused by the fierce price war put pressure on the Group’s revenue and profit margin. As disclosed in the 2015 Annual Report, during FY2015, the Group’s ASP of cement, clinker and slag powder plunged 25.5%. The plunge override the 6.0% growth of sales volume as well as the reduction of unit cost. The Group’s revenue decreased by approximately 20.7% as compared to that of the financial year ended 31 December 2014 (“**FY2014**”) to around HK\$10,911.1 million and the Group’s gross profit margin dropped from around 30.8% in FY2014 to around 15.4% in FY2015. Loss attributable to owners of the Company for FY2015 amounted to approximately HK\$249.4 million for FY2015 as compared to a profit attributable to owners of the Company for FY2014 of around HK\$2,051.2 million, which was mainly attributable to the significant decrease in gross profit margin as a result of the decline of ASP of cement and clinker in the PRC in 2015.

As disclosed in the 2016 Annual Report, the Group reported a revenue of approximately HK\$11,412.8 million in the financial year ended 31 December 2016 (“**FY2016**”), represented an increase by around 4.6% from that of FY2015 which was mainly driven by the growth in sales volume as well as the increase in cement ASP during FY2016. Gross profit and gross profit margin of the Group amounted to around HK\$2,390.5 million and 20.9% respectively, representing year-on-year increases of approximately 42.7% and 5.6% respectively. It was disclosed in the 2016 Annual Report that the significant improvement in both gross profit and gross profit margin was mainly attributed to strong cement ASP, in particular, in Southern region in which the Group enjoyed a dominant position. Profit attributable to owners of the Company for FY2016 also turned around from a loss of approximately HK\$249.4 million in FY2015 to a profit of approximately HK\$193.8 million in FY2016. The improvement in net profit was mainly due to strong cement ASP in FY2016 coupled with the Group’s enhanced operation efficiency along with effective Renminbi hedging strategies during FY2016.

As disclosed in the 2017 IR Announcement, the Group reported a revenue of approximately HK\$6,129.2 million in the first half of 2017 (“**1H2017**”), which represented an increase by around 25.4% from that of the first half of 2016 (“**1H2016**”) which was mainly driven by the increase in cement ASP during 1H2017. Gross profit and gross profit margin of the Group amounted to around HK\$1,363.4 million and 22.2% respectively, representing year-on-year increases of approximately 77.9% and 6.5% respectively. It was disclosed in the 2017 IR Announcement that the significant improvement in both gross profit and gross profit margin was mainly attributable to strong cement ASP. Profit attributable to owners of the Company for 1H2017 also turned around from a loss of approximately HK\$156.1 million in 1H2016 to a profit of approximately HK\$469.4 million in 1H2017. The improvement in net profit was mainly due to strong product ASP and improvement in the balance of supply and demand in certain regions where the Group had a presence in 1H2017.

(ii) *Financial position*

Set out below is a summary of the Group's consolidated financial positions as at 31 December 2015, 31 December 2016 and 30 June 2017, as extracted from the 2016 Annual Report and the 2017 IR Announcement:

	<b>As at 30 June 2017</b>	<b>As at 31 December</b>	
	(unaudited)	<b>2016</b>	<b>2015</b>
	HK\$'000	(audited)	(audited)
		HK\$'000	HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	14,904,562	15,009,306	17,102,276
Prepaid land lease payments	1,833,717	1,794,820	1,957,979
Intangible assets	3,513,538	3,424,323	3,667,443
Other non-current assets	<u>2,579,741</u>	<u>2,443,756</u>	<u>2,439,335</u>
	<u>22,831,558</u>	<u>22,672,205</u>	<u>25,167,033</u>
<b>Current assets</b>			
Inventories	1,180,743	1,175,793	1,082,570
Trade receivables	3,287,377	2,874,063	2,836,770
Cash and cash equivalents	4,033,264	4,172,477	5,330,638
Other current assets	<u>1,133,215</u>	<u>981,944</u>	<u>1,410,438</u>
	<u>9,634,599</u>	<u>9,204,277</u>	<u>10,660,416</u>
<b>Total assets</b>	32,466,157	31,876,482	35,827,449
<b>Current liabilities</b>			
Bank loans	2,094,273	2,295,456	6,028,147
Other current liabilities	<u>2,720,904</u>	<u>2,686,315</u>	<u>2,546,477</u>
	<u>4,815,177</u>	<u>4,981,771</u>	<u>8,574,624</u>
<b>Non-current liabilities</b>			
Bank loans	6,437,000	7,122,800	5,704,736
Other non-current liabilities	<u>1,305,374</u>	<u>978,612</u>	<u>1,335,289</u>
	<u>7,742,374</u>	<u>8,101,412</u>	<u>7,040,025</u>
<b>Total liabilities</b>	12,557,551	13,083,183	15,614,649
<b>Net current assets</b>	4,819,422	4,222,506	2,085,792
<b>Total equity</b>			
Equity attributable to owners of Company	19,645,529	18,548,856	19,960,552
Non-controlling interests	<u>263,077</u>	<u>244,443</u>	<u>252,248</u>
	<u>19,908,606</u>	<u>18,793,299</u>	<u>20,212,800</u>



As at 31 December 2016, total assets amounted to approximately HK\$31,876.5 million and total liabilities amounted to approximately HK\$13,083.2 million. The Group had non-current assets of approximately HK\$22,672.2 million as at 31 December 2016, representing a decrease of approximately 9.9% from approximately HK\$25,167.0 million as at 31 December 2015, owing to the decrease in balance of property, plant and equipment over the period. Among the current assets, the Group had cash and cash equivalents of approximately HK\$4,172.5 million as at 31 December 2016, representing a decrease of approximately 21.7% from those as at 31 December 2015.

Total bank loans were reduced from approximately HK\$11,732.9 million as at 31 December 2015 by approximately 19.7% to approximately HK\$9,418.3 million as at 31 December 2016, mainly due to the substantial decrease in current portion of bank loans by approximately 61.9% over the same period partly offset by around 24.9% increase in non-current portion of bank loans. The current ratio of the Group substantially improved from approximately 1.24 as at 31 December 2015 to approximately 1.85 as at 31 December 2016 mainly due to the aforesaid decrease in current portion of bank loans. Despite that the Group was profit-making in FY2016, as at 31 December 2016, total equity attributable to owners of the Company amounted to approximately HK\$18,548.9 million, which represented a decrease by around 7.1% from approximately HK\$19,960.6 million as at 31 December 2015 mainly due to an exchange loss arising on translation to presentation currency of approximately HK\$1,475.3 million during FY2016.

As at 30 June 2017, total assets amounted to approximately HK\$32,466.2 million and total liabilities amounted to approximately HK\$12,557.6 million. The Group had non-current assets of approximately HK\$22,831.6 million as at 30 June 2017, representing a slight increase of approximately 0.7% from approximately HK\$22,672.2 million as at 31 December 2016. Among the current assets, the Group had cash and cash equivalents of approximately HK\$4,033.3 million as at 30 June 2017, representing a decrease of approximately 3.3% from those as at 31 December 2016.

Total bank loans were reduced from approximately HK\$9,418.3 million 31 December 2016 by approximately 9.4% to approximately HK\$8,531.3 million as at 30 June 2017, mainly due to repayment of bank loans during 1H2017. The current ratio of the Group slightly improved from approximately 1.85 as at 31 December 2016 to approximately 2.00 as at 30 June 2017. As the Group was profit-making in 1H2017, as at 30 June 2017, total equity attributable to owners of the Company amounted to approximately HK\$19,645.5 million, represented an increase by around 5.9% from approximately HK\$18,548.9 million as at 31 December 2016.

Based on the total equity attributable to owners of the Company (the “NAV”) of approximately HK\$19,645.5 million as at 30 June 2017 and (i) 4,943,464,851 Ordinary Shares in issue; and (ii) 539,473,242 Ordinary Shares to be issued upon full conversion of the Convertible Preference Shares in issue as at the Latest Practicable Date, the NAV per Ordinary Share (on a fully diluted basis) was approximately HK\$3.58 (the “NAV per Share”). The Cash Alternative of HK\$3.60 for each Ordinary Scheme Share represents a premium of around 0.6% over the NAV Per Share, while the Share Alternative Reference Value of approximately HK\$3.93 represents a premium of around 9.8% over the NAV Per Share.

As disclosed in the property valuation report of the Group (the “**Property Valuation Report**”) as set out in Appendix III to the Scheme Document, the market value of the property interests attributable to the Group as at 31 May 2017 was approximately HK\$9,228.7 million. As further disclosed in the Property Valuation Report, based on the legal opinion on the Group’s property interests provided to the independent valuer by the Group’s PRC legal adviser, certain properties of the Group have no valid Stated-owned Land Use Certificate and/or Building Ownership Certificate, and such properties are not entitled to be occupied, used, transferred, leased and mortgaged in the market by the Group as at the date of valuation. In this regard, we note that for most of those properties with the aforesaid title issues, the legal opinion has also stated that there is no legal impediment for the Group to obtain the relevant Stated-owned Land Use Certificate and/or Building Ownership Certificate. Against such backdrop, and assuming all such properties (for which the Group has no legal impediment to obtain the relevant title documents) have obtained the relevant title documents and are freely transferrable, the market value of the property interests attributable to the Group as at 31 May 2017 would amount to approximately HK\$11,299.0 million (the “**Valuation**”) which, when compared with the net book value of such properties as at 30 June 2017 (as advised by the Company, there has been no addition, reduction or any other significant change of the net book value of such properties between 31 May 2017 and 30 June 2017), represents an appreciation in value of approximately HK\$2,658.1 million (before taking into account any deferred tax impacts). Such appreciation in value of the properties was mainly attributable to the fact that most of the properties have been stated at cost in the consolidated financial statements of the Group since their acquisition in accordance with the accounting policy adopted by the Company. We note that all of those properties since their acquisitions have been and are currently occupied by the Group as its own production bases, office uses or staff dormitory. According to the Management, the Group has no intention to dispose of or transfer the relevant property interests and accordingly, such appreciation amount is unlikely to be crystallised. Also as provided in “Part VII – Explanatory Memorandum” of the Scheme Document, the Offeror does not intend to, in the event the Scheme becomes effective, (a) introduce significant changes to the existing operations of the Group (including any major disposal or redeployment of the Group’s assets) or (b) discontinue the employment of the employees of the Group, save for those changes which the Offeror may from time to time implement following the review of its strategic options relating to the business, structure and/or direction of the Group. Nevertheless, attention of the Scheme Shareholders are drawn to the discussion on the Reassessed NAV (as defined below) as set out in the section headed “5. Historical discount of market price of the Ordinary Shares to the NAV Per Share” below.

***(c) Prospects of the Group***

As set out in the 2016 Annual Report, cement market demand in 2017 will basically remain the same or slightly below that of 2016. PRC's continued commitment in infrastructure development, in particular, transportation network and hydraulic engineering projects, and the introduction of Private Public Participation projects will become the impetus for further implementation of civil engineering works in the public sector. Property development, which is the most important driver of private sector demand, continues to prosper, evidenced by record high land premium in first tier cities. Although there are signs of reinstatement of tighter austerity measures in those cities due to heightened property prices, construction works commenced or committed earlier are expected to continue to fuel private sector demand.

Despite the above, it is expected that there is also challenges for the cement industry in 2017, including but not limited to, that the significant hike in coal price since late 2016 is expected to continue in the current year. Energy expenses accounted for a substantial portion of cement manufacturers' cost structure. Surging coal price will inevitably exert pressure on cement plants' profit margins. In addition, rising labour and transportation costs, as well as the PRC's tightened pollution control requirements are all going to impact on the bottom line of cement manufacturers.

Having considered the above, we are of the view that the business of the Company is highly dependent on factors including but not limited to, (i) the overall market conditions, economy of the PRC including but not limited to, volatility of raw material and labour cost, in the future; (ii) any changes in control measures, policies or regulatory requirements implemented from time to time that may directly or indirectly affect the business environment of the cement market; and (iii) whether the Company is able to react and adapt in a timely manner in response to any such changes and maintain its profitability. Given the above circumstances, the business prospects of the Company in the near future could be subject to challenges and there is no guarantee that the existing profitability of the Group would be maintained.

**3. Information on the Offeror**

***(a) Background of the Offeror***

TCCI is a company incorporated in the British Virgin Islands on 22 May 1997 with limited liability. Its principal activity is investment holding. As at the Latest Practicable Date, its investments included a holding of 3,117,016,329 Ordinary Shares (representing approximately 63.05% of the total issued Ordinary Shares) and 494,251,511 Convertible Preference Shares (representing approximately 99.98% of the total issued Convertible Preference Shares). TCCI is a wholly-owned subsidiary of TCC.

TCC is a company incorporated in Taiwan on 29 December 1950, the shares of which have been listed on the Taiwan Stock Exchange since 1962 (stock code: 1101.TWSE). The principal activities of TCC and its subsidiaries (other than TCCI and the Group) consist of production and distribution of cement, cement products and cement materials. As at the Latest Practicable Date, TCC had a market capitalisation of around NT\$126.5 billion (equivalent to approximately HK\$32.4 billion), which is much larger than that of the Company of around HK\$17.6 billion.

**(b) Historical financial information of TCC Group**

*(i) Financial performance*

Set out below are certain key financial information of TCC Group as extracted from the audited consolidated statement of profit or loss for the two years ended 31 December 2016 and the unaudited consolidated statement of profit or loss for the six months ended 30 June 2017, details of which are set out in Appendix II to the Scheme Document:

	For the six months ended		For the year ended	
	30 June		31 December	
	2017	2016	2016	2015
	(unaudited)	(unaudited)	(audited)	(audited)
	NT\$'000	NT\$'000	NT\$'000	NT\$'000
Operating revenue	45,893,851	40,666,259	89,564,306	93,679,076
Operating costs	<u>37,627,091</u>	<u>34,019,366</u>	<u>71,583,302</u>	<u>79,151,059</u>
Gross profit	8,266,760	6,646,893	17,981,004	14,528,017
Income before income tax	5,754,330	3,746,045	11,515,335	8,666,015
Income tax expense	<u>1,519,839</u>	<u>942,586</u>	<u>2,673,260</u>	<u>1,740,389</u>
Net income for the year/period	<u><u>4,234,491</u></u>	<u><u>2,803,459</u></u>	<u><u>8,842,075</u></u>	<u><u>6,925,626</u></u>
<i>Net Income for the year/period</i>				
<i>attributable to:</i>				
- Owners of TCC	2,981,955	2,224,740	6,358,452	5,775,989
- Non-controlling interests	1,252,536	578,719	2,483,623	1,149,637

During the period under review, revenue of TCC Group was mainly generated from sales of cement which includes cement and clinker, and ready-mixed concrete products in Taiwan and the PRC.

TCC Group recorded a slight decrease in operating revenue for FY2016 by around 4.4% from approximately NT\$93,679.1 million (equivalent to approximately HK\$24,020.3 million) for FY2015 to approximately NT\$89,564.3 million (equivalent to approximately HK\$22,965.2 million) for FY2016. Such decrease in operating revenue was mainly contributed from the further decline in sales volume of cement and cement products in Taiwan despite the rebound of the ASP of TCC Group's cement products in the PRC during 2016. Net income attributable to owners of TCC improved by around 10.1% from approximately NT\$5,776.0 million (equivalent to approximately HK\$1,481.0 million) for FY2015 to approximately NT\$6,358.5 million (equivalent to approximately HK\$1,630.4 million) for FY2016. Such improvement was mainly due to increase in investment income.

There was an increase in operating revenue of TCC Group by around 12.9% to approximately NT\$45,893.9 million (equivalent to approximately HK\$11,767.6 million) for 1H2017 from approximately NT\$40,666.3 million (equivalent to approximately HK\$10,427.3 million) for 1H2016. The increase in operating revenue was mainly due to increase in sales volume of cement and cement products in the PRC. Net income attributable to owners of TCC improved by around 34.0% to approximately NT\$2,982.0 million (equivalent to approximately HK\$764.6 million) for 1H2017 from approximately NT\$2,224.7 million (equivalent to approximately HK\$570.4 million) for 1H2016, which was mainly attributable to the increase in operating revenue and share of profit of associates and joint ventures.

*(ii) Financial position*

Set out below are the financial positions of the TCC Group as at 31 December 2016 and 30 June 2017 as extracted from Appendix II to the Scheme Document:

	<b>As at 30 June 2017</b>	<b>As at 31 December 2016</b>
	(unaudited)	(audited)
	<i>NT\$'000</i>	<i>NT\$'000</i>
<b>Non-current assets</b>		
Property, plant and equipment	96,760,640	101,799,766
Long term finance lease receivables	33,088,952	33,666,040
Intangible assets	20,527,954	21,175,282
Other non-current assets	<u>32,441,535</u>	<u>32,463,569</u>
	<u>182,819,081</u>	<u>189,104,684</u>
<b>Current assets</b>		
Inventories	9,360,034	8,893,965
Accounts receivables	6,721,026	6,782,292
Notes receivables	13,678,514	12,600,411
Available-for-sale financial assets	18,168,327	15,536,693
Cash and cash equivalents	25,529,191	28,179,758
Other current assets	<u>5,875,917</u>	<u>5,890,893</u>
	<u>79,333,009</u>	<u>77,884,012</u>
<b>Total assets</b>	262,152,090	266,988,696
<b>Current liabilities</b>		
Long-term loans – current portion	12,196,596	8,163,950
Notes and accounts payables	7,466,214	7,671,640
Short-term bills payables	5,193,780	5,921,518
Short-term loans	21,669,150	20,635,324
Other current liabilities	<u>17,313,907</u>	<u>12,712,487</u>
	<u>63,839,647</u>	<u>55,104,919</u>

	As at 30 June 2017 (unaudited) NT\$'000	As at 31 December 2016 (audited) NT\$'000
<b>Non-current liabilities</b>		
Long-term loans	41,947,717	53,342,059
Deferred tax liabilities	10,242,024	10,213,967
Other non-current liabilities	<u>757,299</u>	<u>931,080</u>
	<u>52,947,040</u>	<u>64,487,106</u>
<b>Total liabilities</b>	116,786,687	119,592,025
<b>Net current assets</b>	15,493,362	22,779,093
<b>Total equity</b>		
Equity attributable to owners of TCC	106,172,209	106,768,051
Non-controlling interests	<u>39,193,194</u>	<u>40,628,620</u>
	<u>145,365,403</u>	<u>147,396,671</u>

As at 30 June 2017, TCC Group had total assets amounting to approximately NT\$262,152.1 million (equivalent to approximately HK\$67,218.5 million) and total liabilities amounted to approximately NT\$116,786.7 million (equivalent to approximately HK\$29,945.3 million). TCC Group had non-current assets of approximately NT\$182,819.1 million (equivalent to approximately HK\$46,876.7 million) as at 30 June 2017, which represented a decrease of around 3.3% from that of approximately NT\$189,104.7 million (equivalent to approximately HK\$48,488.4 million) as at 31 December 2016. Such decrease was mainly due to the reduction in the balance of property, plant and equipment of TCC Group as a result of the increase in provision of depreciation of property, plant and equipment in 2016 and effect of changes in translation of foreign currency. The current assets of TCC Group as at 30 June 2017 were in general comparable to that as 31 December 2016.

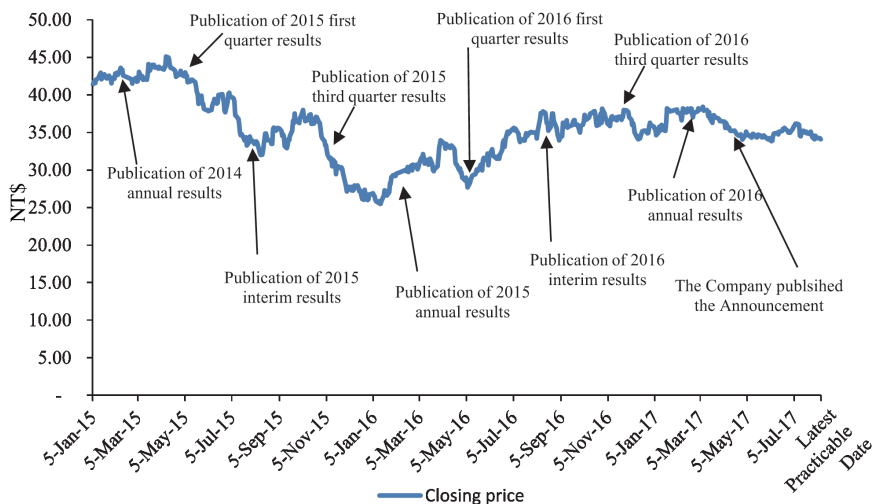
The current liabilities of TCC Group as at 30 June 2017 increased by around 15.9% to NT\$63,839.6 million (equivalent to approximately HK\$16,369.1 million) from approximately NT\$55,104.9 million (equivalent to approximately HK\$14,129.5 million) as at 31 December 2016, which was mainly due the increase in current portion of the Group's long-term loans. There was a decrease in the non-current liability positions of TCC Group as at 30 June 2017 by around 17.9% as compared to that as at 31 December 2016. Such decrease was mainly attributable to the reclassification of long-term loans to long-term loans – current portion. Total equity attributable to owners of TCC amounted to approximately NT\$106,172.2 million (equivalent to approximately HK\$27,223.6 million) as at 30 June 2017 which was generally comparable to that of approximately NT\$106,768.1 million (equivalent to approximately HK\$27,376.4 million) as at 31 December 2016.

Based on the audited net asset value of TCC Group attributable to the owners of TCC of approximately NT\$106,172.2 million as at 30 June 2017 and 3,692,175,869 TCC Shares in issue as at the Latest Practicable Date, the net asset value of TCC Group attributable to owners of TCC per TCC Share was approximately NT\$28.76 (equivalent to approximately HK\$7.37) (the “**NAV Per TCC Share**”). As at the Last Trading Day, the closing price per TCC Share as quoted on the Taiwan Stock Exchange was NT\$36.45 (equivalent to approximately HK\$9.35), which represented a premium of around 26.87% over the NAV Per TCC Share.



*(iii) Historical price performance of the TCC Shares*

Set out below is the movement of the closing prices of the TCC Shares during the period from 5 January 2015 to the Latest Practicable Date (the “**TCC Review Period**”) and highlights of the announcements and reports published by TCC and the Company of certain corporate events that took place during the TCC Review Period:



Source: Bloomberg

As showed in the chart above, during the TCC Review Period, the market price of TCC Shares closed in the range between NT\$25.50 and NT\$45.10 per TCC Share, with an average of around NT\$35.49 per TCC Share.

The TCC Shares closed at NT\$43.00 each on 5 January 2015. The closing price of the TCC Shares gradually went up to reach its peak during the TCC Review Period of NT\$45.10 on 23 April 2015. Following 23 April 2015, the closing price of the TCC Shares exhibited a decreasing trend in general until reaching the bottoms during the TCC Review Period of NT\$25.50 each on 26 January and 27 January 2016, and subsequently, the closing prices of the TCC Shares began to rebound but suffered from a slump again in April and May 2016 and closed at NT\$27.70 per TCC Share on 19 May 2016. Since then, the closing prices of the TCC Shares gradually went up again and started to stabilise within the range between NT\$33.95 and NT\$38.40 during the period from 1 September 2016 up to and including the Last Trading Day, with an average closing price of around NT\$36.58 per TCC Share. The TCC Shares closed at NT\$36.45 each on the Last Trading Day.

Trading in the TCC Shares was suspended on 19 and 20 April 2017 pending the release of the announcement regarding the Scheme. Following the publication of the Announcement by the Company on 20 April 2017 in relation to, among other things, the Proposal and the Scheme, and the resumption in trading of the TCC Shares on 21 April 2017, we note that the closing price of TCC Shares dropped to NT\$35.60 each on 21 April 2017, being the trading day immediately following the publication of the Announcement. Since then the closing price of TCC Shares exhibited a downward trend and were ranged between NT\$33.85 and NT\$36.25 during the period from 21 April 2017 (being the first trading of TCC Shares following the publication of the Announcement) up to and including the Latest Practicable Date, with an average of around NT\$34.87. The closing price of TCC Shares as at the Latest Practicable Date was NT\$34.25 each.

*(iv) Historical trading liquidity of the TCC Shares*

Set out below in the table are the average daily trading volume of the TCC Shares and the percentages of the average daily trading volume to the total issued TCC Shares and public float of TCC respectively during the TCC Review Period:

	Average daily trading volume of the TCC Shares <i>(note 1)</i>	Approximate % of average daily trading volume to the total issued TCC Shares <i>(note 2)</i>	Approximate % of average daily trading volume to the public float of TCC
<b>2015</b>			
January	8,552,955	0.2317	0.2479
February	6,040,333	0.1636	0.1751
March	7,186,881	0.1947	0.2083
April	9,469,313	0.2565	0.2745
May	5,315,906	0.1440	0.1541
June	7,946,030	0.2152	0.2303
July	8,422,795	0.2281	0.2442
August	8,361,559	0.2265	0.2424
September	5,103,650	0.1382	0.1479
October	5,720,656	0.1549	0.1658
November	7,065,313	0.1914	0.2048
December	7,447,590	0.2017	0.2159
<b>2016</b>			
January	7,492,279	0.2029	0.2172
February	6,517,047	0.1765	0.1889
March	7,902,568	0.2140	0.2291
April	7,970,958	0.2159	0.2311
May	7,118,167	0.1928	0.2063
June	5,771,595	0.1563	0.1673
July	9,744,699	0.2639	0.2825
August	6,654,593	0.1802	0.1929
September	6,873,750	0.1862	0.1993
October	5,476,020	0.1483	0.1587
November	6,276,566	0.1700	0.1819
December	5,359,010	0.1451	0.1553

	Average daily trading volume of the TCC Shares <i>(note 1)</i>	Approximate % of average daily trading volume to the total issued TCC Shares <i>(note 2)</i>	Approximate % of average daily trading volume to the public float of TCC
<b>2017</b>			
January	4,804,367	0.1301	0.1393
February	10,048,950	0.2722	0.2913
March	6,549,274	0.1774	0.1898
1 April to 18 April	3,537,396	0.0958	0.1025
<b>Average during the period from 5 January 2015 to 18 April 2017 <i>(note 3)</i></b>		<b>0.1972</b>	<b>0.2111</b>
<b>21 April 2017 to the Latest Practicable Date <i>(note 4)</i></b>		<b>0.1537</b>	<b>0.1645</b>

*Source: Bloomberg*

*Notes:*

1. The calculation is based on the average daily trading volumes of the TCC Shares divided by the number of the TCC Shares in issue as at the end of each month.
2. The calculation is based on the average daily trading volumes of the TCC Shares divided by the number of TCC Shares in issue as set out in note 1 above excluding the TCC Shares held by the directors of TCC in the corresponding month.
3. Trading in the TCC Shares was halted on 19 April and 20 April 2017 pending release of the Announcement.
4. The Announcement was published on 20 April 2017 by the Company, and the trading in the TCC Shares was resumed on 21 April 2017.

We note from the above table that the average daily trading volume of the TCC Shares in each of the mentioned periods was less than 0.3% of the total issued TCC Shares and the issued TCC Shares constituting public float of TCC, and therefore, had been thin in general during the entire TCC Review Period. During the period from 5 January 2015 up to and including the Last Trading Day, the average daily trading volume of the TCC Shares was within the range between (i) approximately 0.0958% and 0.2722% of the total issued TCC Shares, with an average of approximately 0.1972%; and (ii) approximately 0.1025% and 0.2913% of the issued TCC Shares constituting public float of TCC, with an average of approximately 0.2111%. The average daily turnover value was around NT\$249,846,336 (equivalent to approximately HK\$64,063,163) during the period from 5 January 2015 up to and including the Last Trading Day. The average number of TCC Shares traded daily from 21 April 2017 (being the first trading day of the TCC Shares immediately following the publication of the Announcement) up to and including the Latest Practicable Date on average represented approximately 0.1537% and 0.1645% of the total TCC Shares in issue and the issued TCC Shares constituting public float of TCC.

Since the daily trading volume of the TCC Shares was thin during the TCC Review Period, the Scheme Shareholders should note that if they wish to opt for the Share Alternative, and when they decide to realise their investment in the TCC Shares in the future, and especially those with bulk quantities of TCC Shares, they might not be able to dispose of the TCC Shares in the market without exerting a downward pressure on the market price of the TCC Shares in short term.

*(v) Prospects of TCC Group*

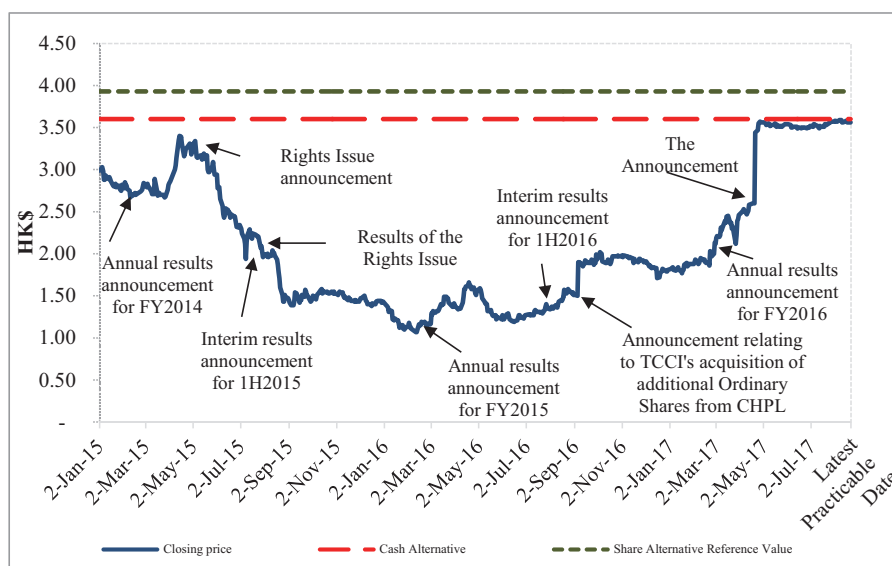
As mentioned in the Information Memorandum set out in Appendix X to the Scheme Document, Taiwan is becoming a developed country with well-established infrastructure, and thus its cement demand is gradually stabilized. According to the Information Memorandum, the total domestic cement consumption in Taiwan has continued to decline from around 12,562,423 metric tonnes in 2014 to approximately 10,245,815 metric tonnes in 2016. Since 2016, TCC Group has reduced its exports of cement products primarily due to the efforts to comply with the government policy to cut export amidst the decline in demand in domestic market. The market of cement for the Taiwan domestic market is subject to the effect of the modest economic performance in the PRC, fluctuation in the global financial market and reduction of real estate projects. As also mentioned in the Information Memorandum set out in Appendix X to the Scheme Document, the cement demand in the PRC in 2017 will remain unchanged or be slightly lower than 2016. In addition, cement industry in the

PRC is bound to face certain challenges including rising coal price and labour and transportation costs and more stringent control by the Chinese government over pollution as discussed under the sub-section headed “2. Information and prospects of the Group – (c) Prospect of the Group”. Accordingly, the business outlook of TCC in the near future could be subject to challenges and the future profitability of the TCC Group is highly dependent on factors including but not limited to, (i) the overall market conditions, economy of the principal markets of TCC, i.e. Taiwan and the PRC, in the future; and (iii) whether TCC is able to react and adapt in a timely manner in response to any such changes and maintain its profitability.

#### 4. Analysis on price performance and trading liquidity of the Ordinary Shares

##### (a) *Historical price performance of the Ordinary Shares*

Set out below is the movement of the closing prices of the Ordinary Shares during the period from 2 January 2015 to the Latest Practicable Date (the “**Review Period**”) and highlights of the announcements published by the Company of certain corporate events that took place during the Review Period:



Source: Bloomberg and website of the Stock Exchange

As illustrated in the above, during the Review Period, the Ordinary Shares closed in the range between HK\$1.07 and HK\$3.59 each, with an average of around HK\$2.12 per Share. We also note that the Ordinary Shares closed below (i) the Cash Alternative of HK\$3.60; and (ii) the Share Alternative Reference Value of approximately HK\$3.93, at all times during the Review Period.

The Ordinary Shares closed at HK\$2.99 each on 2 January 2015. The closing price of the Ordinary Shares gradually went down to HK\$2.71 on 12 March 2015 on which, after trading hours, the Group released the annual results announcement for FY2014. Since then, the closing price of the Ordinary Shares started to gradually rebound and closed at HK\$3.40 on 14 April 2015. Subsequently, the closing price of the Ordinary Shares gradually fell to HK\$2.94 on 29 May 2015, being the last trading day prior to the trading halt on 1 June 2015 and the release of the announcement regarding a rights issue (the “**Rights Issue**”) on 1 June 2015. Following the resumption of trading in Ordinary Shares on 2 June 2015, the Ordinary Share price closed at HK\$2.78 and since then, the Ordinary Share price continued its decreasing trend and closed at HK\$2.20 each on 15 July 2015, on which the Group announced the results of the Rights Issue. The Ordinary Share price continued to go down and closed at HK\$2.04 each on 11 August 2015 on which, after trading hours, the Group released its interim results announcement for the six months period ended 30 June 2015 (“**1H2015**”). The closing price of the Ordinary Shares continued to decrease and reached its trough during the Review Period of HK\$1.07 each on 11 February and 12 February 2016. Since then, the closing price of the Ordinary Shares gradually rebound, and closed at HK\$1.50 each on 5 September 2016, after trading hours of which the Group announced the purchase of 303,000,000 existing Ordinary Shares by TCCI from Chia Hsin Pacific Limited (“**CHPL**”). The Ordinary Share price closed at HK\$1.90 on 6 September 2016 and continued to go up and closed at HK\$2.12 on 27 March 2017, after trading hours of which the Group published the annual results announcement for FY2016. The closing price of the Ordinary Shares further increased to HK\$2.22 on 28 March 2017, and since then, the closing price of the Ordinary Shares continued to increase and closed at HK\$2.60 on 18 April 2017, being the Last Trading Day. The average closing price of the Ordinary Shares during the period from 2 January 2015 up to the Last Trading Day (the “**Pre-announcement Period**”) was HK\$1.91 per Ordinary Share.

Following resumption of trading in the Ordinary Shares following release of the Announcement, the closing price of the Ordinary Share surged to HK\$3.44 on 21 April 2017, being the first trading day immediately following release of the Announcement, and the closing price of the Ordinary Shares maintained at levels between HK\$3.44 and HK\$3.59 during the period from 21 April 2017 up to and including the Latest Practicable Date. However, the Scheme Shareholders should note that there is no assurance that the market price of the Ordinary Shares will remain at the current level if the Proposal and the Scheme lapse.

In summary, the cash consideration of HK\$3.60 per Ordinary Scheme Share (or Ordinary Share underlying a Convertible Preference Scheme Share) under the Cash Alternative represents/is:

- a premium of approximately 0.8% over the closing price of HK\$3.57 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- higher than the closing price of the Ordinary Shares at all times during the Pre-announcement Period;
- a premium of approximately 38.5% over the closing price of HK\$2.60 per Ordinary Share as quoted on the Stock Exchange on the Last Trading Day;
- a premium of approximately 43.1% over the average closing price of approximately HK\$2.52 per Ordinary Share based on the daily closing prices as quoted on the Stock Exchange for the 10 trading days up to and including the Last Trading Day;
- a premium of approximately 51.0% over the average closing price of approximately HK\$2.38 per Ordinary Share based on the daily closing prices as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Day;
- a premium of approximately 66.9% over the average closing price of approximately HK\$2.16 per Ordinary Share based on the daily closing prices as quoted on the Stock Exchange for the 60 trading days up to and including the Last Trading Day; and
- a premium of approximately 78.3% over the average closing price of approximately HK\$2.02 per Ordinary Share based on the daily closing prices as quoted on the Stock Exchange for the 120 trading days up to and including the Last Trading Day.



**(b) Historical trading liquidity of the Ordinary Shares**

Set out below in the table are the average daily trading volume of the Ordinary Shares and the percentages of the average daily trading volume to the total issued Ordinary Shares and public float of the Company respectively during the Review Period:

	<b>Average daily trading volume of the Ordinary Shares (note 1)</b>	<b>Approximate % of average daily trading volume to the total issued Ordinary Shares (note 2)</b>	<b>Approximate % of average daily trading volume to the public float of the Company</b>
<b>2015</b>			
January	1,250,402	0.0379	0.1493
February	1,446,470	0.0439	0.1728
March	2,767,071	0.0840	0.3305
April	9,967,697	0.3025	1.1906
May	4,502,102	0.1366	0.5377
June	7,623,227	0.2313	0.9105
July	6,105,689	0.1235	0.4928
August	6,337,546	0.1282	0.5116
September	3,851,972	0.0779	0.3109
October	1,585,152	0.0321	0.1280
November	2,418,738	0.0489	0.1952
December	1,948,519	0.0394	0.1573
<b>2016</b>			
January	2,135,773	0.0432	0.1724
February	1,545,017	0.0313	0.1247
March	3,873,063	0.0783	0.3126
April	5,094,591	0.1031	0.4112
May	2,049,455	0.0415	0.1647
June	1,516,145	0.0307	0.1218
July	1,021,829	0.0207	0.0821
August	1,664,661	0.0337	0.1338
September	21,387,704	0.4326	1.2403
October	2,385,301	0.0483	0.1383
November	1,402,493	0.0284	0.0813
December	1,077,063	0.0218	0.0625

	<b>Average daily trading volume of the Ordinary Shares (note 1)</b>	<b>Approximate % of average daily trading volume to the total issued Ordinary Shares (note 2)</b>	<b>Approximate % of average daily trading volume to the public float of the Company</b>
<b>2017</b>			
January	1,233,839	0.0250	0.0716
February	2,561,234	0.0518	0.1485
March	5,569,961	0.1127	0.3230
1 April to 18 April (note 3)	3,403,848	0.0689	0.1974
<b>Average during the Pre-Announcement Period</b>		<b>0.0921</b>	<b>0.3339</b>
<b>21 April 2017 to the Latest Practicable Date (note 4)</b>	<b>7,353,451</b>	<b>0.1488</b>	<b>0.5909</b>

Source: Bloomberg

Notes:

1. The calculation is based on the average daily trading volumes of the Ordinary Shares divided by the number of the Ordinary Shares in issue as at the end of each month.
2. The calculation is based on the average daily trading volumes of the Ordinary Shares divided by the number of Ordinary Shares in issue as set out in note 1 above excluding those held by the substantial Shareholders and Directors in the corresponding month.
3. Trading in the Ordinary Shares was halted on 19 April and 20 April 2017 pending release of the Announcement.
4. The Announcement was published on 20 April 2017, and the trading in the Ordinary Shares was resumed on 21 April 2017.

We note from the above table that the daily trading volume of the Ordinary Shares had been thin in general during the Pre-announcement Period. The average daily trading volume of the Ordinary Shares during the Pre-announcement Period was within the range between (i) approximately 0.0207% and 0.4326% of the total issued Ordinary Shares, with an average of approximately 0.0921%; (ii) approximately 0.0625% and 1.2403% of the issued Ordinary Shares constituting public float of the Company, with an average of approximately 0.3339%. The average daily turnover value was around HK\$8,023,573 during the Pre-announcement Period. Save for April 2015 and September 2016, the average daily trading volume of the Ordinary Shares to the public float of the Company was below 1% in each month during the Pre-announcement Period. The number of Ordinary Shares traded daily from 21 April 2017 (being the first trading day immediately following the publication of the Announcement) up to the Latest Practicable Date increased significantly and on average represented approximately 0.1488% of the total Ordinary Shares in issue and approximately 0.5909% of the issued Ordinary Shares constituting public float of the Company.

Scheme Shareholders should also note that the improvement in the liquidity of the Ordinary Shares subsequent to the publication of the Announcement may not be sustainable if the Proposal and the Scheme lapse. Given the thin historical daily trading volume of the Ordinary Shares, it is uncertain as to whether there would be sufficient liquidity in the Ordinary Shares for the Scheme Shareholders to dispose of a significant number of Ordinary Shares in the open market without causing an adverse impact on the market price of the Ordinary Shares and accordingly, the market trading price of the Ordinary Shares may not necessarily reflect the proceeds that the Scheme Shareholders can receive by the disposal of their Ordinary Shares in the open market. The Proposal and the Scheme, therefore, represent an opportunity for the Scheme Shareholders, particularly for those who hold a large volume of Shares, to dispose of their entire holdings for the Cash Alternative or the Share Alternative, which is currently at a premium over the prevailing market prices of the Ordinary Shares, if they so wish.

### 5. Historical discount of market price of the Ordinary Shares to the NAV Per Share

We have also looked at the performance of the Ordinary Shares against the NAV Per Share since 13 March 2015 (being the date on which the Group released its annual results for FY2014).

Period	NAV Per Share HK\$	Closing price per Ordinary Share			Discount of closing price of the Ordinary Share to NAV Per Share		
		Highest	Lowest	Average	Highest	Lowest	Average
					Approx. %	Approx. %	Approx. %
13-Mar-15 <sup>(1)</sup> to 11-Aug-15	4.79 <sup>(2)</sup>	3.40	1.94	2.67	(29.02)	(59.50)	(44.26)
12-Aug-15 <sup>(1)</sup> to 17-Mar-16	3.27 <sup>(2)</sup>	2.04	1.07	1.41	(37.61)	(67.28)	(56.88)
18-Mar-16 <sup>(1)</sup> to 9-Aug-16	3.64 <sup>(2)</sup>	1.66	1.19	1.36	(54.40)	(67.31)	(62.64)
10-Aug-16 <sup>(1)</sup> to 27-Mar-17	3.52 <sup>(2)</sup>	2.45	1.36	1.90	(30.40)	(61.36)	(46.02)
28-Mar-17 <sup>(1)</sup> to 18-Apr-17 <sup>(3)</sup>	3.38 <sup>(2)</sup>	2.60	2.22	2.47	(23.08)	(34.32)	(26.92)
						<b>Average</b>	<b>(48.12)</b>

*Notes:*

- The first trading day immediately after the Company released its full year or interim results announcements.
- Based on equity attributable to owners of the Company as extracted from the Company's respective annual reports or interim reports, divided by the aggregated number of (i) the Ordinary Shares in issue; and (ii) Ordinary Shares to be issued upon full conversion of the Convertible Preference Shares as at the respective period-end date.
- Being the Last Trading Day.

Based on the analysis set out above, we note that during the Pre-announcement Period, the average closing price of the Ordinary Shares for each of the respective periods indicated above have traded at a discount (the "Average Discount(s)") to the then NAV Per Share. As shown in the table, such discounts ranged from approximately 26.92% to approximately 62.64%, with an average of approximately 48.12%.

The Cash Alternative of HK\$3.60 represents a premium of approximately 0.6% over the NAV Per Share of approximately HK\$3.58 as at 30 June 2017, while the Share Alternative Reference Value of approximately HK\$3.93 represents a premium of around 9.8% over the NAV Per Share as at 30 June 2017.

We have also noted that the adjusted consolidated net assets value attributable to owners of the Company (the “**Reassessed NAV**”) as provided by the Company, which is calculated based on the unaudited consolidated net assets attributable to owners of the Company as at 30 June 2017 and adjusted with reference to the Valuation as at 31 May 2017 (revaluation surplus was estimated by the Company based on the Valuation of approximately HK\$11,299.0 million as at 31 May 2017 as disclosed in the Property Valuation Report net of the book value of the property interest of the Group as at 30 June 2017 of approximately HK\$8,640.9 million with the assumption that all the properties (for which the Group has no legal impediment to obtain the relevant title documents) have obtained the relevant title documents and are freely transferrable, and taking into account the relevant tax impacts), amounts to approximately HK\$3.95 per Ordinary Share. The Cash Alternative of HK\$3.60 therefore represents a discount of approximately 8.9% to the Reassessed NAV per Ordinary Share of HK\$3.95, while the Share Alternative Reference Value of approximately HK\$3.93 represents a discount of around 0.5% to the Reassessed NAV per Ordinary Share of HK\$3.95. The aforesaid discounts to the Reassessed NAV per Ordinary Share represented by the Cash Alternative and the Share Alternative Reference Value respectively are lower than the Average Discounts as discussed above.

Based on the discussion above, the Cancellation Consideration is considered favorable as compared to the Average Discounts.

## **6. Peer comparison**

As discussed above, revenue generated from the manufacture and distribution of cement, clinker and slag powder in the PRC has been the main source of income which represented over 90% of the total revenue of the Group during the Period. Therefore, we have identified 6 companies (the “**Peer Companies**”) which (i) are listed on the Main Board of the Stock Exchange; (ii) are principally engaged in the business of manufacture and distribution of cement, clinker and slag powder in the PRC, which have not less than 80% of revenue derived from such business activities in the latest financial year as set out in their respective published annual report; and (iii) are profit-making for the latest financial year as set out in their respective published annual report. We consider the Peer Companies an exhaustive list of relevant peer companies based on the said criteria above.

The table below sets out the price-to-earnings ratio (“**P/E Ratio(s)**”), price-to-book ratio (“**P/B Ratio(s)**”) and dividend yield of each of the Peer Companies and the Company.

Stock code	Company name	Closing price HK\$ (note 1)	Market capitalisation HK\$ million (note 1)	Latest earnings HK\$ million (note 1)	Net assets attributable to owners HK\$ million (note 1)	Latest annual dividend per share HK\$ (note 1)	P/E Ratio times (note 2)	P/B Ratio times (note 3)	Dividend yield % (note 4)
695	Dongwu Cement International Limited	1.34	739.7	2.9	426.2	n/a	252.4	1.7	n/a
743	Asia Cement (China) Holdings Corporation	2.58	4,042.5	152.7	10,732.0	0.034	26.5	0.4	1.3
914	Anhui Conch Cement Co. Ltd. (note 17)	28.25	145,609.5	9,799.8	87,219.7	0.629	14.9	1.7	2.2
1313	China Resources Cement Holdings Ltd.	4.52	29,528.9	1,325.9	27,976.0	0.090	22.3	1.1	2.0
1252	China Tianrui Group Cement Co. Ltd.	2.43	7,140.0	338.1	8,867.7	n/a	21.1	0.8	n/a
2233	West China Cement Ltd.	1.13	6,127.1	11.8	6,700.9	n/a	519.5	0.9	n/a
						<b>Maximum</b>	<b>519.5</b>	<b>1.7</b>	<b>2.2</b>
						<b>Minimum</b>	<b>14.9</b>	<b>0.4</b>	<b>1.3</b>
						<b>Average</b>	<b>142.8</b>	<b>1.1</b>	<b>1.8</b>
1136	<b>The Company</b>								
	Cash Alternative	<b>3.60</b> (note 5)	<b>19,738.6</b> (note 6)	<b>169.6</b> (note 7)	<b>19,645.5</b> (note 8)	<b>0.010</b>	<b>116.4</b> (note 9)	<b>1.0</b> (note 10)	<b>0.3</b> (note 11)
	Share Alternative Reference Value	<b>3.93</b> (note 12)	<b>21,547.9</b> (note 13)				<b>127.0</b> (note 14)	<b>1.1</b> (note 15)	<b>0.3</b> (note 16)

Source: Website of the Stock Exchange and Bloomberg

Notes:

- (1) The closing share price and market capitalisation of the Peer Companies as at the Latest Practicable Date are sourced from the website of the Stock Exchange. The market capitalisation of the Peer Companies is calculated based on their respective closing share price and number of issued shares as at the Latest Practicable Date. The audited/unaudited consolidated net asset value attributable to owners are extracted from the latest annual reports of the Peer Companies and audited profits attributable to owners are extracted from the latest annual reports of the Peer Companies. The latest annual dividends are extracted from the latest annual/interim report of the Company and the Peer Companies.
- (2) The historical P/E Ratio of the Peer Companies is calculated based on their latest audited consolidated profits attributable to owners and their market capitalisations as at the Latest Practicable Date.
- (3) The historical P/B Ratio of the Peer Companies is calculated based on their latest audited/unaudited consolidated net asset value attributable to owners and their market capitalisations as at the Latest Practicable Date.
- (4) The dividend yields of the Peer Companies are calculated based on their latest annual dividend per share divided by their respective closing price as at the Latest Practicable Date.
- (5) Being the Cash Alternative of HK\$3.60 per Ordinary Scheme Share.
- (6) Theoretical market capitalisation of the Company being the Cash Alternative times the sum of (i) 4,943,464,851 Ordinary Shares in issue; and (ii) 539,473,242 Ordinary Shares to be issued upon full conversion of the Convertible Preference Shares in issue as at the Latest Practicable Date.

- (7) Being the earnings attributable to owners of the Company for FY2016 after deducting the preferred distribution to the Convertible Preference Shareholders of approximately HK\$24.2 million, which is extracted from the 2016 Annual Report.
- (8) Being the consolidated net asset value attributable to owners of the Company as at 30 June 2017 which is extracted from the 2017 IR Announcement.
- (9) The P/E Ratio of the Company is calculated based on (i) its theoretical market capitalisation based on the Cash Alternative; and (ii) the earnings attributable to owners of the Company for FY2016 as described in (7) above.
- (10) The P/B of the Company is calculated based on (i) its theoretical market capitalisation based on the Cash Alternative; and (ii) consolidated net asset value attributable to owners of the Company as at 30 June 2017.
- (11) The dividend yield of the Company is calculated based on its latest annual dividend per Ordinary Share and the Cash Alternative.
- (12) Being the Share Alternative Reference Value of HK\$3.93 per Ordinary Scheme Share.
- (13) Theoretical market capitalisation of the Company being the Share Alternative Reference Value times the sum of (i) 4,943,464,851 Ordinary Shares in issue; and (ii) 539,473,242 Ordinary Shares to be issued upon full conversion of the Convertible Preference Shares in issue as at the Latest Practicable Date.
- (14) The P/E Ratio of the Company is calculated based on (i) its theoretical market capitalisation based on the Share Alternative Reference Value; and (ii) the earnings attributable to owners of the Company for FY2016 as described in (7) above.
- (15) The P/B of the Company is calculated based on (i) its theoretical market capitalisation based on the Share Alternative Reference Value; and (ii) consolidated net asset value attributable to owners of the Company as at 30 June 2017.
- (16) The dividend yield of the Company is calculated based on its latest annual dividend per Ordinary Share and the Share Alternative Reference Value.
- (17) As at the Latest Practicable Date, Anhui Conch Cement Co. Ltd. (“**Anhui Conch**”) had 1,299,600,000 H shares in issue which are listed on the Stock Exchange and 3,999,702,579 A shares in issue which are listed on the Shanghai Stock Exchange (stock code: 600585). The closing price of A shares of Anhui Conch is RMB23.82 as at the Latest Practicable Date.
- (18) For the purpose of this table, the translation of RMB into HK\$ is based on the average exchange rate of RMB0.8749 to HK\$1 for the purpose of illustration only.

***P/E Ratio comparison***

As shown in the above table, the historical P/E Ratios of the Peer Companies ranged from approximately 14.9 times to 519.5 times, with an average of approximately 142.8 times. The P/E Ratio of the Company based on its market capitalisation represented by the Cash Alternative of approximately 116.4 times, or by the Share Alternative Reference Value of 127.0 times, is within the range of the P/E Ratios of the Peer Companies.

However, Dongwu Cement International Limited and West China Cement Limited have extreme P/E Ratios of approximately 252.4 times and 519.5 times respectively as at the Latest Practicable Date which we consider their P/E Ratios to be outlier and extremities that may tend to produce an anomalous result to our analysis. In this regard, when we take out Dongwu Cement International Limited and West China Cement Limited from the P/E Ratio analysis, the historical P/E Ratios of the other Peer Companies (the “**P/E Comparable Companies**”) ranged from approximately 14.9 times to 26.5 times, with an average of approximately 21.2 times. The P/E Ratios of the Company based on the Cash Alternative of approximately 116.4 times, and based on the Share Alternative Reference Value of approximately 127.0 times, are higher than such average and are considered favourable.

***P/B Ratio comparison***

As at the Latest Practicable Date, the historical P/B Ratios of the Peer Companies ranged from 0.4 times to 1.8 times with an average of 1.1 times. The P/B Ratio represented by the Cash Alternative or the Share Alternative Reference Value over the net asset value per share attributable to owners of the Company as at 30 June 2017 of approximately 1.0 times or 1.1 times respectively is comparable to the average of the P/B Ratios of the Peer Companies.



***Dividend yield comparison***

The Company has paid dividends to its Shareholders since 2010. The latest total annual dividend of the Company for FY2016 is HK1 cent per Ordinary Share. The dividend yield demonstrates the comparative relationship between the share price and the dividend such share entitles to. While dividend yield is calculated based on the latest annual dividend per share divided by share price, a lower dividend yield implies that the share price compares favourably against its dividend. Accordingly, a company with a lower dividend yield than those of its peer companies also implies that the share price of such company could be considered more attractive than those of its peer companies, so far as their respective dividend is concerned. As illustrated above, the implied dividend yield of the Company based on the Cash Alternative of HK\$3.60, or the Share Alternative Reference Value of approximately HK\$3.93, is around 0.3%, which is lower than all of the implied dividend yield of the Peer Companies ranging between approximately 1.3% and 2.2% and, therefore, is favourable in this respect.

**7. Privatisation precedents**

We have also compared the Proposal and the Scheme to other privatisation proposals of companies listed on the Stock Exchange which were announced since 1 April 2015, approximately two years before the Announcement, and up to and including the Latest Practicable Date, excluding privatisation proposals which were not/yet to be approved (the “**Privatisation Precedents**”). The Privatisation Precedents represents an exhaustive list of privatisation proposals we were able to identify from the Stock Exchange’s website satisfying the above selection criteria. The table below illustrates the premiums over the relevant last trading day, the relevant 30 days, 90 days, 120 days and 180 days average share prices at which such privatisation proposals have been priced:

Date of initial announcement	Company	Premium of offer/cancellation price over the share price of the relevant company prior to announcement of privatisation proposal				
		Last trading day	30 days share price average	90 days share price average	120 days share price average	180 days share price average
28-Apr-17	Belle International Holdings Limited (stock code: 1880)	19.54%	21.47%	28.38%	30.16%	26.44%
29-Mar-17	Goldin Properties Holdings Limited (stock code: 283)	36.78%	33.94%	36.64%	39.63%	49.40%
13-Mar-17	Shandong Luoxin Pharmaceutical Group Stock Co., Ltd. (stock code: 8058)	31.78%	39.65%	54.58%	55.19%	50.45%
7-Mar-17	Yingde Gases Group Company Limited (stock code: 2168)	109.06%	89.62%	87.80%	92.72%	99.21%
10-Jan-17	Intime Retail (Group) Company Limited (stock code: 1833)	42.25%	51.77%	52.59%	54.09%	53.67%

Date of initial announcement	Company	Premium of offer/cancellation price over the share price of the relevant company prior to announcement of privatisation proposal				
		Last trading day	30 days share price average	90 days share price average	120 days share price average	180 days share price average
23-Sep-16	Chinalco Mining Corporation International (Stock code: 3668)	32.38%	34.13%	46.88%	51.48%	62.72%
8-Jul-16	Nirvana Asia Ltd (stock code: 1438)	22.45%	35.75%	36.36%	36.36%	35.75%
17-Jun-16	Bracell Limited (stock code: 1768)	44.30%	132.65%	156.18%	162.07%	159.09%
12-Jun-16	TCL Communication Technology Holdings Limited (stock code: 2618)	34.65%	47.06%	42.05%	39.15%	36.36%
30-May-16	Dalian Wanda Commercial Properties Co., Ltd. (Stock code: 3699) (Note)	3.02%	24.12%	33.17%	25.45%	18.23%
29-May-16	AUPU Group Holding Company Limited (stock code: 477)	24.88%	29.67%	30.29%	27.83%	28.44%
24-May-16	Peak Sport Products Co Ltd (stock code: 1968)	35.42%	30.00%	33.33%	28.08%	25.60%
4-Feb-16	Dongpeng Holdings Company Ltd (stock code: 3386)	31.76%	46.89%	54.48%	50.34%	35.76%
2-Feb-16	Anhui Tianda Oil Pipe Co Ltd (stock code: 839)	59.05%	49.11%	28.46%	27.48%	20.14%
6-Jan-16	New World China Land Limited (stock code: 917)	25.60%	40.79%	53.85%	57.89%	56.94%
20-Oct-15	Wumart Stores, Inc (stock code: 1025)	90.21%	68.56%	31.78%	18.93%	15.40%
13-Aug-15	Jingwei Textile Machinery Company Limited (stock code: 350)	8.11%	18.93%	6.57%	10.70%	16.96%
27-May-15	Dorsett Hospitality Int'l Ltd (stock code: 2266)	32.35%	41.73%	42.86%	39.53%	34.33%
	<b>Highest</b>	<b>109.06%</b>	<b>132.65%</b>	<b>156.18%</b>	<b>162.07%</b>	<b>159.09%</b>
	<b>Lowest</b>	<b>3.02%</b>	<b>18.93%</b>	<b>6.57%</b>	<b>10.70%</b>	<b>15.40%</b>
	<b>Average</b>	<b>37.98%</b>	<b>46.43%</b>	<b>47.57%</b>	<b>47.06%</b>	<b>45.83%</b>
	<b>Median</b>	<b>32.37%</b>	<b>40.22%</b>	<b>39.35%</b>	<b>39.34%</b>	<b>35.76%</b>
<b>10-Jan-17</b>	<b>The Company</b>					
	<b>Cash Alternative</b>	<b>38.46%</b>	<b>50.99%</b>	<b>76.21%</b>	<b>78.34%</b>	<b>88.84%</b>
	<b>Share Alternative Reference Value</b>	<b>51.15%</b>	<b>64.83%</b>	<b>92.36%</b>	<b>94.69%</b>	<b>106.15%</b>

Source: Bloomberg and website of the Stock Exchange

*Note:* As the initial indicative offer price for share of Dalian Wanda Commercial Properties Co., Ltd. (“**Wanda**”) was not less than HK\$48.0 as stated in the initial announcement of Wanda dated 30 March 2016; while the final offer price was set at HK\$52.8 as stated in the joint announcement of Wanda and the relevant offerors dated 30 May 2016 (“**Wanda Joint Announcement**”), we have taken 22 April 2016 being the last full trading day prior to the suspension of trading in the shares in Wanda pending the release of the Wanda Joint Announcement, as the last trading day and the final offer price of HK\$52.8 per share of Wanda for the purpose of the above calculation.

Based on the table above, the means of premiums of the Privatisation Precedents over the last trading day share price, 30 days, 90 days, 120 days and 180 days share price averages were approximately 37.98%, 46.43%, 47.57%, 47.06%, 45.83% respectively. We note that the premiums represented by the Cash Alternative or the Share Alternative Reference Value over closing price of the Ordinary Shares on the Last Trading Day, the 30 days, 90 days, 120 days and 180 days Ordinary Share price averages are all above the corresponding means of premiums of the Privatisation Precedents, which is considered favourable.

## **8. Discussion and analysis**

We consider that the terms of the Proposal and the Scheme, including the Cancellation Consideration, are fair and reasonable as the Scheme Shareholders are concerned after taking into account all the above principal factors and reasons, in particular:

### ***Ordinary Scheme Shares***

- (1) the business prospects of the Company are sensitive to changes in market conditions as detailed in the section headed “2. Information and prospects of the Group – (c) Prospects of the Group” above, and there is no guarantee that the existing profitability of the Group would be maintained;
- (2) each of the Cash Alternative and the Share Alternative Reference Value represents significant premiums over prevailing market prices of the Ordinary Shares, in particular, each of the Cash Alternative and the Share Alternative Reference Value is higher than the closing prices of the Ordinary Shares at all times throughout the Review Period. In addition, the Cash Alternative of HK\$3.60 per Ordinary Scheme Share and the Share Alternative Reference Value of HK\$3.93 represent premiums of around 88.5% and 105.8% respectively over the average closing price of the Ordinary Shares during the Pre-announcement Period of approximately HK\$1.91 per Ordinary Share;

- (3) given the generally thin trading volume of the Ordinary Shares as discussed in section headed “4. Analysis on price performance and trading liquidity of the Ordinary Shares – (b) Historical trading liquidity of the Ordinary Shares” above, it is uncertain as to whether there would be sufficient liquidity in the Ordinary Shares for the Scheme Shareholders to dispose of a significant number of Ordinary Shares in the open market without causing an adverse impact on the market price of the Ordinary Shares and accordingly, the market trading price of the Ordinary Shares may not necessarily reflect the proceeds that the Scheme Shareholders can receive by the disposal of their Ordinary Shares in the open market. The Proposal and the Scheme, therefore, represent an opportunity and a viable alternative exit for the Scheme Shareholders, particularly for those who hold a large volume of Shares, to dispose of their entire holdings for the Cash Alternative or the Share Alternative, both of which are currently at a premium over the prevailing market prices of the Ordinary Shares, if they so wish;
- (4) as illustrated in the section headed “5. Historical discount of market price of the Ordinary Shares to the NAV Per Share” above, each of the Cash Alternative and the Share Alternative Reference Value represents a premium over the NAV Per Share as at 30 June 2017, which, as compared to the Average Discounts, is considered favourable;
- (5) as discussed in the section headed “6. Peer comparison” above, the P/E Ratio and the P/B Ratio represented by each of the Cash Alternative and the Share Alternative Reference Value are in line with the market, whereas the dividend yield implied by the Cash Alternative appears favourable as compared with the Peer Companies;
- (6) as discussed in the section headed “7. Privatisation precedents” above, the premiums represented by each of the Cash Alternative and the Share Alternative Reference Value under the Proposal and the Scheme over the last trading day, the 30 days, 90 days, 120 days and 180 days Share price averages are above the corresponding means of premiums of those of the Privatisation Precedents; and
- (7) for Scheme Shareholders who are confident in the TCC Group’s prospects after the Proposal having been approved and may wish to continue to invest in the business of the Group and the TCC Group, they are given a choice under the Scheme to elect for the Share Alternative which will enable them to exchange their interests in the Shares for TCC Shares, representing an opportunity to participate in a larger organization with well-established operations.

***Convertible Preference Scheme Shares***

Pursuant to the terms of the Convertible Preference Shares, each Convertible Preference Share is convertible into approximately 1.0913 Ordinary Shares (subject to adjustment in accordance with the terms of the Convertible Preference Shares as set out in the Articles) at any time after issue. We also note that, among other things, each Convertible Preference Share is entitled to, on top of the dividend *pari passu* with holders of the Ordinary Shares, a preferred distribution at a rate of 1.0% per annum on the issue price of the Convertible Preference Share (i.e. HK\$0.049 per annum based on the issue price of the Convertible Preference Share of HK\$4.90 each, the “**Preferred Distribution**”). Accordingly, based on the 2016 Annual Report, the earnings per share for FY2016 attributable to the Convertible Preference Shareholders was approximately HK\$0.080 whereas the earnings per Ordinary Share (on fully diluted basis) for the same financial year is approximately HK\$0.031. Such disparity mainly represents the Preferred Distribution of HK\$0.049 per Convertible Preference Share per annum.

Based on the Cash Alternative of approximately HK\$3.93 for each Convertible Preference Share, the implied value under the Share Alternative for each Convertible Preference Scheme Share of approximately HK\$4.28 (based on closing price per TCC Share of NT\$36.45 on the Last Trading Day) and the earnings per share for FY2016 attributable to Convertible Preference Shareholders of approximately HK\$0.080, the implied P/E Ratios represented by the Cash Alternative and the implied value under Share Alternative for each Convertible Preference Share would be approximately 49.1 times and 53.5 times respectively, which respectively represent approximately 131.6% and 152.4% premiums to the average P/E Ratio of the P/E Comparable Companies of approximately 21.2 times as disclosed under the section headed “6. Peer comparison” above.

Given (i) that each Convertible Preference Share is convertible into approximately 1.0913 Ordinary Shares (subject to adjustment in accordance with the terms of the Convertible Preference Shares as set out in the Articles) at any time after issue; (ii) the Proposal for the Ordinary Scheme Shares (including the Cash Alternative and the Share Alternative) is considered fair and reasonable as detailed above; (iii) as discussed above, the implied P/E Ratio represented by each of the Cash Alternative and the Share Alternative for each Convertible Preference Share represents a premium to the average P/E Ratios of the P/E Comparable Companies, we consider the Proposal for the Convertible Preference Scheme Shares to be fair and reasonable so far as the Convertible Preference Scheme Shareholders are concerned.

***Share Alternative for Ordinary Scheme Shares and Convertible Preference Scheme Shares***

We note that the implied value of the Share Alternative calculated based on each of the closing price of TCC Shares as at the Last Trading Day and the Latest Practicable Date has offered a higher value than the Cash Alternative. We also note that, as derived from the ratio of 0.420 TCC Share(s) for each Ordinary Scheme Share under the Share Alternative, whenever the market price of the TCC Shares is above around NT\$33.43 per TCC Share, the implied value of the Share Alternative will be worth more than the Cash Alternative. However, Scheme Shareholders are reminded that the above implied values only provide snap shots on the market value of the TCC Shares as at respective reference period/dates. While the implied value will keep changing in accordance with the market price of the TCC Shares and any realisation of the TCC Shares by the accepting Scheme Shareholders would be based on their individual investment consideration/decision, the exact realisable value from the disposal of the TCC Shares may vary widely from time to time depending on, including but not limited to, the exact timing and extent of such realisation, the then TCC Share price and liquidity and the transaction costs involved. Scheme Shareholders who opt to elect the Share Alternative are reminded that they must have a valid securities account to hold and trade securities listed on the Taiwan Stock Exchange by 4:30p.m. on 3 October 2017, being the Election Time, in order to receive the Share Alternative. Scheme Shareholders who opt to elect the Share Alternative are also reminded of the risks associated with holding TCC Shares, including but not limited to,

- TCC Shares are listed on the Taiwan Stock Exchange and are subject to rules and regulations in Taiwan which are different from, and may not confer the same degree of protections conferred by, the Listing Rules and the Takeovers Code;
- TCC Shares are traded on another stock exchange which is a very different market from the Stock Exchange;
- there are legal restrictions on opening securities accounts and trading securities in Taiwan by foreigners whose source of funds is derived from Taiwan or PRC and PRC citizens; and the restrictions may change from time to time;
- TCC Shares are denominated and will be traded in NT\$ and investors may be subject to currency exchange risk;

- there is no guarantee that any dividend will be paid in respect of TCC Shares;
- changes in the business and economic environment could adversely affect the operating profits of TCC or the value of TCC's assets. For example, financial factors such as currency controls, devaluation or regulatory changes, or stability factors such as mass riots, civil war and other potential events could contribute to TCC's operational risks;
- securities transaction tax will be imposed on the seller at the rate of 0.3% of the transaction price upon a sale of the TCC Shares in Taiwan;
- currency risk as a result of TCC's assets and business operations being across national borders; and
- general business risk associated with the cement production industry and conducting business in Taiwan.

Scheme Shareholders who wish to elect the Share Alternative are recommended to read carefully the procedures for accepting the Share Alternative as detailed in "Part II – Questions and Answers", "Part VII – Explanatory Memorandum" and the Information Memorandum in Appendix X of the Scheme Document and the accompanying Election Form.

#### **OPINION AND RECOMMENDATIONS**

Based on the above principal factors and reasons, we consider the terms of the Proposal and the Scheme, including the Cancellation Consideration, are fair and reasonable so far as the Scheme Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Scheme Shareholders to vote in favour of the relevant resolutions to be proposed at the Court Meeting, the EGM and the Special EGM to approve and implement the Scheme.

As mentioned in section headed "8. Discussion and analysis – Share Alternative for Ordinary Scheme Shares and Convertible Preference Shares" above, the implied value of the Share Alternative calculated based on the closing price of TCC Shares as at the Last Trading Day and the Latest Practicable Date has offered a higher value than the Cash Alternative. Scheme Shareholders who are attracted by TCC Group's prospects following the Proposal has been approved may wish to consider accepting the Share Alternative. However, given that the aforesaid implied value of the Share Alternative will keep changing in accordance with the market price of the TCC Shares, Scheme Shareholders who prefer, among other things, immediate cashflow and liquidity with certainty may wish to consider accepting the Cash Alternative. Nevertheless, Scheme Shareholders are advised to elect between the Cash Alternative and Share Alternative according to their individual investment objectives and personal financial needs.

Scheme Shareholders are again reminded that each Scheme Shareholders may elect to receive the Share Alternative as the form of Cancellation Consideration in respect of its entire holdings of Scheme Shares (but not, for the avoidance of doubt, a combination of the two alternatives, save for HKSCC Nominees Limited, who may make different elections in respect of Scheme Shares held on behalf of Beneficial Owners). Scheme Shareholders who do not make any election, or fail to make a valid election, for the Share Alternative in accordance with this Scheme Document, will receive the Cash Alternative.

In view of the recent upsurge of both the trading price and volume of the Ordinary Shares, in particular the period after the publication of the Announcement, the Scheme Shareholders who would like to realise their investments in the Company are reminded to closely monitor the market trading prices and liquidity of the Ordinary Shares during the period prior to the expected latest time for dealing in the Ordinary Shares on the Stock Exchange and should, having regard to their own circumstances, consider selling their Ordinary Shares in the open market, or converting their Convertible Preference Shares and selling the Ordinary Shares to be issued upon such exercise in the open market, respectively, if the net proceeds obtained from such disposal of the Ordinary Shares (after deducting all transaction costs) would be higher than the net proceeds under the Scheme. However, the Convertible Preference Scheme Shareholders are reminded that there will be a time lag between the exercise of the Convertible Preference Shares and the receipt of the Ordinary Shares to be issued upon such exercise due to the time required for the administrative procedures for converting the Convertible Preference Shares. Accordingly, the Convertible Preference Scheme Shareholders who wish to convert their Convertible Preference Shares should be mindful of the possible price fluctuations of the Ordinary Shares during the aforesaid time lag. Scheme Shareholders should also keep in mind that, if applicable, dealings in the Ordinary Shares will be suspended from 20 September 2017, being the day immediately following the expected last day for dealing in the Ordinary Shares on the Stock Exchange, and up to the withdrawal of listing of the Ordinary Shares from the Stock Exchange.

Yours faithfully,  
for and on behalf of  
**SOMERLEY CAPITAL LIMITED**  
**Lyan Tam**  
*Director*

*Ms. Lyan Tam is a licensed person registered with the Securities and Futures Commission and as a responsible officer of Somerley to carry out Type 6 (advising on corporate finance) regulated activities under the SFO and has over 12 years of experience in corporate finance industry.*



*This Explanatory Memorandum constitutes the memorandum required under Order 102, rule 20(4)(e) of the Rules of the Grand Court of the Cayman Islands 1995 (revised).*

**SCHEME OF ARRANGEMENT  
TO CANCEL ALL THE SCHEME SHARES  
IN CONSIDERATION OF THE OFFEROR AGREEING TO PAY THE  
CANCELLATION CONSIDERATION FOR EACH SCHEME SHARE**

**1. INTRODUCTION**

On April 20, 2017, the Offeror and the Company jointly announced that on April 20, 2017, the Offeror requested the Board to put forward the Proposal to the Scheme Shareholders for the privatisation of the Company by way of the Scheme. If the Proposal is approved and implemented, it will result in the Company becoming a wholly-owned subsidiary of TCC and the withdrawal of listing of the Ordinary Shares on the Stock Exchange.

The purpose of this Explanatory Memorandum is to explain the terms and effects of the Scheme and to provide Scheme Shareholders with other relevant information in relation to the Scheme, and in particular, to provide the intentions of the Offeror with regard to the Company and the shareholding structure of the Company before and after the Scheme.

The particular attention of Scheme Shareholders is drawn to the following sections of this Scheme Document: (a) a letter from the Board set out in Part IV of this Scheme Document, (b) a letter from the Independent Board Committee set out in Part V of this Scheme Document; (c) a letter from Somerley, the Independent Financial Adviser, set out in Part VI of this Scheme Document; (d) the terms of the Scheme set out in Appendix VI of this Scheme Document; and (e) the Information Memorandum set out in Appendix X of this Scheme Document.

**2. TERMS OF THE PROPOSAL**

Subject to the fulfillment or waiver, as applicable, of the Conditions, the Proposal is to be implemented by way of the Scheme.

**Ordinary Scheme Shares**

Under the Scheme, the Ordinary Scheme Shares will be cancelled and, in consideration thereof, each Ordinary Scheme Shareholder will be entitled to receive either:

(a) **Cash Alternative:** cash of HK\$3.60 for each Ordinary Scheme Share;

or, at the valid election of the relevant Ordinary Scheme Shareholders,

(b) **Share Alternative:** 0.420 TCC Share for each Ordinary Scheme Share.

**Convertible Preference Scheme Shares**

As at the Latest Practicable Date, each Convertible Preference Share is convertible at the Conversion Rate into approximately 1.0913 Ordinary Shares. Therefore, the 494,333,645 Convertible Preference Shares in issue as at the Latest Practicable Date represent 539,473,242 Ordinary Shares on a fully-converted basis.

Under the Scheme, the Convertible Preference Scheme Shares will be cancelled in exchange for either:

- (a) **Cash Alternative:** cash of HK\$3.60 for each Ordinary Share underlying a Convertible Preference Scheme Share (or approximately HK\$3.93 for each Convertible Preference Scheme Share, being HK\$3.60 multiplied by the Conversion Rate (i.e., approximately 1.0913 times));

or, at the valid election of the relevant Convertible Preference Scheme Shareholders,

- (b) **Share Alternative:** 0.420 TCC Share for each Ordinary Share underlying a Convertible Preference Scheme Share (or approximately 0.458 TCC Share for each Convertible Preference Scheme Share, being 0.420 TCC Share multiplied by the Conversion Rate (i.e., approximately 1.0913 times)).

Each Scheme Shareholder may elect to receive the Share Alternative as the form of Cancellation Consideration in respect of its entire holdings of Scheme Shares (but not, for the avoidance of doubt, a combination of the two alternatives, save for HKSCC Nominees Limited, who may make different elections in respect of Scheme Shares held on behalf of Beneficial Owners). Scheme Shareholders who wish to receive the Share Alternative should make a valid election for the Share Alternative in accordance with this Scheme Document. Scheme Shareholders who do not make any election, or fail to make a valid election, for the Share Alternative in accordance with this Scheme Document, will receive the Cash Alternative if the Scheme becomes effective.

TCC has agreed, subject to the Scheme becoming effective, that it will make available for allotment and issuance such number of TCC Shares as will be required under the Share Alternative.

Shareholders whose names appear on the Register as at the record date for entitlement to a dividend (if any) declared by the Company on or before the Effective Date will be entitled to receive such dividend (if any). Save for the final dividend of HK1.0 cent per Share for the year ended December 31, 2016 approved by the Shareholders in the annual general meeting of the Company on June 2, 2017, the Company does not expect to declare any dividend on or before the Effective Date.

Please refer to the section below headed “11. Comparison of Value” for a comparison of the recent market prices of the Ordinary Shares and the Cash Alternative and a description of the value of the Share Alternative.

As at the Latest Practicable Date, the authorised share capital of the Company comprised 5,000,000,000 Ordinary Shares and 494,344,810 Convertible Preference Shares, of which 4,943,464,851 Ordinary Shares and 494,333,645 Convertible Preference Shares were in issue.

Of the 4,943,464,851 Ordinary Shares in issue, TCC (through TCCI) and other Offeror Concert Parties held in aggregate 3,219,107,857 Ordinary Shares, representing approximately 65.12% of the total Ordinary Shares in issue. The Scheme Shareholders hold 1,826,448,522 Ordinary Shares (representing approximately 36.95% of the total Ordinary Shares in issue) of which 102,091,528 Ordinary Shares are held by the Offeror Concert Parties and 1,724,356,994 Ordinary Shares are held by the Disinterested Scheme Shareholders.

Of the 494,333,645 Convertible Preference Shares in issue, TCC (through TCCI) held in aggregate 494,251,511 Convertible Preference Shares, representing approximately 99.98% of the total Convertible Preference Shares in issue, and the Scheme Shareholders (comprising 20 registered holders of Convertible Preference Shares as at July 31, 2017) held 82,134 Convertible Preference Shares, representing approximately 0.02% of the total Convertible Preference Shares in issue. No Offeror Concert Party holds any Convertible Preference Shares.

The Convertible Preference Shares were issued and allotted by the Company in 2011 as a result of an open offer which was underwritten by TCCI. As very few public shareholders subscribed for the Convertible Preference Shares at the time, TCCI became a 99.98% holder of the Convertible Preference Shares. The Convertible Preference Shares are not listed and have been largely illiquid since their issuance in 2011.

According to the register of Convertible Preference Shareholders of the Company as at July 31, 2017, there are currently 20 registered Convertible Preference Shareholders who are not the Offeror or parties acting in concert with it. These 20 Convertible Preference Shareholders include four nominees, namely Bank of China (Hong Kong) Nominees Limited, CITI (Nominees) Limited, HKSCC Nominees Limited and HSBC Nominees (Hong Kong) Limited.

The Scheme Shares, comprising 1,826,448,522 Ordinary Shares and 82,134 Convertible Preference Shares, represent approximately 33.31 % of the total issued share capital of the Company on a fully-converted basis.

Save as disclosed above, there were no options, warrants or convertible securities in respect of the Shares held by the Offeror or the Offeror Concert Party or outstanding derivatives in respect of the Shares entered into by the Offeror or the Offeror Concert Parties as at the Latest Practicable Date, and the Company does not have any outstanding convertible securities, warrants, options or derivatives in respect of any Shares.

If the Proposal does not become unconditional, the Company has no intention to seek the immediate withdrawal of listing of the Ordinary Shares on the Stock Exchange and the Company will remain listed on the Stock Exchange.

Settlement of the Cash Alternative to which Scheme Shareholders are entitled under the Proposal will be implemented in full in accordance with the terms of the Proposal, without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against any such Scheme Shareholder.

The Proposal therefore gives identical rights to Ordinary Scheme Shareholders and Convertible Preference Scheme Shareholders.

#### **Risks relating to the holding of TCC Shares**

**Investors should be aware of, among other things but not limited to, the following risk factors of holding TCC Shares:**

- **TCC Shares are listed on the Taiwan Stock Exchange and are subject to rules and regulations in Taiwan which are different from, and may not confer the same degree of protections conferred by, the Listing Rules and the Takeovers Code;**
- **TCC Shares are traded on another stock exchange which is a very different market from the Stock Exchange;**
- **there are legal restrictions on opening securities accounts and trading securities in Taiwan by foreigners whose source of funds is derived from Taiwan or PRC and PRC citizens; and the restrictions may change from time to time;**
- **TCC Shares are denominated and will be traded in NT\$ and investors may be subject to currency exchange risk;**
- **there is no guarantee that any dividend will be paid in respect of TCC Shares;**

- **changes in the business and economic environment could adversely affect the operating profits of TCC or the value of TCC's assets. For example, financial factors such as currency controls, devaluation or regulatory changes, or stability factors such as mass riots, civil war and other potential events could contribute to TCC's operational risks;**
- **securities transaction tax will be imposed on the seller at the rate of 0.3% of the transaction price upon a sale of the TCC Shares in Taiwan;**
- **currency risk as a result of TCC's assets and business operations being across national borders; and**
- **general business risk associated with the cement production industry and conducting business in Taiwan.**

### **3. TOTAL CONSIDERATION AND CONFIRMATION OF FINANCIAL RESOURCES**

On the basis that (a) the Committed Shareholders elect the Share Alternative and (b) all other Scheme Shareholders are to receive the Cash Alternative, the total maximum cash consideration payable under the Proposal is HK\$4,816,294,823.

The Offeror intends to finance the amount payable under the Proposal from the Facility and internal financial resources of TCC. The documents in relation to the Facility do not contain any terms to the effect that the Scheme Shares acquired by the Offeror pursuant to the Proposal will be transferred, charged or pledged to any persons. After the Effective Date, the Offeror does not intend to use the profits generated from the business of the Company and the Group to pay interest and repay the loan under the Facility.

BNP Paribas Securities, the financial adviser to the Offeror, is satisfied that sufficient financial resources are available to the Offeror for the full implementation of the Proposal in accordance with its terms.

**4. CONDITIONS OF THE PROPOSAL**

The Scheme will become effective and binding on the Company and all Scheme Shareholders, subject to the fulfilment or waiver, as applicable, of the following conditions:

- (a) the approval of the Scheme (by way of poll) by a majority in number of the Scheme Shareholders representing not less than 75% in value of the Scheme Shares held by the Scheme Shareholders present and voting either in person or by proxy at the Court Meeting, provided that:
  - (i) the Scheme is approved (by way of poll) by Disinterested Scheme Shareholders holding at least 75% of the votes attaching to the Disinterested Scheme Shares held by Disinterested Scheme Shareholders that are voted either in person or by proxy at the Court Meeting; and
  - (ii) the number of votes cast (by way of poll) by Disinterested Scheme Shareholders present and voting either in person or by proxy at the Court Meeting against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes attaching to all Disinterested Scheme Shares held by all the Disinterested Scheme Shareholders;

For the purpose of this Condition (a), the value of the Scheme Shares and votes attaching to the Disinterested Scheme Shares will be calculated based on the total number of Ordinary Scheme Shares and Ordinary Shares underlying the Convertible Preference Scheme Shares held by Scheme Shareholders and Disinterested Scheme Shareholders who attend and vote in person or by proxy at the Court Meeting, respectively.

- (b) (i) the passing of a special resolution by a majority of not less than three-fourths of the votes cast by the Shareholders present and voting in person or by proxy at the EGM to approve and give effect to the Reduction by cancelling all of the Scheme Shares; and (ii) the passing of an ordinary resolution by the Shareholders at the EGM to simultaneously increase the issued share capital of the Company by an amount equal to the number of Scheme Shares cancelled and apply the reserve created as a result of the aforesaid cancellation to pay up in full at par such number of new Shares as is equal to the number of Scheme Shares cancelled for issuance to TCC and TCCI (as the case may be);
- (c) the passing of a special resolution by a majority of not less than three-fourths of the votes cast by the Convertible Preference Shareholders present and voting in person or by proxy at the Special EGM to approve and give effect to the Reduction by cancelling all of the Convertible Preference Scheme Shares pursuant to Article 3A(k)(iv) of the Articles;

- (d) the sanction of the Scheme (with or without modifications) by the Grand Court and, to the extent necessary, the Grand Court's confirmation of the Reduction and the delivery to the Registrar of Companies of a copy of the orders of the Grand Court and the minutes in respect of the Reduction for registration;
- (e) compliance, to the extent necessary, with the procedural requirements and conditions, if any, under Sections 15 to 17 of the Companies Law in relation to the Reduction;
- (f) approval of the issuance of TCC Shares to be issued pursuant to the Proposal by the Taiwan Stock Exchange pursuant to Article 53-9 of the Operating Rules of the Taiwan Stock Exchange Corporation;
- (g) approval of the additional investment by TCC in the PRC by the Investment Commission of MOEA pursuant to Article 35 of the Act Governing Relations between the People of the Taiwan Area and the Mainland China (as amended from time to time) and the regulations promulgated thereunder;
- (h) deemed approval of the issuance of TCC Shares to be issued pursuant to the Proposal by the FSC pursuant to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers;
- (i) all Authorisations in connection with the Proposal having been obtained or made from, with or by (as the case may be) the Relevant Authorities in the Cayman Islands, Hong Kong, Taiwan and any other relevant jurisdictions;
- (j) all Authorisations remaining in full force and effect without variation, and all necessary statutory or regulatory obligations in all relevant jurisdictions having been complied with and no requirement having been imposed by any Relevant Authorities which is not expressly provided for, or is in addition to requirements expressly provided for, in relevant laws, rules, regulations or codes in connection with the Proposal or any related matters, documents (including circulars) or things, in each case up to and at the time when the Scheme becomes effective;
- (k) all necessary consents in connection with the Proposal and the withdrawal of listing of the Company from the Stock Exchange which may be required under any existing contractual obligations of the Company being obtained and remaining in effect;
- (l) if required, the obtaining by the Offeror of such other necessary consent, approval, authorisation, permission, waiver or exemption which may be required from any Relevant Authorities or other third parties which are necessary for the performance of the Scheme under the applicable laws and regulations;

- (m) no government, governmental, quasi-governmental, statutory or regulatory body, court or agency in any jurisdiction having taken or instituted any action, proceeding, suit, investigation or enquiry (or enacted, made or proposed, and there not continuing to be outstanding, any statute, regulation, demand or order) that would make the Proposal or the Scheme or its implementation in accordance with its terms void, unenforceable, illegal or impracticable (or which would impose any material and adverse conditions or obligations with respect to the Proposal or the Scheme or its implementation in accordance with its terms), other than such actions, proceedings, suits, investigations or enquiries as would not have a material adverse effect on the legal ability of the Offeror to proceed with the Proposal or the Scheme;
- (n) since the Announcement Date, there having been no adverse change in the business, assets, financial or trading positions, profits or prospects of any member of the Group (to an extent which is material in the context of the Group taken as a whole or in the context of the Proposal); and
- (o) since the Announcement Date, there not having been instituted or remaining outstanding any litigation, arbitration proceedings, prosecution or other legal proceedings to which any member of the Group is a party (whether as plaintiff, defendant or otherwise) and no such proceedings having been threatened in writing against any such member (and no investigation by any government or quasi-governmental, supranational, regulatory or investigative body or court against or in respect of any such member or the business carried on by any such member having been threatened in writing, announced, instituted or remaining outstanding by, against or in respect of any such member), in each case which is material and adverse in the context of the Group taken as a whole or in the context of the Proposal.

When the Conditions are fulfilled or waived, as applicable, the Scheme will become effective and binding on the Offeror, the Company and all Scheme Shareholders. The Offeror reserves the right (but is not obliged) to waive Conditions (i) to (o) either in whole or in part, either generally or in respect of any particular matter. Conditions (a) to (h) cannot be waived in any event. The Company has no right to waive any of the Conditions. Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, the Offeror may only invoke any or all of the Conditions as a basis for not proceeding with the Scheme and the Proposal if the circumstances which give rise to a right to invoke any such Condition are of material significance to the Offeror in the context of the Proposal or the Scheme.



In respect of Condition (i), as at the Latest Practicable Date, the Offeror and the Company do not reasonably foresee any necessary Authorisations required in connection with the Proposal from, with or by (as the case may be) the Relevant Authorities in the Cayman Islands, Hong Kong, Taiwan and any other relevant jurisdictions, save for the Authorisations already set out above as a Condition, the sanction by the Grand Court and the registration by the Registrar of Companies of a copy of the orders of the Grand Court and the minutes in respect of the Reduction.

In respect of Condition (l), as at the Latest Practicable Date, save for the Authorisations already set out above as a Condition, the Offeror and the Company are not aware of any consent, approval, authorisation, permission, waiver or exemption from any Relevant Authorities or other third parties which are necessary for the performance of the Scheme under the applicable laws and regulations.

As at the Latest Practicable Date and as set out in joint announcements issued by the Offeror and the Company on June 29, 2017 and July 25, 2017, Conditions (f) and (g) have been fulfilled. All of the Conditions will have to be fulfilled or waived, as applicable, on or before the Long Stop Date (or such later date as the Offeror and the Company may agree or, to the extent applicable, as the Grand Court may direct), failing which the Proposal and the Scheme will lapse.

Assuming that the Conditions are fulfilled (or, as applicable, waived), it is expected that the Scheme will become effective on or around Thursday, November 16, 2017 (Cayman Islands time) and the listing of the Ordinary Shares on the Stock Exchange will be withdrawn at 9:00 a.m. on Monday, November 20, 2017 pursuant to Rule 6.15(2) of the Listing Rules. Further announcements will be made in the event of a change of the expected Effective Date of the Scheme.

An announcement will be made by the Offeror and the Company if the Scheme lapses. Further announcements regarding the Proposal will be made as and when appropriate.

**Shareholders and/or potential investors should be aware that the implementation of the Proposal and the Scheme is subject to the Conditions being fulfilled or waived, as applicable, and thus the Proposal may or may not be implemented and the Scheme may or may not become effective. Shareholders and potential investors should therefore exercise caution when dealing in the securities of the Company. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisers.**

**5. IRREVOCABLE UNDERTAKING TO ACCEPT THE PROPOSAL**

The Offeror has received the Irrevocable Undertaking from the Committed Shareholders, pursuant to which the Committed Shareholders jointly, severally and irrevocably undertook to the Offeror that, subject to (i) the Scheme being implemented in accordance with the terms set out in the Announcement, (ii) the approval of the reduction of investment by Chia Hsin Cement in the PRC by the Investment Commission of MOEA being obtained and (iii) the Investment Commission of MOEA's approval of CHPL's investment in TCC, they shall, amongst other things, (i) attend and exercise or procure the attendance and exercise of the voting rights attached to the Committed Shares at (a) the Court Meeting and (b) the EGM, in each case, to approve the Scheme and the Reduction; and (ii) elect the Share Alternative as the form of consideration.

In addition to the above undertakings, the Committed Shareholders also jointly, severally and irrevocably undertook that they shall not, among other things, before the Scheme becomes effective, or before the Irrevocable Undertaking is terminated, other than pursuant to the Proposal and the Scheme (i) sell, transfer, charge, encumber, grant any option over or otherwise dispose of any interest in the Committed Shares (other than to the Offeror); or (ii) acquire any additional shares, securities or other interests of the Company and if they do, such shares, securities or interests shall be deemed to be Committed Shares for the purpose of the Irrevocable Undertaking. The Irrevocable Undertaking will extend to any increased or improved proposals by or on behalf of the Offeror.

As at the Latest Practicable Date, the Committed Shareholders are together the beneficial owner of 488,678,512 Ordinary Shares, representing 9.89% of the total Ordinary Shares in issue and 28.34% of the total issued Ordinary Shares held by Disinterested Scheme Shareholders. As at the Latest Practicable Date, none of the Committed Shareholders holds any options, convertible preference shares, warrants or other rights to subscribe for, purchase or otherwise acquire any securities of the Company. If the Scheme becomes effective, the Committed Shareholders will receive from TCC 205,244,975 TCC Shares (3,708,290 TCC Shares for Chia Hsin Cement and 201,536,685 TCC Shares for CHPL, respectively).

The Irrevocable Undertaking shall terminate immediately if (i) the Scheme is not approved at the Court Meeting; or (ii) the Reduction is not approved at the EGM or by the Convertible Preference Shareholders; or (iii) at the Court Hearing, the Grand Court does not sanction the Scheme or confirm the Reduction; or (iv) the Conditions fail to become fulfilled or waived, as applicable, before the Long Stop Date.

As at the Latest Practicable Date, save as disclosed above, the Offeror has confirmed that no other persons have irrevocably committed themselves to vote to approve or reject the Scheme at the Court Meeting or the resolutions to be proposed at the EGM and the Special EGM.

**6. SCHEME OF ARRANGEMENT UNDER SECTION 86 OF THE COMPANIES LAW AND THE COURT MEETING**

Pursuant to Section 86 of the Companies Law, where an arrangement is proposed between a company and its members or any class of them, the Grand Court may, on the application of the company or any member of the company, order a meeting of the members of the company or class of members, as the case may be, to be held in such manner as the Grand Court directs.

It is expressly provided in Section 86 of the Companies Law that if a majority in number representing 75% in value of the members or class of members, as the case may be, present and voting either in person or by proxy at the meeting held as directed by the Grand Court as aforesaid, agree to any arrangement, the arrangement shall, if sanctioned by the Grand Court, be binding on all members or class of members, as the case may be, and also on the company. For the avoidance of doubt, the Grand Court will be requested to order the convening of a meeting of a class of members being the Scheme Shareholders.

**7. ADDITIONAL REQUIREMENTS IMPOSED BY RULE 2.10 OF THE TAKEOVERS CODE**

In addition to satisfying any requirements imposed by law as summarised above, but except with the consent of the Executive to dispense with compliance or strict compliance therewith, Rule 2.10 of the Takeovers Code requires that the Scheme may only be implemented if:

- (a) the Scheme is approved by at least 75% of the votes attaching to the Disinterested Scheme Shares that are cast either in person or by proxy by poll at a duly convened meeting of the Disinterested Scheme Shareholders; and
- (b) the number of votes cast against the resolution to approve the Scheme at such meeting is not more than 10% of the votes attaching to all Disinterested Scheme Shares.

For the purpose of this vote:

- (a) Disinterested Scheme Shareholders comprise all Shareholders other than the Offeror and Offeror Concert Parties;
- (b) votes of Shareholders who are not Disinterested Scheme Shareholders will not be counted for the purpose of satisfying the additional requirements under Rule 2.10 of the Takeovers Code; and
- (c) votes attaching to the Disinterested Scheme Shares will be calculated based on the total number of Ordinary Scheme Shares and Ordinary Shares underlying the Convertible Preference Scheme Shares (with each Convertible Preference Share being convertible at the Conversion Rate into approximately 1.0913 Ordinary Shares), held by Disinterested Scheme Shareholders who attend and vote in person or by proxy at the Court Meeting.

As at the Latest Practicable Date, the Disinterested Scheme Shareholders held in aggregate 1,724,356,994 Ordinary Shares and 82,134 Convertible Preference Shares (representing 89,634 underlying Ordinary Shares). 10% of the votes attached to all Disinterested Scheme Shares therefore represent approximately 172,444,663 Ordinary Shares as at the Latest Practicable Date.

## 8. BINDING EFFECT OF THE SCHEME

If the Scheme is approved at the Court Meeting in accordance with the requirement of Section 86 of the Companies Law and Rule 2.10 of the Takeovers Code (as described above) and is sanctioned by the Grand Court and becomes effective in accordance with the Companies Law, the Scheme will be binding on the Company, all the Scheme Shareholders regardless of how they voted (or whether they voted) at the Court Meeting, the EGM and Special EGM, and, pursuant to an undertaking given by the Offeror to the Grand Court, on the Offeror.

## 9. SHAREHOLDING STRUCTURE OF THE COMPANY

The table below sets out the shareholding structure of the Company as at the Latest Practicable Date and immediately upon completion of the Proposal (a) based on the shareholding structure as at the Latest Practicable Date and (b) on a fully-converted basis:

### (a) Based on the shareholding structure as at the Latest Practicable Date

	As at the Latest Practicable Date				Upon completion of the Proposal			
	No. of Ordinary Shares	% of total issued Ordinary Shares	No. of Convertible Preference Shares	% of total issued Convertible Preference Shares	No. of Ordinary Shares	% of total issued Ordinary Shares	No. of Convertible Preference Shares	% of total issued Convertible Preference Shares
TCC (through TCCI) (Note 1)	3,117,016,329	63.05	494,251,511	99.98	4,943,464,851	100	494,333,645	100
<b>Offeror Concert Parties</b> (Shares held subject to the Scheme)								
Chang Kang-Lung, Jason (Note 2)	3,000,000	0.06	-	-	-	-	-	-
Estate of Koo Cheng-Yun, Leslie	99,091,528	2.00	-	-	-	-	-	-
<b>Aggregate held by the Offeror and Offeror Concert Parties</b>	<b>3,219,107,857</b>	<b>65.12</b>	<b>494,251,511</b>	<b>99.98</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Chia Hsin Cement (Note 3)	8,829,262	0.18	-	-	-	-	-	-
CHPL	479,849,250	9.71	-	-	-	-	-	-
Other public shareholders (Note 4)	1,235,678,482	25.00	82,134	0.02	-	-	-	-
<b>Aggregate held by the Disinterested Scheme Shareholders</b>	<b>1,724,356,994</b>	<b>34.88</b>	<b>82,134</b>	<b>0.02</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>4,943,464,851</b>	<b>100</b>	<b>494,333,645</b>	<b>100</b>	<b>4,943,464,851</b>	<b>100</b>	<b>494,333,645</b>	<b>100</b>

*Notes:*

1. TCCI is a direct wholly-owned subsidiary of TCC. The Ordinary Shares and Convertible Preference Shares in which TCC (through TCCI) is interested will not form part of the Scheme Shares and will not be cancelled.
2. The 3,000,000 Ordinary Shares are held by Goldcrest Corporation, a corporation controlled by the spouse of Chang Kang-Lung, Jason. Chang Kang-Lung, Jason is (i) a non-executive Director of the Company and (ii) a director of TCC. Accordingly, controlled corporation of the spouse of Chang Kang-Lung, Jason is presumed to be acting in concert with TCC in relation to the Company.
3. As at the Latest Practicable Date, Chia Hsin Cement has two representatives on the Board, being Chang Kang-Lung, Jason and Wang Lishin, Elizabeth (who is the chairman of CHPL and the chief financial officer of Chia Hsin Cement).
4. As at the Latest Practicable Date, the other public shareholders held 1,235,678,482 Ordinary Shares and 82,134 Convertible Preference Shares (representing 89,634 Ordinary Shares on an as-converted basis). 6,980 Ordinary Shares are held by BNP Paribas Arbitrage SNC, an associate of BNP Paribas Securities, in its capacity as an exempt principal trader.

**(b) Fully-converted basis**

	As at the Latest Practicable Date		Upon completion of the Proposal	
	No. of Ordinary Shares	% of total issued Ordinary Shares	No. of Ordinary Shares	% of total issued Ordinary Shares
TCC (through TCCI) (Note 1)	3,656,399,937	66.69	5,482,938,093	100
<b>Offeror Concert Parties</b>				
(Shares held subject to the Scheme)				
Chang Kang-Lung, Jason (Note 2)	3,000,000	0.05	–	–
Estate of Koo Cheng-Yun, Leslie	99,091,528	1.81	–	–
<b>Aggregate held by the Offeror and Offeror Concert Parties</b>	<u>3,758,491,465</u>	<u>68.55</u>	<u>–</u>	<u>–</u>
Chia Hsin Cement (Note 3)	8,829,262	0.16	–	–
CHPL	479,849,250	8.75	–	–
Other public shareholders (Note 4)	1,235,768,116	22.54	–	–
<b>Aggregate held by the Disinterested Scheme Shareholders</b>	<u>1,724,446,628</u>	<u>31.45</u>	<u>–</u>	<u>–</u>
Total	<u>5,482,938,093</u>	<u>100</u>	<u>5,482,938,093</u>	<u>100</u>

*Notes:*

1. TCCI is a direct wholly-owned subsidiary of TCC. As at the Latest Practicable Date, TCC (through TCCI) held 3,117,016,329 Ordinary Shares and 494,251,511 Convertible Preference Shares (representing 539,383,608 Ordinary Shares on an as-converted basis). The Shares in which TCC (through TCCI) is interested will not form part of the Scheme Shares and will not be cancelled.
2. The 3,000,000 Ordinary Shares are held by Goldcrest Corporation, a corporation controlled by the spouse of Chang Kang-Lung, Jason. Chang Kang-Lung, Jason is (i) a non-executive Director of the Company and (ii) a director of TCC. Accordingly, controlled corporation of the spouse of Chang Kang-Lung, Jason is presumed to be acting in concert with TCC in relation to the Company.
3. As at the Latest Practicable Date, Chia Hsin Cement has two representatives on the Board, being Chang Kang-Lung, Jason and Wang Lishin, Elizabeth (who is the chairman of CHPL and the chief financial officer of Chia Hsin Cement).
4. As at the Latest Practicable Date, the other public shareholders held 1,235,678,482 Ordinary Shares and 82,134 Convertible Preference Shares (representing 89,634 Ordinary Shares on an as-converted basis). 6,980 Ordinary Shares are held by BNP Paribas Arbitrage SNC, an associate of BNP Paribas Securities, in its capacity as an exempt principal trader.

## 10. SHAREHOLDING STRUCTURE OF TCC

As at the Latest Practicable Date, the authorised share capital of TCC comprises 6,000,000,000 common shares, of which 3,692,175,869 common shares were in issue and there are no outstanding convertible securities, warrants, options or derivatives in respect of any TCC Shares.

The table below sets out the shareholding structure of TCC as at the Latest Practicable Date and immediately following implementation of the Proposal assuming only the Committed Shareholders elect the Share Alternative and all other Scheme Shareholders are to receive the Cash Alternative (the relevant interests in TCC Shares are calculated pursuant to the requirements under the SFO and the Takeovers Code):

	As at the Latest Practicable Date		Upon completion of the Proposal	
	No. of TCC Shares	% of total issued TCC Shares	No. of TCC Shares	% of total issued TCC Shares
<b>Offeror Concert Parties</b>				
Chang An-Ping, Nelson (Note 1)	10,372,211	0.28	10,372,211	0.27
Chang Kang-Lung, Jason (Note 2)	190,000	0.01	190,000	0.00
Chang Chi-Wen (Note 3)	2,010,027	0.05	2,010,027	0.05
Chen Chien-Tong (Note 4)	86,921	0.00	86,921	0.00
Eric T. Wu (Note 5)	664,599	0.02	664,599	0.02
Jennifer Lin, Esq. (Note 6)	400,000	0.01	400,000	0.01
Lin Nan-Chou (Note 7)	2,280,642	0.06	2,280,642	0.06
Hsieh Chi-Chia (Note 8)	400,000	0.01	400,000	0.01
Chen Chi-Te (Note 9)	4,570	0.00	4,570	0.00
Koo, Jason Kung-Yi (Note 10)	306,759	0.01	306,759	0.01
Kenneth C.M. Lo (Note 11)	4,400,000	0.12	4,400,000	0.11
Estate of Koo Cheng-Yun, Leslie	225,965,686	6.12	225,965,686	5.80
<b>Scheme Shareholders (other than Offeror Concert Parties)</b>				
Chia Hsin Cement (Note 12)	23,105,050	0.63	26,813,340	0.69
CHPL (Note 13)	–	–	201,536,685	5.17
<b>Other shareholders</b>	<u>3,421,989,404</u>	<u>92.68</u>	<u>3,421,989,404</u>	<u>87.80</u>
<b>Total</b>	<u><u>3,692,175,869</u></u>	<u><u>100</u></u>	<u><u>3,897,420,844</u></u>	<u><u>100</u></u>



*Notes:*

1. Chang An-Ping, Nelson is a director of each of TCC and TCCI. Accordingly, he is presumed to be a party acting in concert with the Offeror. Of the 10,372,211 TCC Shares, 156,573 TCC Shares are directly beneficially owned by Chang An-Ping, Nelson, 3,059,817 TCC Shares are held by the spouse of Chang An-Ping, Nelson and 7,155,821 TCC Shares are held by companies controlled by Chang An-Ping, Nelson.
2. Chang Kang-Lung, Jason is a director of TCC. Accordingly, he is presumed to be a party acting in concert with TCC.
3. Chang Chi-Wen is a director of TCC and thus, is presumed to be a party acting in concert with TCC.
4. Chen Chien-Tong is a director of TCC and thus, is presumed to be a party acting in concert with TCC.
5. Eric T. Wu is a director of TCC and thus, is presumed to be a party acting in concert with TCC. 604,172 TCC Shares are held by the close relatives of Eric T. Wu.
6. Jennifer Lin, Esq. is a director of TCC and thus, is presumed to be a party acting in concert with TCC.
7. Lin Nan-Chou is a director of TCC and thus, is presumed to be a party acting in concert with TCC.
8. Hsieh Chi-Chia is a director of TCC and thus, is presumed to be a party acting in concert with TCC.
9. Chen Chi-Te is a director of TCC and thus, is presumed to be a party acting in concert with TCC. The 4,570 shares are held by the close relatives of Chen Chi-Te.
10. Koo, Jason Kung-Yi is a director of each of TCC and TCCI. Accordingly, he is presumed to be a party acting in concert with the Offeror. Of the 306,759 TCC Shares, 759 TCC shares are held by the close relatives of Koo, Jason Kung-Yi and 306,000 TCC Shares are held by a company controlled by the close relatives of Koo, Jason Kung-Yi and Koo, Jason Kung-Yi.
11. Kenneth C.M. Lo is a director of TCC. Accordingly, he is presumed to be a party acting in concert with TCC. Of the 4,400,000 TCC Shares, 1,400,000 TCC Shares are held by Ming Shan Investment Co., Ltd., a company controlled by the spouse and children of Kenneth C.M. Lo and Kenneth C.M. Lo, 1,000,000 TCC Shares are held by Yi Chang Investment Co., Ltd., a company controlled by the spouse and children of Kenneth C.M. Lo and Kenneth C.M. Lo, 1,000,000 TCC Shares are held by Tai-Hsuan Investment Co., Ltd., a company controlled by Kenneth C.M. Lo and 1,000,000 TCC Shares are held by Tai-Ya Investment Co., Ltd., a company controlled by the spouse of Kenneth C.M. Lo.
12. Chia Hsin Cement is a company listed on the Taiwan Stock Exchange. As at the Latest Practicable Date, TCC is a shareholder of Chia Hsin Cement, holding approximately 3.54% of the total issued share capital of Chia Hsin Cement. As at the Latest Practicable Date, Chia Hsin Cement is a shareholder of TCC, holding approximately 0.63% of the issued share capital of TCC. Chang Kang-Lung, Jason and Chen Chi-Te are directors of TCC and Chia Hsin Cement.
13. CHPL is a direct non-wholly owned subsidiary of Chia Hsin Cement.

The table below sets out the shareholding structure of TCC as at the Latest Practicable Date and immediately following implementation of the Proposal assuming all Scheme Shareholders elect the Share Alternative (the relevant interests in TCC Shares are calculated pursuant to the requirements under the SFO and the Takeovers Code):

	As at the Latest Practicable Date		Upon completion of the Proposal	
	No. of TCC Shares	% of total issued TCC Shares	No. of TCC Shares	% of total issued TCC Shares
<b>Offeror Concert Parties</b>				
Chang An-Ping, Nelson (Note 1)	10,372,211	0.28	10,372,211	0.23
Chang Kang-Lung, Jason (Note 2)	190,000	0.01	1,450,000 (Note 3)	0.03
Chang Chi-Wen (Note 4)	2,010,027	0.05	2,010,027	0.05
Chen Chien-Tong (Note 5)	86,921	0.00	86,921	0.00
Eric T. Wu (Note 6)	664,599	0.02	664,599	0.01
Jennifer Lin, Esq. (Note 7)	400,000	0.01	400,000	0.01
Lin Nan-Chou (Note 8)	2,280,642	0.06	2,280,642	0.05
Hsieh Chi-Chia (Note 9)	400,000	0.01	400,000	0.01
Chen Chi-Te (Note 10)	4,570	0.00	4,570	0.00
Koo, Jason Kung-Yi (Note 11)	306,759	0.01	306,759	0.01
Kenneth C.M. Lo (Note 12)	4,400,000	0.12	4,400,000	0.10
Estate of Koo Cheng-Yun, Leslie	225,965,686	6.12	267,584,128	6.00
<b>Scheme Shareholders (other than Offeror Concert Parties)</b>				
Chia Hsin Cement (Note 13)	23,105,050	0.63	26,813,340	0.60
CHPL (Note 14)	–	–	201,536,685	4.52
Other Scheme Shareholders	–	–	519,022,608	11.64
<b>Other shareholders</b>	<u>3,421,989,404</u>	<u>92.68</u>	<u>3,421,989,404</u>	<u>76.74</u>
<b>Total</b>	<u><u>3,692,175,869</u></u>	<u><u>100</u></u>	<u><u>4,459,321,894</u></u>	<u><u>100</u></u>

Notes:

- Chang An-Ping, Nelson is a director of each of TCC and TCCI. Accordingly, he is presumed to be a party acting in concert with the Offeror. Of the 10,372,211 TCC Shares, 156,573 TCC Shares are directly beneficially owned by Chang An-Ping, Nelson, 3,059,817 TCC Shares are held by the spouse of Chang An-Ping, Nelson and 7,155,821 TCC Shares are held by companies controlled by Chang An-Ping, Nelson.
- Chang Kang-Lung, Jason is a director of TCC. Accordingly, he is presumed to be a party acting in concert with TCC.

3. Of the 1,450,000 TCC Shares, 190,000 shares are held by Chang Kang-Lung, Jason and 1,260,000 shares will be held by Golderest Corporation, a controlled corporation of the spouse of Chang Kang-Lung, Jason, being a Scheme Shareholder.
4. Chang Chi-Wen is a director of TCC and thus, is presumed to be a party acting in concert with TCC.
5. Chen Chien-Tong is a director of TCC and thus, is presumed to be a party acting in concert with TCC.
6. Eric T. Wu is a director of TCC and thus, is presumed to be a party acting in concert with TCC. 604,172 TCC Shares are held by the close relatives of Eric T. Wu.
7. Jennifer Lin, Esq. is a director of TCC and thus, is presumed to be a party acting in concert with TCC.
8. Lin Nan-Chou is a director of TCC and thus, is presumed to be a party acting in concert with TCC.
9. Hsieh Chi-Chia is a director of TCC and thus, is presumed to be a party acting in concert with TCC.
10. Chen Chi-Te is a director of TCC and thus, is presumed to be a party acting in concert with TCC. The 4,570 shares are held by the close relatives of Chen Chi-Te.
11. Koo, Jason Kung-Yi is a director of each of TCC and TCCI. Accordingly, he is presumed to be a party acting in concert with the Offeror. Of the 306,759 TCC Shares, 759 TCC shares are held by the close relatives of Koo, Jason Kung-Yi and 306,000 TCC Shares are held by a company controlled by the close relatives of Koo, Jason Kung-Yi and Koo, Jason Kung-Yi.
12. Kenneth C.M. Lo is a director of TCC. Accordingly, he is presumed to be a party acting in concert with TCC. Of the 4,400,000 TCC Shares, 1,400,000 TCC Shares are held by Ming Shan Investment Co., Ltd., a company controlled by the spouse and children of Kenneth C.M. Lo and Kenneth C.M. Lo, 1,000,000 TCC Shares are held by Yi Chang Investment Co., Ltd., a company controlled by the spouse and children of Kenneth C.M. Lo and Kenneth C.M. Lo, 1,000,000 TCC Shares are held by Tai-Hsuan Investment Co., Ltd., a company controlled by Kenneth C.M. Lo and 1,000,000 TCC Shares are held by Tai-Ya Investment Co., Ltd., a company controlled by the spouse of Kenneth C.M. Lo.
13. Chia Hsin Cement is a company listed on the Taiwan Stock Exchange. As at the Latest Practicable Date, TCC is a shareholder of Chia Hsin Cement, holding approximately 3.54% of the total issued share capital of Chia Hsin Cement. As at the Latest Practicable Date, Chia Hsin Cement is a shareholder of TCC, holding approximately 0.63% of the issued share capital of TCC. Chang Kang-Lung, Jason and Chen Chi-Te are directors of TCC and Chia Hsin Cement.
14. CHPL is a direct non-wholly owned subsidiary of Chia Hsin Cement.

**11. COMPARISON OF VALUE****The Cash Alternative**

The cash consideration of HK\$3.60 per Ordinary Scheme Share (or Ordinary Share underlying a Convertible Preference Scheme Share) under the Cash Alternative represents:

- (a) a premium of approximately 0.8% over the closing price of HK\$3.57 per Ordinary Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (b) a premium of approximately 38.5% over the closing price of HK\$2.60 per Ordinary Share as quoted on the Stock Exchange on the Last Trading Day;
- (c) a premium of approximately 43.1% over the average closing price of approximately HK\$2.52 per Ordinary Share based on the daily closing prices as quoted on the Stock Exchange for the 10 trading days up to and including the Last Trading Day;
- (d) a premium of approximately 51.0% over the average closing price of approximately HK\$2.38 per Ordinary Share based on the daily closing prices as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Day;
- (e) a premium of approximately 66.9% over the average closing price of approximately HK\$2.16 per Ordinary Share based on the daily closing prices as quoted on the Stock Exchange for the 60 trading days up to and including the Last Trading Day;
- (f) a premium of approximately 78.3% over the average closing price of approximately HK\$2.02 per Ordinary Share based on the daily closing prices as quoted on the Stock Exchange for the 120 trading days up to and including the Last Trading Day;
- (g) a discount of approximately 4.1% to the audited consolidated net asset value per Ordinary Share of approximately HK\$3.75 as at December 31, 2016.

During the period commencing one year preceding the Announcement Date, the highest closing price of Ordinary Shares as quoted on the Stock Exchange was HK\$2.60 per Ordinary Share on April 18, 2017, and the lowest closing price of Ordinary Shares as quoted on the Stock Exchange was HK\$1.19 per Ordinary Share on June 16, 2016.

The Convertible Preference Shares are not listed on any stock exchanges, so there is no quoted share price information available in respect of the period commencing one year preceding the Announcement Date.

During the Relevant Period, the highest closing price of Ordinary Shares as quoted on the Stock Exchange was HK\$3.59 per Ordinary Share on August 7, 2017, August 8, 2017 and August 9, 2017 and the lowest closing price of Ordinary Shares as quoted on the Stock Exchange was HK\$1.71 per Ordinary Share on December 16, 2016.

The Cash Alternative has been determined on a commercial basis after taking into account the prices of the Ordinary Shares traded on the Stock Exchange, the trading multiples of comparable trading companies and with reference to other privatisation transactions in Hong Kong in recent years.

A summary of the closing prices of the Ordinary Shares on the Stock Exchange (a) on the last trading day of each of the calendar months during the Relevant Period; (b) on the Last Trading Day; and (c) on the Latest Practicable Date is set out in “Appendix V – General Information” to this Scheme Document.

#### **The Share Alternative**

The Share Alternative has been determined after careful analysis of quantifiable figures and objective data of TCC and the Company adopting different valuation models. The analysis takes into account the published net worth per share and profitability of both TCC and the Company, the present and future operating conditions of TCC and the Company, the impact of integration of research & development capabilities and business resources on business integration and development and cost savings.

The actual number of TCC Shares to be made available for allotment and issuance under the Share Alternative is expected to be determined by Thursday, October 19, 2017 with an application to be made by TCC to the FSC for the new issuance of TCC Shares. As at the Latest Practicable Date, there were 1,826,448,522 Ordinary Scheme Shares and 82,134 Convertible Preference Scheme Shares. On this basis, if all the Scheme Shareholders elect the Share Alternative, 767,146,025 TCC Shares shall be issued to the Scheme Shareholders, representing approximately 17.20% of the fully diluted issued share capital of TCC as at the Latest Practicable Date. Fractions of TCC Shares to be issued to the Scheme Shareholders who have elected the Share Alternative are to be rounded down to the nearest whole number.

TCC Shares are shares of a company incorporated in Taiwan and listed on the Taiwan Stock Exchange. As at December 31, 2016, the audited net asset value of TCC Group attributable to the controlling interest was NT\$106,768,051,000 (representing NT\$28.92 or approximately HK\$7.42 per TCC Share, based on 3,692,175,869 TCC Shares in issue as at the Latest Practicable Date) as disclosed in the audited consolidated financial statements of the TCC Group for the year ended December 31, 2016. As at the Last Trading Day, the closing price per TCC Share as quoted on the Taiwan Stock Exchange was NT\$36.45 (approximately HK\$9.35). Applying such closing price on the Last Trading Day, under the Share Alternative, each Ordinary Scheme Share and Ordinary Share underlying a Convertible Preference Scheme Share will be cancelled in exchange for cash consideration of approximately HK\$3.93 and each Convertible Preference Scheme Share will be cancelled in exchange for cash consideration of approximately HK\$4.28. As at the Latest Practicable Date, the closing price per TCC Share as quoted on the Taiwan Stock Exchange was NT\$34.25 (approximately HK\$8.78). Applying such closing price on the Latest Practicable Date, under the Share Alternative, each Ordinary Scheme Share and Ordinary Share underlying a Convertible Preference Scheme Share will be cancelled in exchange for cash consideration of approximately HK\$3.69 and each Convertible Preference Scheme Share will be cancelled in exchange for cash consideration of approximately HK\$4.02.

During the period commencing one year preceding the Announcement Date, the highest and lowest closing prices of the TCC Shares as quoted on the Taiwan Stock Exchange were NT\$38.40 (approximately HK\$9.85) per TCC Share on March 21, 2017 and NT\$27.70 (approximately HK\$7.10) per TCC Share on May 19, 2016, respectively.

During the Relevant Period, the highest closing price of TCC Shares as quoted on the Taiwan Stock Exchange was NT\$38.40 per TCC Share on March 21, 2017 and the lowest closing price of TCC Shares as quoted on the Taiwan Stock Exchange was NT\$33.85 per TCC Share on June 16, 2017.

A summary of the closing prices of the TCC Shares on the Taiwan Stock Exchange (a) on the last trading day of each of the calendar months during the Relevant Period; (b) on the Last Trading Day; and (c) on the Latest Practicable Date is set out in “Appendix V – General Information” to this Scheme Document.

TCC is required under the laws, rules and regulations of Taiwan to issue the Information Memorandum in connection with the issuance of the TCC Shares. Your attention is drawn to the Information Memorandum appended to this Scheme Document in Appendix X. In accordance with Taiwan’s Regulations Governing Information to be Published in Public Offering and Issuance Information Memorandum, the Information Memorandum discloses, among other things:

- (a) details of the issuance of the TCC Shares, including the type, number of TCC Shares proposed to be issued and conditions to the issuance;

- (b) general information of TCC, including history, details of directors, details of shareholding information of top 10 shareholders and historical share price;
- (c) business and operating conditions of TCC, including industry overview, production and sales and business investments;
- (d) financial information of TCC, including audited financial statements of the TCC Group for the last two financial years ended December 31, 2016 and discussion and analysis of the financial and operating conditions of TCC; and
- (e) independent expert's opinion on whether the ratio of TCC Shares issued in exchange for the Scheme Shares is fair and reasonable.

The Information Memorandum is one of the required documents for TCC's application to the FSC for the new issuance of TCC Shares. The approval of the FSC will be deemed granted if the FSC does not voice its objection within 12 business days in Taiwan after the filing of such application. Such deemed approval is expected to be obtained after (a) the approval of the Scheme at the Court Meeting has been obtained, (b) approval of the additional investment by TCC in the PRC by the Investment Commission of MOEA; and (c) the election of the Share Alternative has been made by the Scheme Shareholders.

The final Information Memorandum, which will be substantially the same as the Information Memorandum contained in Appendix X, will be published on <http://mops.twse.com.tw/> after the Election Time and will contain the final number of TCC Shares to be issued pursuant to the Share Alternative.

The TCC Share(s) to be issued pursuant to the Proposal will be issued free from all encumbrances, credited as fully paid up and will rank *pari passu* with the existing TCC Share(s), including the right to receive all dividends and other distributions, if any, declared or paid after they are issued. Save for certain restriction imposed by the laws and regulations of Taiwan on directors, managers or shareholders of TCC holding more than 10% of the outstanding TCC Shares, there will be no restrictions on the transfer of the TCC Share(s) to be issued pursuant to the Proposal.

Please refer to the section headed "6. Share Capital of TCC and Capital, Dividends & Voting Rights of TCC Shares" in "Appendix V – General Information" and "Appendix X – Information Memorandum" to this Scheme Document for further information on TCC, the TCC Shares and the new issuance of TCC Shares.

**12. REASONS FOR AND BENEFITS OF THE PROPOSAL**

The Proposal aims to generate the following benefits:

- (a) the Proposal presents an immediate opportunity for Scheme Shareholders to realise their investments in the Scheme Shares for cash and redeploy the cash received from the Proposal into other investment opportunities or to participate in the investment in TCC, which is a Taiwan listed company and a larger and more diversified group than the Group. Given that the Ordinary Shares are generally thinly traded on the Stock Exchange and that Convertible Preference Shares are not publicly listed, there is limited opportunity for Scheme Shareholders to divest their investments in the Company. For the 12 months up to and including the Last Trading Day, the average daily trading volume of the Ordinary Shares was 3,928,444 Ordinary Shares, or approximately 0.08% of the number of total issued Ordinary Shares as at the Last Trading Day. For the 12 months up to and including the Last Trading Day, the average daily trading volume of TCC Shares was 6,587,094 TCC Shares, or approximately 0.18% of the number of total issued TCC Shares as at the Last Trading Day;
- (b) since the Offeror holds approximately 63.05% of the total issued Ordinary Shares, it is unlikely that the Scheme Shareholders will receive any alternative general offers or other similar proposals from third parties to acquire the Scheme Shares without the approval of the Offeror, which holds its Ordinary Shares and Convertible Preference Shares as a long-term investment;
- (c) the successful privatisation and resultant withdrawal of listing of the Company can:
  - (i) facilitate financial, business and operational integration between the Offeror and the Group and provide the Offeror with greater flexibility to support the future business development of the Group free from pressures of market expectations, earnings visibility and share price fluctuations associated with maintaining the listing status of the Company;
  - (ii) consolidate the Offeror's interests in the Company, with the intention of simplifying the shareholding structure and improving the corporate efficiency of the Company; and
  - (iii) allow the Company to save on the costs and expenses associated with compliance and maintenance of the listing status of the Company.



**13. INFORMATION ON THE COMPANY**

The Company is a company incorporated in the Cayman Islands with limited liability, the Ordinary Shares of which have been listed on the Main Board of the Stock Exchange since October 1997 (stock code: 1136.HK). The Convertible Preference Shares are not listed on any stock exchanges. The principal activities of the Group consist of the import and distribution of cement in Hong Kong and the manufacture and distribution of cement, clinker, concrete and other cement related products in other areas of the PRC. Through its associates, the Group is also engaged in the production and distribution of ready-mixed concrete in Hong Kong.

**14. INFORMATION ON THE OFFEROR**

TCC is a company incorporated in Taiwan on December 29, 1950, the shares of which have been listed on the Taiwan Stock Exchange since 1962 (stock code: 1101.TWSE). The principal activities of TCC and its subsidiaries (other than TCCI and the Group) consist of the production and distribution of cement, cement products and cement materials. Please refer to the Information Memorandum in Appendix X for further details of TCC (including the information of the major shareholders of TCC set out in the section headed “I. Overview – 4. Corporate Capital and Shares – (3) Distribution of Equity”).

TCCI is a company incorporated in the British Virgin Islands on May 22, 1997 with limited liability. Its principal activity is investment holding. As at the Latest Practicable Date, its investments included a holding of 3,117,016,329 Ordinary Shares (representing approximately 63.05% of the total issued Ordinary Shares) and 494,251,511 Convertible Preference Shares (representing approximately 99.98% of the total issued Convertible Preference Shares). TCCI is a wholly-owned subsidiary of TCC.

**15. OFFEROR’S INTENTION REGARDING THE COMPANY**

Following implementation of the Proposal, the Offeror intends that the Group will continue to carry on its current business of manufacture and distribution of cement and cement related products.

The Offeror does not intend to, in the event the Scheme becomes effective, (a) introduce significant changes to the existing operations of the Group (including any major disposal or redeployment of the Group’s assets) or (b) discontinue the employment of the employees of the Group, save for those changes which the Offeror may from time to time implement following the review of its strategic options relating to the business, structure and/or direction of the Group.

**16. SHARE CERTIFICATES, DEALINGS AND LISTING**

Upon the Scheme becoming effective, all the Scheme Shares will be cancelled and extinguished and the share certificates for the Scheme Shares will thereafter cease to have effect as document or evidence of title, and the Register will be updated to reflect the same.

The Company will apply for the withdrawal of listing of the Ordinary Shares on the Stock Exchange in accordance with Rule 6.15(2) of the Listing Rules.

Dealings in the Ordinary Shares on the Stock Exchange are expected to cease after 4:00 p.m. on Tuesday, September 19, 2017, and the listing of the Ordinary Shares on the Stock Exchange is expected to be withdrawn at 9:00 a.m. on Monday, November 20, 2017. Shareholders will be notified by way of an announcement of the exact dates of the last day for dealing in the Shares and on which the Scheme and the withdrawal of the listing of the Ordinary Shares on the Stock Exchange will become effective.

**17. IF THE SCHEME IS NOT APPROVED OR LAPSES**

The Scheme will lapse if any of the Conditions has not been fulfilled or waived, as applicable, on or before the Long Stop Date (or such later date as the Offeror and the Company may agree or, to the extent applicable, as the Grand Court may direct). If the Scheme is not approved or the Proposal otherwise lapses, the Company has no intention to seek the immediate withdrawal of the listing of the Ordinary Shares on the Stock Exchange.

If the Scheme is not approved or the Proposal otherwise lapses, there are restrictions under the Takeovers Code on making subsequent offers, to the effect that neither the Offeror nor any person who acted in concert with it in the course of the Proposal (nor any person who is subsequently acting in concert with any of them) may within 12 months from the date on which the Scheme is not approved or the Proposal otherwise lapses announce an offer or possible offer for the Company, except with the consent of the Executive.

**18. REGISTRATION AND PAYMENT****Registration**

In order to determine entitlements of Shareholders to attend and vote at the Court Meeting, EGM and the Special EGM, it is proposed that the Register will be closed from Tuesday, September 12, 2017 to Monday, September 18, 2017 (both days inclusive), or such other date as may be notified to Shareholders by announcement. Shareholders, the transferees of Shares or their successors in title should ensure that their Shares are registered or lodged for registration in their names or in the name(s) of their nominees at or with the Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on Monday, September 11, 2017.

In order to determine entitlements under the Scheme, holders of Scheme Shares, the transferees of Scheme Shares or their successors in title should ensure that their Scheme Shares are registered or lodged for registration in their names or in the name(s) of their nominees at or with the Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on Thursday, September 21, 2017.

#### **Payment of Cancellation Consideration to Scheme Shareholders**

Upon the Scheme becoming effective, payment of the Cancellation Consideration for the Scheme Shares will be made to the Scheme Shareholders within seven Business Days following the Effective Date. On the basis that the Scheme becomes effective on or about Thursday, November 16, 2017 (Cayman Islands time), (a) cheques for cash entitlements to those who are subject to the Cash Alternative are expected to be despatched, and (b) TCC Shares to those who validly elected the Share Alternative are expected to be allotted, on or before Monday, November 27, 2017, respectively.

##### **(a) *Payment of Cash Alternative***

###### *Registered Shareholders*

In the absence of any specific instructions to the contrary received in writing by the Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, cheques will be sent by post in pre-paid envelopes addressed to the persons entitled thereto at their respective registered addresses or, in the case of joint holders, to the registered address of that joint holder whose name stands first in the Register in respect of the joint holding.

###### *Beneficial Owners*

In the case of any Beneficial Owner whose Shares are held upon trust by, and registered in the name of, a Registered Owner (other than HKSCC Nominees Limited), within seven Business Days following the Effective Date, cheques for the cash entitlements will be sent by post in pre-paid envelopes addressed to the Registered Owner. A Beneficial Owner should contact his Registered Owner for the subsequent arrangements for receiving the cash entitlements.

In the case of any Beneficial Owner whose Shares are deposited in CCASS and registered under the name of HKSCC Nominees Limited, within seven Business Days following the Effective Date under the Scheme, cheques for the cash entitlements which is expected to be paid on or before Monday, November 27, 2017 will be sent by post in pre-paid envelopes addressed to HKSCC Nominees Limited. Upon receipt of cheque for the cash entitlement, HKSCC will cause such payment to be credited to the designated bank accounts of the relevant CCASS Participants in accordance with the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All such cheques will be sent at the risk of the person(s) entitled thereto and none of the Offeror, the Company, BNP Paribas Securities, the Registrar or any of them will be responsible for any loss or delay in despatch.

***(b) Allotment of TCC Shares under the Share Alternative***

Scheme Shareholders must have an Eligible Taiwanese Account in order to receive the Share Alternative. Scheme Shareholders are recommended to consult their stockbrokers, banks or other professional advisers as soon as practicable as to whether they already have an Eligible Taiwanese Account and/or whether they are eligible to open such an account.

The TCC Shares under the Share Alternative will be issued in uncertificated, book-entry form and allotted to the Scheme Shareholders within seven Business Days following the Effective Date.

**Please refer to 24. Actions to be taken – Election for the Share Alternative below for the details of the steps and procedures for making an election of the Share Alternative.**

Shareholders are recommended to consult their professional advisers as soon as practicable if they are in doubt as to the above procedures.

On or after the day being six calendar months after the posting of the cheques for the cash entitlements, the Offeror shall have the right to cause the cancellation of any cheque which has not been cashed or has been returned uncashed, and shall place all monies represented thereby in a deposit account in the name of TCCI (or any of its subsidiaries) with a licensed bank in Hong Kong selected by the Offeror.

The Offeror shall hold such monies on trust for those entitled under the terms of the Scheme until the expiry of six years from the Effective Date and shall, prior to such date, make payments therefrom of the sums, together with interest thereon, to persons who satisfy the Offeror that they are respectively entitled thereto, provided that such cheques referred to in the paragraph above of which they are payees have not been cashed. On the expiry of six years from the Effective Date, the Offeror shall be released from any further obligation to make any payments under the Scheme and shall be absolutely entitled to the balance (if any) of the sums then standing to the credit of the deposit account in the name of TCCI (or the name of any of its subsidiaries), including accrued interest subject, if applicable, to the deduction of any interest or withholding or other tax or any other deduction required by law and subject to the deduction of any expenses incurred.

Assuming that the Scheme becomes effective, all existing certificates representing the Scheme Shares will cease to have effect as documents or evidence of title as from the Effective Date, which is expected to be on or about Thursday, November 16, 2017 (Cayman Islands time).

Settlement of the Cancellation Consideration to which the Scheme Shareholders are entitled under the Scheme will be implemented in full in accordance with the terms of the Scheme without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against any such Scheme Shareholder.

## **19. OVERSEAS SHAREHOLDERS**

This Scheme Document does not constitute an offer or invitation to sell, purchase, subscribe for or issue any securities or the solicitation of an offer to buy or subscribe for securities pursuant to the document or otherwise in any jurisdiction in which such offer, invitation or solicitation is unlawful.

The distribution of this Scheme Document and the making of the Proposal to and acceptance of the Proposal by persons not resident in Hong Kong may be subject to the laws of the relevant jurisdictions. Such persons should inform themselves about and observe any applicable legal, tax or regulatory requirements. It is the responsibility of any overseas Shareholders wishing to accept the Proposal (including the election of the Cash Alternative or the Share Alternative) to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with other necessary formalities and the payment of any issue, transfer or other taxes due in such jurisdiction. Any acceptance by such overseas Shareholders will be deemed to constitute a representation and warranty from such persons to the Company and the Offeror that those local laws and requirements have been complied with. For the avoidance of doubt, neither HKSCC nor HKSCC Nominees Limited will give, or be subject to, any of the above representations and warranties. If you are in doubt as to your position, you should consult your own professional advisers.

## 20. TAXATION

### Hong Kong stamp duty and tax consequences

As the Scheme does not involve the sale and purchase of Hong Kong stock, no stamp duty will be payable pursuant to the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong) on the cancellation of the Scheme Shares upon the Scheme becoming effective.

Scheme Shareholders, whether in Hong Kong or in other jurisdictions, are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of the Scheme and the Proposal and, in particular, whether the receipt of the Cancellation Consideration would make such Scheme Shareholder liable to taxation in Hong Kong or in other jurisdictions.

**It is emphasised that none of the Offeror, the Company, BNP Paribas Securities, Somerley or any of their respective directors, officers or associates or any other person involved in the Scheme or the Proposal accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Scheme.**

## 21. SCHEME SHARES

As at the Latest Practicable Date, TCC, through TCCI, held 3,117,016,329 Ordinary Shares representing approximately 63.05% of the total issued Ordinary Shares of the Company and 494,251,511 Convertible Preference Shares, representing approximately 99.98% of the total issued Convertible Preference Shares of the Company. These Ordinary Shares and Convertible Preference Shares will not form part of the Scheme Shares and will not be cancelled upon the Scheme becoming effective. As neither TCC nor TCCI is a Scheme Shareholder, neither of them will vote on the Scheme at the Court Meeting. The Offeror has undertaken to the Grand Court that they will be bound by the Scheme, so as to ensure that they will be subject to the terms and conditions of the Scheme.

As at the Latest Practicable Date, the Offeror Concert Parties include the Estate of Koo Cheng-Yun, Leslie, Chang An-Ping, Nelson, Koo, Jason Kung-Yi, Chang Kang-Lung, Jason and Chen Chi-Te together with their close relatives, related trusts and companies controlled by any of them, their close relatives or related trusts. As at the Latest Practicable Date, the Offeror Concert Parties held in aggregate 102,091,528 Ordinary Shares (being 99,091,528 Ordinary Shares held by the Estate of Koo Cheng-Yun, Leslie and 3,000,000 Ordinary Shares held by Goldcrest Corporation, a controlled corporation of the spouse of Chang Kang-Lung, Jason), representing approximately 2.07% of the total issued Ordinary Shares of the Company, all of which will form part of the Scheme Shares. However, as these Offeror Concert Parties are not Disinterested Scheme Shareholders, their votes will not be counted for the purpose of satisfying the additional requirements under Rule 2.10 of the Takeovers Code, as set out in subsections (i) and (ii) of Condition (a) in the section headed “4. Conditions of the Proposal” above.

By reason of being the financial adviser to the Offeror, BNP Paribas Securities is presumed to be acting in concert with the Offeror in relation to the Company. As at the Latest Practicable Date, and so far as the Offeror is aware taking into account Note 1 to Rule 3.5 of the Takeovers Code, BNP Paribas Securities and persons controlling, controlled by or under the same control with it (except those which are exempt principal traders recognised by the Executive as such for the purpose of the Takeovers Code) which are presumed to be acting in concert with the Offeror in relation to the Company held no interest or position in the Shares or any convertible securities, warrants, options or derivatives in respect of the Shares.

## **22. COURT MEETING, EGM AND SPECIAL EGM**

In accordance with the directions of the Grand Court, the Court Meeting will be held for the purpose of considering and, if thought fit, passing a resolution to approve the Scheme (with or without modification(s)). Holders of Scheme Shares whose names appear on the Register as at the Meeting Record Date will be entitled to attend and vote, in person or by proxy, at the Court Meeting for the purposes of the requirements of Cayman Islands law, provided that only votes of Disinterested Scheme Shareholders will be counted for the purposes of determining whether the requirements set out in the section headed “7. Additional requirements imposed by Rule 2.10 of the Takeovers Code” in this Explanatory Memorandum are satisfied in accordance with the Takeovers Code. The Scheme will be subject to the approval by the holders of Scheme Shares at the Court Meeting in the manner referred to in the sub-section headed “Court Meeting” below.

For the avoidance of doubt, holders of Scheme Shares who may vote at the Court Meeting include any member of the BNP Paribas Securities group acting in its capacity as a Registered Owner of Scheme Shares held on behalf of a Beneficial Owner where the Beneficial Owner (a) controls the voting rights attaching to those Shares; and (b) if the Shares are voted, gives instructions as to how those Shares are to be voted.

The EGM will be held after the conclusion or adjournment of the Court Meeting for the purpose of considering and if thought fit passing (a) the special resolution to, among other things, approve the Reduction by cancelling all the Scheme Shares; and (b) the ordinary resolution to increase simultaneously the issued share capital of the Company to the amount prior to the Reduction and apply the reserve created as a result of the Reduction to pay up in full at par the new Shares to be issued to TCC and TCCI (as the case may be).

The Special EGM will be held after the conclusion or adjournment of the EGM for the purpose of considering and if thought fit passing a special resolution of the Convertible Preference Shareholders to approve and give effect to the Reduction by cancelling all of the Convertible Preference Scheme Shares pursuant to Article 3A(k)(iv) of the Articles.

An announcement will be made by the Company and the Offeror in relation to the results of the Court Meeting, the EGM and the Special EGM in accordance with Rule 19.1 of the Takeovers Code to the extent applicable. Information on the number of votes cast in favour of the Scheme and the number of CCASS Participants on whose instructions they are cast and the number of votes cast against the Scheme and the number of CCASS Participants on whose instructions they are cast will be included in such announcement.

### **Court Meeting**

The Scheme is conditional upon, among other things, approval of the Scheme (by way of poll) by a majority in number of Scheme Shareholders representing not less than 75% in value of the Scheme Shares present and voting in person or by proxy at the Court Meeting. In addition, (a) the Scheme is to be approved (by way of poll) by at least 75% of the votes attaching to the Disinterested Scheme Shares held by the Disinterested Scheme Shareholders that are voted either in person or by proxy at the Court Meeting; and (b) the number of votes cast (by way of poll) by the Disinterested Scheme Shareholders present and voting either in person or by proxy at the Court Meeting against the resolution to approve the Scheme at the Court Meeting is to be not more than 10% of the votes attaching to all Disinterested Scheme Shares held by all the Disinterested Scheme Shareholders.

Holders of Scheme Shares whose names appear on the Register as at the Meeting Record Date shall be entitled to attend and vote, in person or by proxy, at the Court Meeting for the purposes of Cayman Islands law, provided that, for the purpose of satisfying the voting requirements described in (a) and (b) above (which are contained in and imposed by the Takeovers Code), only the votes in respect of the Scheme Shares of Disinterested Scheme Shareholders present and voting either in person or by proxy, will be counted.

At the Court Meeting, holders of Scheme Shares, present and voting either in person or by proxy, will be entitled to vote all of their respective Scheme Shares once in favour of the Scheme or against it but not both FOR and AGAINST the Scheme, save as provided below in relation to HKSCC Nominees Limited.

In accordance with the Companies Law, the “75% in value” requirement, as described above, will be met if the total value of Scheme Shares being voted in favour of the Scheme is at least 75% of the total value of the Scheme Shares voted at the Court Meeting. In accordance with the Companies Law, the “majority in number” requirement, as described above, will be met if the number of holders of Scheme Shares voting in favour of the Scheme exceeds the number of holders of Scheme Shares voting against the Scheme at the Court Meeting. For the purpose of calculating the “majority in number” requirement, at the Court Meeting, the holders of Scheme Shares may only vote once, save as provided below in relation to HKSCC Nominees Limited.



**In accordance with the direction from the Grand Court, HKSCC Nominees Limited shall be permitted to vote for and against the Scheme in accordance with the instructions it receives from CCASS Participants and shall specify:-**

- (a) the number of votes cast in favour of the Scheme and the number of CCASS Participants on whose instructions they are cast; and**
- (b) the number of votes cast against the Scheme and the number of CCASS Participants on whose instructions they are cast.**

**The number of votes cast in favour of the Scheme and the number of CCASS Participants on whose instructions they are cast and the number of votes cast against the Scheme and the number of CCASS Participants on whose instructions they are cast will be disclosed to the Grand Court to enable the Grand Court, at the hearing of the Petition, to consider the question of whether the statutory majorities have been achieved.**

Notice of the Court Meeting is set out in Appendix VII to this Scheme Document. A **pink** form of proxy for the Court Meeting is enclosed with this Scheme Document. The Court Meeting will be held at 9:00 a.m. (Hong Kong time) on Monday, September 18, 2017 at Alexandra Room, 2/F Mandarin Oriental Hotel, 5 Connaught Road, Central, Hong Kong.

#### **EGM**

All Shareholders whose names appear on the Register as at the Meeting Record Date shall be entitled to attend and vote, in person or by proxy, at the EGM with respect to (a) the special resolution to, among other things, approve the Reduction by cancelling all the Scheme Shares; and (b) the ordinary resolution to increase simultaneously the issued share capital of the Company to the amount prior to the Reduction and apply the reserve created as a result of the Reduction to pay up in full at par such number of new Shares as is equal to the number of Scheme Shares cancelled as a result of the Scheme for issue to TCC and TCCI (as the case may be).

The special resolution described under (a) in the paragraph above will be passed if not less than three-fourths of the votes cast by the Shareholders in person or by proxy at the EGM are in favour of the special resolution. The ordinary resolution described under (b) in the paragraph above will be passed if more votes are cast in favour of such ordinary resolution than against it by the Shareholders voting in person or by proxy at the EGM.

At the EGM, a poll will be taken and each Shareholder voting, either in person or by proxy, will be entitled to vote all of his/her/its Shares in favour of (or against) the special and/or the ordinary resolution. Alternatively, such Shareholder may vote some of their Shares in favour of the special resolution and/or the ordinary resolution and any or all of the balance of their Shares against the special resolution and/or the ordinary resolution (and vice versa).

At the EGM, the special resolution and the ordinary resolution will be put to the vote by way of poll as required under Rule 13.39(4) of the Listing Rules.

The Offeror has indicated that if the Scheme is approved at the Court Meeting, those Shares held by it will be voted in favour of the special resolution and the ordinary resolution to be proposed at the EGM to approve the Proposal and any matters in connection with the Proposal. Pursuant to the Irrevocable Undertaking, each of Chia Hsin Cement and CHPL has undertaken that the Committed Shares held by them will be voted in favour of the special resolution to approve the Reduction at the EGM.

Notice of the EGM is set out in Appendix VIII to this Scheme Document. A **white** form of proxy for the EGM is enclosed with this Scheme Document. The EGM will be held at 9:30 a.m. (Hong Kong time) (or immediately after the conclusion or adjournment of the Court Meeting convened for the same day and place) on Monday, September 18, 2017 at Alexandra Room, 2/F Mandarin Oriental Hotel, 5 Connaught Road, Central, Hong Kong.

### **Special EGM**

All Convertible Preference Shareholders whose names appear on the Register as at the Meeting Record Date shall be entitled to attend and vote, in person or by proxy, at the Special EGM with respect to the special resolution to approve and give effect to the Reduction by cancelling all of the Convertible Preference Scheme Shares pursuant to Article 3A(k)(iv) of the Articles.

The special resolution described in the paragraph above will be passed if not less than three-fourths of the votes cast by the Convertible Preference Shareholders in person or by proxy at the Special EGM are in favour of the special resolution.

At the Special EGM, a poll will be taken and each Convertible Preference Shareholder voting, either in person or by proxy, will be entitled to vote all of his/her/its Convertible Preference Shares in favour of (or against) the special resolution. Alternatively, such Convertible Preference Shareholder may vote some of their Convertible Preference Shares in favour of the special resolution and any or all of the balance of their Convertible Preference Shares against the special resolution (and vice versa).

At the Special EGM, the special resolution will be put to the vote by way of poll as required under Rule 13.39(4) of the Listing Rules.

The Offeror has indicated that if the Scheme is approved at the Court Meeting, those Convertible Preference Shares held by it will be voted in favour of the special resolution to be proposed at the Special EGM and any matters in connection with the Proposal.

Notice of the Special EGM is set out in Appendix IX to this Scheme Document. A **green** form of proxy for the Special EGM is enclosed with this Scheme Document. The Special EGM will be held at 10:00 a.m. (Hong Kong time) (or immediately after the conclusion or adjournment of the EGM convened for the same day and place) on Monday, September 18, 2017 at Alexandra Room, 2/F Mandarin Oriental Hotel, 5 Connaught Road, Central, Hong Kong.

Assuming that the Conditions are fulfilled or waived, as applicable, it is expected that the Scheme will become effective on or about Thursday, November 16, 2017 (Cayman Islands time). Further announcements will be made including, in particular, in relation to (a) the results of the Court Meeting, the EGM and the Special EGM and, whether all the resolutions are passed at those meetings; (b) the result of the Court Hearing; (c) the Scheme Record Date; (d) the Effective Date; and (e) the date of withdrawal of the listing of the Ordinary Shares on the Stock Exchange as further set out in the “Expected Timetable” in Part III of this Scheme Document.

### **23. BENEFICIAL OWNERS**

Beneficial Owners are urged to have their names entered in the Register as soon as possible for, among other things, the following reasons:

- (a) to enable Beneficial Owners to become registered holders of Scheme Shares so that they can attend the Court Meeting in their capacity as members of the Company or to be represented by proxies to be appointed by them and to be included for the purpose of calculating the majority in number of Scheme Shareholders as required under Section 86 of the Companies Law in their capacity as members of the Company;
- (b) to enable the Company to properly classify members of the Company for the purposes of Section 86 of the Companies Law; and
- (c) to enable the Company and the Offeror to make arrangements to effect payments by way of the delivery of cheques and allotment of TCC Shares to the most appropriate person who will receive the Cash Alternative and the Share Alternative (as the case may be).

No person shall be recognised by the Company as holding any Shares upon any trust. In the case of any Beneficial Owner whose Shares are held upon trust by, and registered in the name of, a Registered Owner (other than HKSCC Nominees Limited), such Beneficial Owner should contact the Registered Owner and provide him, her or it with instructions or make arrangements with the Registered Owner as to the manner in which the Shares beneficially owned by the Beneficial Owner should be voted at the Court Meeting, the EGM and/or the Special EGM. Such instructions and/or arrangements should be given or made in advance of the deadline in respect of the Court Meeting, the EGM and the Special EGM set by the Registered Owner in order to provide the Registered Owner with sufficient time to complete his, her or its form of proxy accurately and to submit it by the latest time for the lodgement of forms of proxy in respect of the Court Meeting, the EGM and the Special EGM. To the extent that any Registered Owner requires instructions from or arrangements to be made with any Beneficial Owner at a particular date or time in advance of the relevant latest time for the lodgement of forms of proxy in respect of the Court Meeting, the EGM and the Special EGM, then any such Beneficial Owner should comply with the requirements of such Registered Owner.

Any Beneficial Owner whose Shares are deposited in CCASS and registered under the name of HKSCC Nominees Limited must, unless such Beneficial Owner is a person admitted to participate in CCASS as an Investor Participant, contact their broker, custodian, nominee or other relevant person who is, or has in turn deposited such Shares with, another CCASS Participant regarding voting instructions to be given to such persons if they wish to vote in respect of the Scheme. Beneficial Owners should contact their broker, custodian, nominee or other relevant person in advance of the deadline in respect of the Court Meeting, the EGM and the Special EGM set by them, in order to provide such broker, custodian, nominee or other relevant person with sufficient time to provide HKSCC Nominees Limited with instructions or make arrangements with HKSCC Nominees Limited in relation to the manner in which the Shares of the Beneficial Owner should be voted at the Court Meeting, the EGM and/or the Special EGM. The procedure for voting in respect of the Scheme by HKSCC Nominees Limited with respect to the Shares registered under the name of HKSCC Nominees Limited shall be in accordance with the “General Rules of CCASS” and the “CCASS Operational Procedures” in effect from time to time.

## **24. ACTIONS TO BE TAKEN**

### **Voting in the Court Meeting, EGM and Special EGM**

#### ***Registered Shareholders***

Registered Shareholders may vote in person or by proxy at the Court Meeting, the EGM and/or the Special EGM.

A **pink** form of proxy for use at the Court Meeting, a **white** form of proxy for use at the EGM and a **green** form of proxy for use at the Special EGM are enclosed with this Scheme Document.

**Whether or not you are able to attend the Court Meeting, the EGM and/or the Special EGM, holders of Scheme Shares are strongly urged to complete and sign the enclosed pink form of proxy in respect of the Court Meeting, Shareholders are strongly urged to complete and sign the enclosed white form of proxy in respect of the EGM and Convertible Preference Shareholders are strongly urged to complete and sign the enclosed green form of proxy in respect of the Special EGM, in accordance with the instructions printed thereon, and to lodge them with the Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong. The pink form of proxy in respect of the Court Meeting may alternatively be handed to the chairman of the Court Meeting at the Court Meeting before the taking of the poll.**

At the Court Meeting, holders of Scheme Shares, present and voting either in person or by proxy, will be entitled to vote all of their respective Scheme Shares once in favour of the Scheme or against it but not both FOR and AGAINST the Scheme, save as in relation to HKSCC Nominees Limited.

Each holder of Scheme Shares is only entitled to submit one proxy form for the Court Meeting. If more than one proxy form for the Court Meeting is submitted by a holder of Scheme Shares and the voting instructions require the proxies to vote both FOR and AGAINST the Scheme, the proxy forms will not be accepted. If more than one proxy form for the Court Meeting is submitted by a holder of Scheme Shares and the voting instructions require the proxies to vote either FOR or AGAINST the Scheme but not both FOR and AGAINST the Scheme, the Chairman shall have absolute discretion as to whether or not to accept those proxy forms.

In order to be valid, the **pink** form of proxy for use at the Court Meeting should be lodged not later than 9:00 a.m. on Saturday, September 16, 2017 or be handed to the chairman of the Court Meeting at the Court Meeting before the taking of the poll (who shall have absolute discretion as to whether or not to accept it), the **white** form of proxy for use at the EGM should be lodged not later than 9:30 a.m. on Saturday, September 16, 2017 and the **green** form of proxy for use at the Special EGM should be lodged not later than 10:00 a.m. on Saturday, September 16, 2017. The completion and return of a form of proxy for the Court Meeting or the EGM or the Special EGM will not preclude you from attending and voting in person at the relevant meeting. In such event, the returned form of proxy will be deemed to have been revoked.

If any Shareholder does not appoint a proxy and that Shareholder does not attend and vote at the Court Meeting, EGM and/or Special EGM, that Shareholder will still be bound by the outcome of such Court Meeting, EGM and/or Special EGM if, among other things, the resolutions are passed by the requisite majorities at the Court Meeting, the EGM and the Special EGM. Shareholders are therefore strongly urged to attend and vote at the Court Meeting, the EGM and/or the Special EGM in person or by proxy.

For the purpose of determining the entitlements of holders of Scheme Shares to attend and vote at the Court Meeting, the entitlements of Shareholders to attend and vote at the EGM and Convertible Preference Shareholders to attend and vote at the Special EGM, the Register will be closed from Tuesday, September 12, 2017 to Monday, September 18, 2017 (both days inclusive) and during such period, no transfer of Shares will be effected. In order to qualify to attend and vote at the Court Meeting, the EGM and/or the Special EGM, all transfers accompanied by the relevant share certificates must be lodged with the Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on Monday, September 11, 2017.

Further announcements will be made by the Company and the Offeror in relation to (a) the results of the Court Meeting, the EGM and the Special EGM, (b) the result of the Court Hearing, (c) the Scheme Record Date, (d) the Effective Date and (e) the date of withdrawal of the listing of the Ordinary Shares on the Stock Exchange.

### ***Beneficial Owners***

If your Shares are held upon trust by, and registered in the name of, a Registered Owner (other than HKSCC Nominees Limited), you should contact the Registered Owner and provide him/her/it with instructions or make arrangements with the Registered Owner as to the manner in which your Shares should be voted at the Court Meeting, the EGM and/or the Special EGM. Such instructions and/or arrangements should be given or made in advance of the deadline set by the Registered Owner to provide the Registered Owner with sufficient time to complete his/her/its form of proxy accurately and submit it by the latest time for lodgement of such forms of proxy.

If your Shares are deposited in CCASS and registered under the name of HKSCC Nominees Limited, you must, unless you are an Investor Participant, contact your broker, custodian, nominee or other relevant person who is, or has in turn deposited such Shares with, another CCASS Participant regarding voting instructions to be given to such persons. You should contact your broker, custodian, nominee or other relevant person in advance of the deadline set by them, in order to provide the broker, custodian, nominee or other relevant person with sufficient time to make arrangements with or provide HKSCC Nominees Limited with instructions in relation to the manner in which your Shares should be voted.

If your Shares are deposited in CCASS, you may become a Registered Shareholder of record and have the right to attend and vote at the Court Meeting, the EGM and/or Special EGM, by withdrawing all or any of your Shares from CCASS and becoming a Registered Shareholder of such Shares. You should contact your broker, custodian, nominee or other relevant person in advance of the detailed procedures and the latest time for lodging transfers of Shares into your name so as to qualify to attend and vote at the Court Meeting, the EGM and/or the Special EGM, in order to provide such broker, custodian, nominee or other relevant person with sufficient time to withdraw the Shares from CCASS and register them in your name.

#### **Change of votes after submission of proxy with voting instructions**

##### ***Registered Shareholders***

You can revoke your proxy and change your voting instructions in two ways:

- (a) you can notify the Company in writing of the revocation of your proxy not later than 48 hours before the time for holding the Court Meeting, the EGM and/or the Special EGM. In the case of the **pink** form of proxy in respect of the Court Meeting, you may also hand the new **pink** form of proxy to the chairman at the Court Meeting before the taking of the poll (who shall have absolute discretion as to whether or not to accept it); or
- (b) you may attend and vote at the Court Meeting, the EGM and/or the Special EGM in person and in such event, your relevant form of proxy will be deemed to have been revoked.

***Beneficial Owners***

You should contact your Registered Owner, broker, custodian, nominee or other relevant person and follow its direction to change your vote or revoke your proxy.

**Election for the Share Alternative*****(i) Eligibility to receive the Share Alternative***

You must have an Eligible Taiwanese Account maintained in your name in order to receive the Share Alternative. You have an Eligible Taiwanese Account if you fall within one of the three cases below:

- (a) you hold a securities account through a local stockbroker, bank or registered institution in Taiwan;
- (b) you have registered yourself as a “Foreign Institutional Investor” (FINI) or “Foreign Individual Investor” (FIDI) in Taiwan and hold a FINI or FIDI account; or
- (c) you hold a securities account (which can hold and trade Taiwan listed securities) through a bank or securities brokerage firm in Hong Kong which has registered itself as a FINI.

**In all cases, we recommend that you consult your stockbroker, bank or other professional advisers as soon as practicable as to whether you fall within any of the cases above and/or whether you are eligible to open any one of the accounts as set out in (a) or (c) above or register yourself as a FINI or FIDI and open a FINI or FIDI account.**



If you wish to open a securities account through a bank or securities brokerage firm in Hong Kong which has registered itself as a FINI and your stockbroker, bank or professional advisers are unable to provide you with the relevant information or advice, you may contact the following entities (which have registered themselves as FINI) to assist you:

**Fubon Securities (Hong Kong) Limited**

Address: 17/F, Central 88, 88-98 Des Voeux Road Central, Hong Kong

Opening Hours: 9:00 a.m. – 5:30 p.m. (Monday to Friday)

Telephone: (852) 2881-4500

Fax: (852) 2812-6269

Email: yujing.dai@fubon.com

Contact Person: Vivian Dai

**CTBC ASIA LIMITED**

Address: 28/F, Two International Finance Centre, 8 Finance Street,

Central, Hong Kong

Opening Hours: 9:00 a.m. – 5:45 p.m. (Monday to Friday)

Telephone: (852) 2916-1772 / (852) 2916-1742

0080-185-5898 (Taiwan toll free)

Fax: (852) 2234-7667

Email: Allen.Cheng@ctbcasia.com.hk / Jason.Lam@ctbcasia.com.hk

Contact Person: Allen Cheng / Jason Lam

Please note that Fubon Securities (Hong Kong) Limited and CTBC ASIA LIMITED are not financial advisers to the Offeror or the Company in respect of the Scheme. They will not provide advice on the merits of the Proposal or the Scheme or give any financial or legal advice, and will not be soliciting proxies or votes in respect of the resolutions to be voted on at the Court Meeting, the EGM and the Special EGM.

The process of opening an amount with a bank or securities brokerage firm in Hong Kong which has registered itself as a FINI generally takes **approximately 5 to 15 business days** after all required information and documents have been duly provided to your stockbroker. Accordingly, you are advised to contact your stockbroker, bank or other professional advisers as soon as practicable and allow sufficient time to open an Eligible Taiwanese Account should you wish to elect the Share Alternative.

You are free to consult, contact or engage with other stockbrokers, banks or registered institutions of your choice regarding the opening of an Eligible Taiwanese Account. **In such case, you must inform such entity of your intention to elect for and receive the Share Alternative as soon as practicable to enable it to provide you with the information necessary to complete the Election Form and to make appropriate arrangement for the receipt of the TCC Shares by your Eligible Taiwanese Account maintained with such bank or securities brokerage firm.**

*(ii) Steps to receive the Share Alternative*

*(a) Registered Shareholders*

Step 1: Have an Eligible Taiwanese Account before the Election Time

- You must have an Eligible Taiwanese Account in your name **before 4:30 p.m. on Tuesday, October 3, 2017**, being the Election Time.

Step 2: Fill in the Election Form

- A **blue** Election Form is enclosed with this Scheme Document. Alternatively, copies of the Election Form can be obtained from the Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, or downloaded from the websites maintained by the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and by the Company at <http://www.tcchk.com/>.

If you have sold or transferred all of your Shares, you should at once hand this Scheme Document and the accompanying forms of proxy and the Election Form to the purchaser or the transferee or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

- You should fill in and sign the Election Form in accordance with the instructions appearing thereon. In the Election Form, you are required to specify, among other things, details of your Eligible Taiwanese Account which you will use to receive the Share Alternative.

Step 3: Submit the Election Form by the Election Time

- You should deliver the completed and signed Election Form to the Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on Tuesday, October 3, 2017 or such later date and time as may be notified by the Offeror and the Company through announcement.

(b) *Beneficial Owners holding Shares through Registered Owners (other than HKSCC Nominees Limited)*

- If your Shares are held upon trust by, and registered in the name of, a Registered Owner (other than HKSCC Nominees Limited), your Registered Owner will receive the Share Alternative as a Registered Shareholder in the manner described in paragraph (a) above, provided that the Registered Owner has duly completed Steps 1 to 3 above and has validly elected the Share Alternative. Otherwise, your Registered Owner will receive the Cash Alternative.
- You should consult your Registered Owner and any other professional advisers on making the election and subsequent arrangement of the entitlements.

(c) *Beneficial Owners holding Shares through HKSCC Nominees Limited*

- If your Shares are deposited in CCASS and registered in the name of HKSCC Nominees Limited, the TCC Shares under the Share Alternative will be issued to you directly (instead of being issued to HKSCC Nominees Limited for subsequent transfer to you).
- You should consult your broker, custodian, nominee or other relevant person as soon as practicable as to the timing and procedures for the election of the Share Alternative. They may set a timeline which may be earlier than the Election Time to allow them sufficient time to submit the election to HKSCC Nominees Limited by the deadline set by HKSCC Nominees Limited. You should therefore allow sufficient time to have an Eligible Taiwanese Account which is maintained in your name opened and ready before the deadline imposed by your broker, custodian, nominee or other relevant person.

- **Please note that** if you hold Convertible Preference Scheme Share(s) through HKSCC Nominees Limited and wish to receive the Share Alternative in respect of such shares, HKSCC Nominees Limited will not make any election for you as the Convertible Preference Scheme Share(s) are not eligible securities in CCASS. You must first withdraw your Convertible Preference Scheme Share(s) from CCASS and become a Registered Shareholder of such Convertible Preference Scheme Share(s) and then make election in the capacity as a Registered Shareholder in accordance with the instructions set out in part (a) above.

You should contact your broker, custodian, nominee or other relevant person in advance of the detailed procedures and the latest time for lodging transfers of Convertible Preference Scheme Share(s) from HKSCC Nominees Limited into your name.

#### **Other important points about the election**

- **Any Scheme Shareholder (a) who has not returned an Election Form before the prescribed time as stated herein, or (b) who has returned an Election Form which is not duly completed or executed in accordance with the instructions thereon or contains inaccurate, incorrect, invalid or incomplete information or illegible writing or is otherwise not valid in accordance with the terms of the Scheme (including but not limited to the failure to provide complete and correct information of an Eligible Taiwanese Account), will receive the Cash Alternative.**
- Scheme Shareholders are entitled to either the Cash Alternative or the Share Alternative but not both (except for HKSCC Nominees Limited, who may make different elections in respect of the Scheme Shares held on behalf of Beneficial Owners).
- The Offeror and the Company shall have the right to reject any or all of the Election Forms that they determine to be not duly completed or executed in accordance with the instructions thereon or containing inaccurate, incorrect, invalid or incomplete information or illegible writing or otherwise not valid in accordance with the terms of the Scheme (including but not limited to the failure to provide complete and correct information of an Eligible Taiwanese Account). In such case, the relevant Scheme Shareholder will receive the Cash Alternative. The Offeror and the Company are not obliged to give notice to any Scheme Shareholder of any such defects or irregularities and hereby disclaim any and all liabilities arising from not giving such notification.

- The Offeror and the Company shall also have the right to treat any Election Form that has not been duly completed in accordance with the instructions thereon, or has otherwise been completed incorrectly, as being valid, provided that the Offeror and the Company in their absolute discretion consider the omissions or errors to be immaterial.
- The right to receive the Cancellation Consideration is subject to the Scheme being sanctioned and becoming effective.
- No acknowledgement of receipt of any Election Form will be given. An Election Form so completed and delivered shall be irrevocable and incapable of being amended or withdrawn.
- You are responsible for ensuring that your Eligible Taiwanese Account continues to be effective for receipt of the Share Alternative after the Effective Date (which is expected to be Thursday, November 16, 2017 (Cayman Islands time)). None of the Offeror, the Company, BNP Paribas Securities or the Registrar take any responsibility for your failure to do so.

**For the avoidance of doubt, the Election Form is not for use (as a form of proxy or otherwise) at the Court Meeting, the EGM and/or the Special EGM, which are for the purpose of considering and, if thought fit, approving, among other things, the Scheme and Reduction respectively. The Election Form is for Scheme Shareholders to elect the Share Alternative should they wish to do so. This election may be made at any time up to the Election Time (or such later date and time as may be notified through announcement).**

Save as provided in relation to HKSCC Nominees Limited, any Shareholder who holds Scheme Shares as a nominee, trustee or registered owner in any other capacity will not be treated differently from any other Registered Owner. Any Beneficial Owner should make arrangements with his, her or its nominee, trustee or Registered Owner in relation to the Scheme and the election of the Share Alternative, and may consider whether he/she/it wishes to arrange for the registration of the relevant Scheme Shares in the name of the Beneficial Owner prior to the Scheme Record Date.

### **The Court Hearing**

Prior to the despatch of this Scheme Document, the Company obtained directions from the Grand Court for the convening of the Court Meeting to consider the Scheme and other procedural matters regarding the Scheme.

In accordance with Sections 14, 15 and 86 of the Companies Law, if the resolutions are approved at the Court Meeting, the EGM and the Special EGM, the Company must then make a further application to the Grand Court for the Court Hearing to sanction the Scheme and to confirm the Reduction. The Company and the Offeror cannot complete the Scheme and the Proposal without obtaining these approvals. In this regard, the Company has filed a petition with the Grand Court seeking these approvals which is scheduled to be heard on Friday, November 10, 2017 (Cayman Islands time).

In determining whether to exercise its discretion and sanction the Scheme at the Court Hearing, the Grand Court will determine, among other things, whether the votes cast at the Court Meeting fairly represented the decision of the Scheme Shareholders. If the Grand Court sanctions the Scheme and if all of the other Conditions to the Scheme are satisfied or (to the extent allowed by law) waived, the Company intends to file the Court Order sanctioning the Scheme with the Registrar of Companies on Thursday, November 16, 2017 (Cayman Islands time) or as otherwise directed by the Grand Court, at which time the Scheme will become effective.

**SHAREHOLDERS (INCLUDING ANY BENEFICIAL OWNER OF SHARES THAT GAVE VOTING INSTRUCTIONS TO A CUSTODIAN OR CLEARING HOUSE THAT SUBSEQUENTLY VOTED AT THE COURT MEETING) SHOULD NOTE THAT THEY ARE ENTITLED TO APPEAR BY PERSON OR BY COUNSEL AT THE COURT HEARING EXPECTED TO BE ON FRIDAY, NOVEMBER 10, 2017 (DATE IN THE CAYMAN ISLANDS) AT WHICH THE COMPANY WILL SEEK, AMONG OTHER THINGS, THE SANCTION OF THE SCHEME.**

### **25. COSTS OF THE SCHEME**

In light of the recommendation of the Independent Board Committee as set out in Part V of this Scheme Document and the recommendation of the Independent Financial Adviser as set out in Part VI of this Scheme Document, Rule 2.3 of the Takeovers Code is not applicable. The Offeror and the Company have agreed that all costs, charges and expenses of the advisers and counsels appointed by the Company, including the Independent Financial Adviser, will be borne by the Company, and all costs, charges and expenses of the advisers and counsels appointed by the Offeror will be borne by the Offeror, and the Offeror and the Company will each bear its other costs, charges and expenses of the Scheme.

**26. GENERAL**

The Offeror has appointed BNP Paribas Securities as its financial adviser in connection with the Proposal.

The Independent Board Committee, which comprises all non-executive Directors and independent non-executive Directors of the Company who are not interested in the Proposal, namely, Dr. Shan Weijian, Dr. Chih Ching Kang, Kenneth and Mr. Shieh, Jen-Chung, Roger, has been established by the Board to make a recommendation to the Disinterested Scheme Shareholders as to whether the terms of the Proposal and the Scheme are, or are not, fair and reasonable and as to voting.

Mr. Chang, Kang-Lung, Jason, a non-executive director of the Company, is one of the Offeror Concert Parties. Ms. Wang, Lishin, Elizabeth, a non-executive director of the Company is the niece of Mr. Chang An-Ping, Nelson, a director of each of TCC and TCCI, and is therefore not considered as independent for the purpose of giving advice or recommendation to the Disinterested Scheme Shareholders. Ms. Wang, Chi-May, a non-executive director of the Company is not considered as independent for the purpose of giving advice or recommendation to the Disinterested Scheme Shareholders as she is the senior vice president of TCC. Dr. Liao Poon Huai, Donald, an independent non-executive director of the Company, is not considered as independent for the purpose of giving advice or recommendation to the Disinterested Scheme Shareholders as he is a shareholder of TCC holding 0.02% of TCC Shares as at the Announcement Date and the Latest Practicable Date. Accordingly, Mr. Chang, Kang-Lung, Jason, Ms. Wang, Lishin, Elizabeth, Ms. Wang, Chi-May and Dr. Liao Poon Huai, Donald have been precluded from joining the Independent Board Committee.

In view of Chia Hsin Cement's interest in the Company and to avoid conflict of interest, Mr. Chang, Kang-Lung, Jason and Ms. Wang, Lishin, Elizabeth have abstained from voting in respect of the board resolutions of the Company pursuant to the meeting held on April 20, 2017 in relation to the Scheme and the Proposal.

Save for the Proposal, the Scheme and the Irrevocable Undertaking, there are no arrangements (whether by way of option, indemnity or otherwise) relating to relevant securities which may be an inducement to deal or refrain from dealing as described in Note 8 to Rule 22 of the Takeovers Code between the Offeror or any Offeror Concert Parties and any other person in relation to the shares of the Offeror or the Company which might be material to the Proposal.

As at the Latest Practicable Date, there were no agreements or arrangements to which the Offeror or the Offeror Concert Parties is a party which relate to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Proposal.

As at the Latest Practicable Date, none of the Offeror or the Offeror Concert Parties has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company.

Associates of the Company or Offeror (as defined in the Takeovers Code, including shareholders holding 5% or more of the relevant securities (as defined in paragraphs (a) to (d) in Note 4 to Rule 22 of the Takeovers Code) of the Company or Offeror) are hereby reminded to disclose their dealings in any securities of the Company or TCC under Rule 22 of the Takeovers Code.

## **27. RECOMMENDATION**

Your attention is drawn to the following:

- (a) section headed “Recommendations” in the “Letter from the Board” set out in Part IV of this Scheme Document;
- (b) the letter from the Independent Board Committee set out in Part V of this Scheme Document; and
- (c) the letter from Somerley, the Independent Financial Adviser to the Independent Board Committee set out in Part VI of this Scheme Document.

## **28. FURTHER INFORMATION**

Further information is set out in the Appendices to, and elsewhere in, this Scheme Document, all of which form part of this Explanatory Memorandum.

Shareholders and Scheme Shareholders should rely only on the information contained in this Scheme Document. None of the Company, the Offeror, BNP Paribas Securities, Somerley or any of their respective affiliates or any other person involved in the Scheme and the Proposal has authorised anyone to provide you with information which is different from that which is contained in this Scheme Document.



## 1. FINANCIAL SUMMARY

The following summary financial information for each of the three financial years ended December 31, 2014, 2015 and 2016 is extracted from the audited consolidated financial statements of the Group as set forth in the annual reports of the Company for the years ended December 31, 2014, 2015 and 2016 and the unaudited consolidated financial statements of the Group as set forth in the interim financial results announcement of the Company dated August 11, 2017 for the six months ended June 30, 2017.

The auditor's reports issued by Deloitte in respect of the Group's audited consolidated financial statements for each of the three years ended December 31, 2014, 2015 and 2016 did not contain any qualifications.

There are no exceptional items because of size, nature or incidence that are required to be disclosed in the financial statements of the Group for each of the three years ended December 31, 2014, 2015 and 2016.

**Consolidated Statement of Profit or Loss and Other Comprehensive Income**

	For the year ended		For the six months ended	
	31 December (audited)		June 30	
	2014	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	13,752,863	10,911,069	11,412,814	6,129,183
Cost of sales	(9,520,046)	(9,236,140)	(9,022,356)	(4,765,779)
Gross profit	4,232,817	1,674,929	2,390,458	1,363,404
Investment income	61,961	88,092	55,861	23,388
Other income, gains and losses	11,236	(281,067)	(373,176)	9,477
Selling and distribution expenses	(680,040)	(665,693)	(654,485)	(285,519)
General and administrative expenses	(798,495)	(926,084)	(876,163)	(423,342)
Finance costs	(294,929)	(277,871)	(262,169)	(135,720)
	<b>2,532,550</b>	<b>(387,694)</b>	<b>280,326</b>	<b>551,688</b>
Share of profits of associates	241,586	122,050	172,795	136,870
Share of loss of a joint venture	–	(1,324)	(10,470)	–
Profit (loss) before tax	2,774,136	(266,968)	442,651	688,558
Income tax (expense) credit	(703,603)	20,806	(225,219)	(206,685)
Profit (loss) for the year/period	2,070,533	(246,162)	217,432	481,873

**APPENDIX I**
**FINANCIAL INFORMATION OF THE GROUP**

	For the year ended			For the six
	31 December (audited)			months ended
	2014	2015	2016	June 30
	HK\$'000	HK\$'000	HK\$'000	(unaudited)
	2014	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other comprehensive income (expense), net of income tax				
Items that will not be reclassified to profit or loss:				
Exchange differences arising on translation to presentation currency	(531,838)	(1,261,455)	(1,494,485)	697,329
Gain on revaluation of a property	2,674	4,975	2,119	–
Income tax relating to revaluation of a property	(352)	(610)	(310)	–
Share of other comprehensive income (expense) of associates	(717)	(377)	937	2,594
Other comprehensive income (expense) for the year/period, net of income tax	(530,233)	(1,257,467)	(1,491,739)	699,923
Total comprehensive income (expense) for the year/period	1,540,300	(1,503,629)	(1,274,307)	1,181,796
Profit (loss) for the year/period attributable to:				
Owners of the Company	2,051,156	(249,391)	193,840	469,357
Non-controlling interests	19,377	3,229	23,592	12,516
	<b>2,070,533</b>	<b>(246,162)</b>	<b>217,432</b>	<b>481,873</b>
Total comprehensive income (expense) attributable to:				
Owners of the Company	1,528,831	(1,491,596)	(1,278,718)	1,163,162
Non-controlling interests	11,469	(12,033)	4,411	18,634
	<b>1,540,300</b>	<b>(1,503,629)</b>	<b>(1,274,307)</b>	<b>1,181,796</b>
	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Earnings (loss) per share				
– Basic	HK49.6 cents	HK(6.5) cents	HK3.1 cents	HK8.3 cents
– Diluted	HK49.6 cents	HK(6.5) cents	HK3.1 cents	HK8.3 cents
Dividend per Ordinary Share and Convertible Preference Share	HK13.0 cents	HK2.0 cents	HK1.0 cent	–

## 2. UNAUDITED CONSOLIDATED FINANCIAL STATEMENT

The following is the full English text of the unaudited interim financial statements of the Group for the six months ended June 30, 2017 as extracted from the interim financial results announcement of the Company dated August 11, 2017 for the six months ended June 30, 2017:

**Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income**

	<i>Notes</i>	<b>Six months ended 30 June</b>	
		<b>2017</b>	<b>2016</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Revenue	3	6,129,183	4,885,814
Cost of sales		<u>(4,765,779)</u>	<u>(4,119,376)</u>
Gross profit		1,363,404	766,438
Investment income		23,388	30,519
Other income, gains and losses		9,477	(95,416)
Selling and distribution expenses		(285,519)	(313,249)
General and administrative expenses		(423,342)	(439,326)
Finance costs	4	<u>(135,720)</u>	<u>(131,018)</u>
		551,688	(182,052)
Share of profits of associates		136,870	61,849
Share of loss of a joint venture		<u>–</u>	<u>(138)</u>
Profit (loss) before tax	5	688,558	(120,341)
Income tax expense	6	<u>(206,685)</u>	<u>(32,102)</u>
Profit (loss) for the period		<u>481,873</u>	<u>(152,443)</u>

**APPENDIX I**
**FINANCIAL INFORMATION OF THE GROUP**

	<i>Notes</i>	<b>Six months ended 30 June</b>	
		<b>2017</b>	<b>2016</b>
		<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Unaudited)
Other comprehensive income (expense), net of income tax			
Items that will not be reclassified to profit or loss:			
Exchange differences arising on translation to presentation currency		697,329	(415,529)
Share of other comprehensive income of associates		<u>2,594</u>	<u>47</u>
Other comprehensive income (expense) for the period, net of income tax		<u>699,923</u>	<u>(415,482)</u>
Total comprehensive income (expense) for the period		<u><u>1,181,796</u></u>	<u><u>(567,925)</u></u>
Profit (loss) for the period attributable to:			
Owners of the Company		469,357	(156,093)
Non-controlling interests		<u>12,516</u>	<u>3,650</u>
		<u><u>481,873</u></u>	<u><u>(152,443)</u></u>
Total comprehensive income (expense) attributable to:			
Owners of the Company		1,163,162	(566,163)
Non-controlling interests		<u>18,634</u>	<u>(1,762)</u>
		<u><u>1,181,796</u></u>	<u><u>(567,925)</u></u>
Earnings (loss) per share	7	<b>2017</b>	<b>2016</b>
– Basic		<u>HK8.3 cents</u>	<u>HK(3.4) cents</u>
– Diluted		<u>HK8.3 cents</u>	<u>HK(3.4) cents</u>

## Condensed Consolidated Statement of Financial Position

		<b>30 June 2017</b>	<b>31 December</b>
	<i>Note</i>	<i>HK\$'000</i>	<i>2016</i>
		(Unaudited)	(Audited)
<b>Non-current assets</b>			
Property, plant and equipment		14,904,562	15,009,306
Prepaid lease payments		1,833,717	1,794,820
Intangible assets		3,513,538	3,424,323
Mining rights		414,963	420,741
Interests in associates		1,549,895	1,416,528
Interest in a joint venture		–	–
Other financial assets		6,407	20,041
Deposits paid for acquisition of property, plant and equipment and other assets		435,088	421,704
Available-for-sale investments		37,067	34,453
Pledged bank deposits		16,289	15,834
Deferred tax assets		<u>120,032</u>	<u>114,455</u>
		<u>22,831,558</u>	<u>22,672,205</u>
<b>Current assets</b>			
Inventories		1,180,743	1,175,793
Prepaid lease payments		57,075	55,587
Prepayments, deposits and other receivables		862,299	713,475
Trade receivables	9	3,287,377	2,874,063
Tax recoverables		20,177	20,851
Held-for-trading investments		47,263	38,193
Derivative financial instruments		–	396
Restricted bank deposits		70,154	68,826
Pledged bank deposits		1,497	1,457
Time deposits		74,750	83,159
Cash and bank balances		<u>4,033,264</u>	<u>4,172,477</u>
		<u>9,634,599</u>	<u>9,204,277</u>

**APPENDIX I**
**FINANCIAL INFORMATION OF THE GROUP**

		<b>30 June 2017</b>	<b>31 December</b>
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Audited)
<b>Current liabilities</b>			
Trade payables	10	1,149,626	1,136,922
Other payables and accrued liabilities		1,460,395	1,437,130
Tax payables		110,883	112,263
Bank loans		<u>2,094,273</u>	<u>2,295,456</u>
		<u>4,815,177</u>	<u>4,981,771</u>
Net current assets		<u>4,819,422</u>	<u>4,222,506</u>
Total assets less current liabilities		<u>27,650,980</u>	<u>26,894,711</u>
<b>Non-current liabilities</b>			
Deferred income – government grants		14,881	14,783
Bank loans		6,437,000	7,122,800
Amount due to immediate holding company		936,000	620,800
Deferred tax liabilities		<u>354,493</u>	<u>343,029</u>
		<u>7,742,374</u>	<u>8,101,412</u>
		<u>19,908,606</u>	<u>18,793,299</u>
<b>Capital and reserves</b>			
Share capital – ordinary shares		494,347	494,347
Share capital – non-redeemable convertible preference shares		49,433	49,433
Reserves		<u>19,101,749</u>	<u>18,005,076</u>
Equity attributable to owners of the Company		19,645,529	18,548,856
Non-controlling interests		<u>263,077</u>	<u>244,443</u>
		<u>19,908,606</u>	<u>18,793,299</u>

**Notes:****1. Basis of Preparation**

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

**2. Principal Accounting Policies**

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain properties and financial instruments, which are measured at revalued amounts or fair values, as appropriate.

The accounting policies and methods of computation used in preparing the condensed consolidated financial statements for the six months ended 30 June 2017 are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2016.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKAS 7	Disclosure initiative
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses
Amendments to HKFRSs	Annual improvements to HKFRSs 2014-2016 cycle relating to the amendments to HKFRS 12

The application of above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures.

### 3. Segment Information

The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's operating segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other operating segments. Summary details of the reportable segments are as follows:

- (i) the import, distribution and handling of cement segment which is the import, distribution and handling of cement in Hong Kong;
- (ii) the manufacture and distribution of cement, clinker, concrete and other cement related products segment which is the manufacture and distribution of cement, clinker, concrete and other cement related products in the People's Republic of China (the "PRC"); and
- (iii) the investment holding segment which is the investments in listed and unlisted equity securities and management of exchange rate exposure through currency derivatives.

#### Segment revenue and results

The following table presents revenue and results by reportable segments.

For the six months ended 30 June (unaudited)

	Import, distribution and handling of cement		Manufacture and distribution of cement, clinker, concrete and other cement related products		Investment holding		Elimination		Consolidated	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue										
Sales to external customers	148,899	194,722	5,980,284	4,691,092	-	-	-	-	6,129,183	4,885,814
Inter-segment sales	-	-	33,298	29,398	-	-	(33,298)	(29,398)	-	-
	<u>148,899</u>	<u>194,722</u>	<u>6,013,582</u>	<u>4,720,490</u>	<u>-</u>	<u>-</u>	<u>(33,298)</u>	<u>(29,398)</u>	<u>6,129,183</u>	<u>4,885,814</u>
Segment profit (loss)	<u>23,372</u>	<u>36,061</u>	<u>732,869</u>	<u>12,744</u>	<u>3,779</u>	<u>(9,691)</u>	<u>-</u>	<u>-</u>	<u>760,020</u>	<u>39,114</u>
Unallocated central administration costs									(65,484)	(67,258)
Unallocated other income, gains and losses									<u>(7,128)</u>	<u>(22,890)</u>
									687,408	(51,034)
Finance costs									(135,720)	(131,018)
Share of profits of associates									136,870	61,849
Share of loss of a joint venture									-	(138)
Profit (loss) before tax									<u>688,558</u>	<u>(120,341)</u>



The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit (loss) represents the profit earned by (loss from) each segment without allocation of central administration costs (including Directors' salaries), certain other income, gains and losses, finance costs, share of profits of associates and share of loss of a joint venture. This is the measure reported to the executive Directors, being the chief operating decision makers, for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged at prevailing market prices.

The Group has no customers that contributed over 10% of the total revenue of the Group for both periods.

No analysis of the Group's assets and liabilities by operating segments is disclosed as it is not regularly provided to the executive Directors for review.

#### 4. *Finance Costs*

	<b>Six months ended 30 June</b>	
	<b>2017</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Interest on:		
Bank loans	128,309	121,530
Loan from immediate holding company	<u>7,411</u>	<u>9,488</u>
Total borrowing costs	<u><u>135,720</u></u>	<u><u>131,018</u></u>

**5. Profit (Loss) Before Tax**

	<b>Six months ended 30 June</b>	
	<b>2017</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Profit (loss) before tax has been arrived at after charging (crediting) the following:		
Depreciation of property, plant and equipment	563,530	602,611
Amortisation of prepaid lease payments	29,231	30,356
Amortisation of intangible assets	9,298	9,840
Amortisation of mining rights	16,737	21,119
Allowance for doubtful debts of trade receivables	1,204	27,940
Change in fair value of held-for-trading investments	(9,070)	3,033
Net (reversal of impairment loss) impairment loss of inventories	(98)	5,848
Net (reversal of impairment loss) impairment loss recognised in respect of loan and other receivables	(85,034)	11,900
Net exchange loss	<u>32,542</u>	<u>114,500</u>

**6. Income Tax Expense**

	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax:		
Hong Kong	3,950	5,910
PRC Enterprise Income Tax	196,975	45,959
Withholding tax	<u>78</u>	<u>–</u>
	<u>201,003</u>	<u>51,869</u>
Under (over) provision in prior years:		
PRC Enterprise Income Tax	<u>4,050</u>	<u>(2,743)</u>
Deferred tax	<u>1,632</u>	<u>(17,024)</u>
	<u><u>206,685</u></u>	<u><u>32,102</u></u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both periods. Taxation arising in the PRC is calculated at the rates prevailing in the relevant regions in the PRC.

### 7. Earnings (Loss) Per Share

The calculation of the basic and diluted earnings (loss) per share attributable to ordinary shareholders of the Company is based on the following data:

*Earnings (loss) for the purposes of basic and diluted earnings (loss) per share*

	<b>Six months ended 30 June</b>	
	<b>2017</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Profit (loss) for the period attributable to owners of the Company	469,357	(156,093)
Less: Preferred distribution in respect of convertible preference shares	(12,111)	(12,111)
Undistributed earnings attributed to convertible preference shareholders	<u>(44,989)</u>	<u>–</u>
Profit (loss) for the period attributable to ordinary shareholders of the Company	<u>412,257</u>	<u>(168,204)</u>
<i>Number of shares</i>		
	<b>30 June 2017</b>	<b>30 June 2016</b>
	<i>'000</i>	<i>'000</i>
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares in issue for the purposes of basic and diluted earnings (loss) per share	<u>4,943,465</u>	<u>4,943,465</u>

The computation of diluted earnings (loss) per share does not assume the conversion of the outstanding convertible preference shares because their exercise would result in an increase in earnings per share for the six months ended 30 June 2017 or a decrease in loss per share for the six months ended 30 June 2016.

**8. Dividends**

The 2016 final dividend of HK1.0 cent (2015: HK2.0 cents) per ordinary share and preference share, totalling approximately HK\$54,378,000 (2015: HK\$108,756,000) was recognised as distribution during the period ended 30 June 2017. The 2017 preferred distribution payable to convertible preference shareholders totalling approximately HK\$12,111,000 (2016: HK\$12,111,000) was also recognised as distribution during the period ended 30 June 2017.

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2017 (2016: Nil).

**9. Trade Receivables**

	<b>30 June 2017</b>	<b>31 December 2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Trade receivables from outsiders	3,369,333	2,954,194
Trade receivable from an associate	17,885	14,588
Trade receivable from a related party	7,477	8,605
Less: Allowance for doubtful debts	<u>(107,318)</u>	<u>(103,324)</u>
	<u><u>3,287,377</u></u>	<u><u>2,874,063</u></u>

The Group's policy is to allow a credit period of 90-180 days to its trade customers (including the associate and related party). The following is an aged analysis of trade receivables, net of allowance for doubtful debts, based on the invoice date at the end of the reporting period:

	<b>30 June 2017</b>	<b>31 December 2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
0 – 90 days	2,151,720	1,594,477
91 – 180 days	1,100,957	1,209,804
181 – 365 days	<u>34,700</u>	<u>69,782</u>
	<u><u>3,287,377</u></u>	<u><u>2,874,063</u></u>

At the end of the reporting period, trade receivables of approximately HK\$24,335,000 (31 December 2016: HK\$66,478,000) which have been aged over 180 days and past due as at the end of the reporting period for which the Group has not provided for impairment loss because management is of the opinion that the fundamental credit quality of these customers has not deteriorated. Hence, there is no expectation of significant recoverability problem. The Group does not hold any collateral over these balances.

#### 10. Trade Payables

	<b>30 June 2017</b>	<b>31 December</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Trade payables to outsiders	1,104,543	1,083,880
Trade payable to ultimate holding company	–	5,308
Trade payables to fellow subsidiaries	42,597	47,734
Trade payable to an associate	<u>2,486</u>	<u>–</u>
	<u><u>1,149,626</u></u>	<u><u>1,136,922</u></u>

The following is an aged analysis of trade payables based on the invoice date at the end of the reporting period:

	<b>30 June 2017</b>	<b>31 December</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
0 – 90 days	1,011,940	1,039,232
91 – 180 days	66,731	5,314
181 – 365 days	23,470	12,530
Over 365 days	<u>47,485</u>	<u>79,846</u>
	<u><u>1,149,626</u></u>	<u><u>1,136,922</u></u>

The trade balances due to ultimate holding company, fellow subsidiaries and the associate are unsecured, interest-free and repayable in accordance with normal trading terms.

## 3. AUDITED CONSOLIDATED FINANCIAL STATEMENT

The following is the full text of the audited consolidated financial statements of the Group for the year ended December 31, 2016 as extracted from the annual report of the Company for the year ended December 31, 2016:

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME**

*For the year ended 31 December 2016*

		<b>2016</b>	<b>2015</b>
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	6	11,412,814	10,911,069
Cost of sales		<u>(9,022,356)</u>	<u>(9,236,140)</u>
Gross profit		2,390,458	1,674,929
Investment income	7	55,861	88,092
Other income, gains and losses	8	(373,176)	(281,067)
Selling and distribution expenses		(654,485)	(665,693)
General and administrative expenses		(876,163)	(926,084)
Finance costs	9	<u>(262,169)</u>	<u>(277,871)</u>
		280,326	(387,694)
Share of profits of associates		172,795	122,050
Share of loss of a joint venture		<u>(10,470)</u>	<u>(1,324)</u>
Profit (loss) before tax	10	442,651	(266,968)
Income tax (expense) credit	12	<u>(225,219)</u>	<u>20,806</u>
Profit (loss) for the year		<u>217,432</u>	<u>(246,162)</u>

**APPENDIX I**
**FINANCIAL INFORMATION OF THE GROUP**

	<i>NOTES</i>	<b>2016</b> <i>HK\$'000</i>	<b>2015</b> <i>HK\$'000</i>
Other comprehensive expense, net of income tax			
Items that will not be reclassified to profit or loss:			
Exchange differences arising on translation to presentation currency		(1,494,485)	(1,261,455)
Gain on revaluation of a property		2,119	4,975
Income tax relating to revaluation of a property		(310)	(610)
Share of other comprehensive income (expense) of associates		<u>937</u>	<u>(377)</u>
Other comprehensive expense for the year, net of income tax		<u>(1,491,739)</u>	<u>(1,257,467)</u>
Total comprehensive expense for the year		<u>(1,274,307)</u>	<u>(1,503,629)</u>
Profit (loss) for the year attributable to:			
Owners of the Company		193,840	(249,391)
Non-controlling interests		<u>23,592</u>	<u>3,229</u>
		<u>217,432</u>	<u>(246,162)</u>
Total comprehensive (expense) income attributable to:			
Owners of the Company		(1,278,718)	(1,491,596)
Non-controlling interests		<u>4,411</u>	<u>(12,033)</u>
		<u>(1,274,307)</u>	<u>(1,503,629)</u>
		<b>2016</b>	<b>2015</b>
Earnings (loss) per share	<i>14</i>		
– Basic		<u>HK3.1 cents</u>	<u>HK(6.5) cents</u>
– Diluted		<u>HK3.1 cents</u>	<u>HK(6.5) cents</u>



## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	NOTES	2016 HK\$'000	2015 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	15	15,009,306	17,102,276
Prepaid lease payments	16	1,794,820	1,957,979
Intangible assets	17	3,424,323	3,667,443
Mining rights	19	420,741	465,128
Interests in associates	20	1,416,528	1,516,419
Interest in a joint venture	21	–	10,627
Other financial assets	22	20,041	44,575
Deposits paid for acquisition of property, plant and equipment and other assets		421,704	204,169
Available-for-sale investments	23	34,453	37,377
Pledged bank deposits	24	15,834	17,746
Deferred tax assets	25	114,455	143,294
		<u>22,672,205</u>	<u>25,167,033</u>
<b>Current assets</b>			
Inventories	26	1,175,793	1,082,570
Prepaid lease payments	16	55,587	59,967
Prepayments, deposits and other receivables	27	713,475	820,056
Trade receivables	28	2,874,063	2,836,770
Tax recoverables		20,851	38,427
Held-for-trading investments	29	38,193	37,820
Derivative financial instruments	30	396	–
Restricted bank deposits	24	68,826	70,635
Pledged bank deposits	24	1,457	1,543
Time deposits	24	83,159	381,990
Cash and bank balances	24	4,172,477	5,330,638
		<u>9,204,277</u>	<u>10,660,416</u>

		<b>2016</b>	<b>2015</b>
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Current liabilities</b>			
Trade payables	31	1,136,922	1,024,255
Other payables and accrued liabilities	32	1,437,130	1,498,886
Tax payables		112,263	23,336
Bank loans	33	<u>2,295,456</u>	<u>6,028,147</u>
		<u>4,981,771</u>	<u>8,574,624</u>
<b>Net current assets</b>		<u>4,222,506</u>	<u>2,085,792</u>
<b>Total assets less current liabilities</b>		<u><u>26,894,711</u></u>	<u><u>27,252,825</u></u>
<b>Non-current liabilities</b>			
Deferred income – government grants	34	14,783	–
Bank loans	33	7,122,800	5,704,736
Amount due to immediate holding company	35	620,800	930,000
Deferred tax liabilities	25	<u>343,029</u>	<u>405,289</u>
		<u>8,101,412</u>	<u>7,040,025</u>
		<u><u>18,793,299</u></u>	<u><u>20,212,800</u></u>
<b>Capital and reserves</b>			
Share capital – ordinary shares	37	494,347	494,347
Share capital – non-redeemable convertible preference shares	38	49,433	49,433
Reserves		<u>18,005,076</u>	<u>19,416,772</u>
<b>Equity attributable to owners of the Company</b>		18,548,856	19,960,552
<b>Non-controlling interests</b>		<u>244,443</u>	<u>252,248</u>
		<u><u>18,793,299</u></u>	<u><u>20,212,800</u></u>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Attributable to owners of the Company											Non-controlling interests	Total equity
	Share capital – ordinary shares	Share capital – convertible preference shares	Share premium	Contributed surplus	Capital redemption reserve	Land and building revaluation reserve	Exchange fluctuation reserve	Statutory reserve fund	Other reserve	Retained earnings	Total		
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
At 1 January 2015	329,565	49,433	10,547,971	208,263	5,130	62,573	1,628,014	403,733	(104,602)	5,230,869	18,360,949	280,703	18,641,652
(Loss) profit for the year	-	-	-	-	-	-	-	-	-	(249,391)	(249,391)	3,229	(246,162)
Exchange differences arising on translation to presentation currency	-	-	-	-	-	-	(1,246,193)	-	-	-	(1,246,193)	(15,262)	(1,261,455)
Gain on revaluation of a property	-	-	-	-	-	4,975	-	-	-	-	4,975	-	4,975
Income tax relating to revaluation of a property	-	-	-	-	-	(610)	-	-	-	-	(610)	-	(610)
Share of other comprehensive income (expense) of associates	-	-	-	-	-	-	278	-	(655)	-	(377)	-	(377)
Total comprehensive income (expense) for the year, net of tax	-	-	-	-	-	4,365	(1,245,915)	-	(655)	(249,391)	(1,491,596)	(12,033)	(1,503,629)
Issue of new shares upon rights issue	164,782	-	3,460,426	-	-	-	-	-	-	-	3,625,208	-	3,625,208
Transaction costs attributable to issue of ordinary shares	-	-	(17,089)	-	-	-	-	-	-	-	(17,089)	-	(17,089)
Payment of dividends	-	-	-	-	-	-	-	-	-	(492,697)	(492,697)	-	(492,697)
Preferred distribution to convertible preference shareholders	-	-	-	-	-	-	-	-	-	(24,223)	(24,223)	-	(24,223)
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	(16,422)	(16,422)
Transfer to statutory reserve fund	-	-	-	-	-	-	-	20,880	-	(20,880)	-	-	-
At 31 December 2015	494,347	49,433	13,991,308	208,263	5,130	66,938	382,099	424,613	(105,257)	4,443,678	19,960,552	252,248	20,212,800
Profit for the year	-	-	-	-	-	-	-	-	-	193,840	193,840	23,592	217,432
Exchange differences arising on translation to presentation currency	-	-	-	-	-	-	(1,475,304)	-	-	-	(1,475,304)	(19,181)	(1,494,485)
Gain on revaluation of a property	-	-	-	-	-	2,119	-	-	-	-	2,119	-	2,119
Income tax relating to revaluation of a property	-	-	-	-	-	(310)	-	-	-	-	(310)	-	(310)
Share of other comprehensive income (expense) of associates	-	-	-	-	-	-	(1,197)	-	2,134	-	937	-	937
Total comprehensive income (expense) for the year, net of tax	-	-	-	-	-	1,809	(1,476,501)	-	2,134	193,840	(1,278,718)	4,411	(1,274,307)
Payment of dividends	-	-	-	-	-	-	-	-	-	(108,756)	(108,756)	-	(108,756)
Preferred distribution to convertible preference shareholders	-	-	-	-	-	-	-	-	-	(24,222)	(24,222)	-	(24,222)
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	(12,216)	(12,216)
Transfer to statutory reserve fund	-	-	-	-	-	-	-	85,073	-	(85,073)	-	-	-
At 31 December 2016	494,347	49,433	13,991,308	208,263	5,130	68,747	(1,094,402)	509,686	(103,123)	4,419,467	18,548,856	244,443	18,793,299

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	2016 HK\$'000	2015 HK\$'000
Operating activities		
Profit (loss) before tax	442,651	(266,968)
Adjustments for:		
Interest expenses	262,169	277,871
Interest income	(55,174)	(86,985)
Dividend income from listed equity investments	(687)	(1,107)
Depreciation of property, plant and equipment	1,179,238	1,223,662
Amortisation of prepaid lease payments	59,956	62,719
Amortisation of intangible assets	19,623	13,877
Amortisation of mining rights	36,850	41,249
Allowance for doubtful debts of trade receivables	88,478	297
Gain from changes in fair value of financial assets designated as at FVTPL	(88,354)	–
Release of deferred income – government grants	(455)	–
Impairment loss of available-for-sale investments	2,928	2,588
Impairment loss of inventories	6,325	7,040
Impairment loss of property, plant and equipment	120,079	–
Impairment loss of prepaid lease payments	801	–
Impairment loss of other receivables	95,756	–
Net impairment loss (reversal of impairment loss) recognised in respect of loan receivables	5,862	(15,415)
Loss on disposal of property, plant and equipment	8,290	8,765
Share of profits of associates	(172,795)	(122,050)
Share of loss of a joint venture	10,470	1,324
Exchange adjustments	77,304	218,972

**APPENDIX I****FINANCIAL INFORMATION OF THE GROUP**

	<b>2016</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Operating cash flows before movements		
in working capital	2,099,315	1,365,839
(Increase) decrease in inventories	(99,548)	358,981
Decrease in prepayments, deposits and other receivables	15,459	211,424
(Increase) decrease in trade receivables	(123,188)	1,312,188
(Increase) decrease in held-for-trading investments	(373)	11,550
Increase (decrease) in trade payables	112,667	(582,156)
Increase (decrease) in other payables and accrued liabilities	<u>100,370</u>	<u>(501,756)</u>
Cash generated from operations	2,104,702	2,176,070
Income taxes paid	(123,344)	(379,403)
Withholding tax paid on dividends/interest received from associates/subsidiaries	<u>(12,576)</u>	<u>(24,779)</u>
Net cash from operating activities	<u>1,968,782</u>	<u>1,771,888</u>

**APPENDIX I****FINANCIAL INFORMATION OF THE GROUP**

	<i>NOTE</i>	<b>2016</b> <i>HK\$'000</i>	<b>2015</b> <i>HK\$'000</i>
Investing activities			
Net cash outflows from acquisition of subsidiaries	36	–	(1,684,635)
Interest received		60,250	80,377
Dividends received from associates		177,335	325,344
Dividends received from listed equity investments		687	1,107
Proceeds from realisation of derivative financial instruments		87,958	–
Government grants received		15,798	–
Purchase of property, plant and equipment		(364,923)	(407,234)
Payment for prepaid lease payments		(25,923)	(20,524)
Purchase of intangible assets		(6,660)	(8,199)
Purchase of mining rights		(185,795)	(106,261)
Proceeds from disposal of property, plant and equipment		934	17,307
Advance to a joint venture		(53)	(78)
Repayment of loan and other receivables		16,257	152,204
Placement of restricted bank deposits		(1,319)	(147,604)
Withdrawal of restricted bank deposits		–	74,180
Placement of pledged bank deposits		(1,205)	(85)
Withdrawal of pledged bank deposits		973	137,837
Withdrawal (placement) of time deposits		<u>298,831</u>	<u>(217,567)</u>
Net cash from (used in) investing activities		<u>73,145</u>	<u>(1,803,831)</u>

**APPENDIX I****FINANCIAL INFORMATION OF THE GROUP**

	<b>2016</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Financing activities		
Repayment of bank loans	(11,221,260)	(7,988,648)
Repayment to immediate holding company	(931,200)	(1,937,500)
Interest paid	(262,084)	(287,293)
Dividends paid to owners of the Company	(108,756)	(492,697)
Preferred distribution paid to convertible preference shareholders	(24,222)	(24,223)
Dividends paid to non-controlling shareholders	(12,216)	(16,422)
Repayment of long term and other payables	(7,034)	(43,478)
New bank loans raised	8,932,856	6,178,867
Advance from immediate holding company	620,800	1,937,500
Proceeds from issue of new shares	–	3,625,208
Transaction costs attributable to issue of new shares	–	(17,089)
	<u>–</u>	<u>(17,089)</u>
Net cash (used in) from financing activities	<u>(3,013,116)</u>	<u>934,225</u>
Net (decrease) increase in cash and cash equivalents	(971,189)	902,282
Cash and cash equivalents at 1 January	5,330,638	4,624,719
Effect of foreign exchange rate changes	<u>(186,972)</u>	<u>(196,363)</u>
Cash and cash equivalents at 31 December, represented by Cash and bank balances	<u><u>4,172,477</u></u>	<u><u>5,330,638</u></u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

*For the year ended 31 December 2016*

**1. General Information**

The Company is a public limited company incorporated in the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The principal activities of the Company and its subsidiaries (the “Group”) consist of the import and distribution of cement in Hong Kong and the manufacture and distribution of cement, clinker, concrete and other cement related products in other areas of the People’s Republic of China (the “PRC”). Through its associates, the Group is also engaged in the production and distribution of ready-mixed concrete in Hong Kong. There were no significant changes in the nature of the Group’s principal activities during the year.

The addresses of the registered office and principal place of business of the Company are disclosed in the “Corporate Information and Key Dates” section to the Annual Report.

The parent company of the Company is TCC International Limited (incorporated in the British Virgin Islands and a wholly-owned subsidiary of Taiwan Cement Corporation). In the opinion of the directors of the Company (the “Directors”), Taiwan Cement Corporation (“T’Cement”), a company incorporated and whose shares are listed in Taiwan, is the Company’s ultimate holding company.

The functional currency of the Company and its major subsidiaries and associates is Renminbi (“RMB”). However, the consolidated financial statements of the Group are presented in Hong Kong Dollars (“HK\$”) as the Directors consider this presentation is more useful for its current and potential investors.



## 2. Application of new and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”)

### *Amendments to HKFRSs that are mandatorily effective for the current year*

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) for the first time in the current year.

Amendments to HKFRS 11	Accounting for acquisitions of interest in joint operations
Amendments to HKAS 1	Disclosure initiative
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception
Amendments to HKFRSs	Annual improvements to HKFRSs 2012-2014 cycle

The application of the above amendments to HKFRSs in the current year has had no material impact on the Group’s financial performance and position for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

***New and amendments to HKFRSs in issue but not yet effective***

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial instruments <sup>1</sup>
HKFRS 15	Revenue from contracts with customers and the related amendments <sup>1</sup>
HKFRS 16	Leases <sup>2</sup>
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions <sup>1</sup>
Amendments to HKFRS 4	Applying HKFRS 9 Financial instruments, with HKFRS 4 Insurance contracts <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture <sup>3</sup>
Amendments to HKAS 7	Disclosure initiative <sup>4</sup>
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses <sup>4</sup>
Amendments to HKFRSs	Annual improvements to HKFRSs 2014-2016 cycle <sup>5</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2019.

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2017.

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.

***HKFRS 9 Financial instruments***

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are:

- all recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income (“FVTOCI”). All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.
- the new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity’s risk management activities have also been introduced.

Based on the Group's financial instruments and risk management policies as at 31 December 2016, the Directors of the Company considered that the application of HKFRS 9 in the future may have a material impact on the classification and measurement of the Group's financial assets. The Group's available-for-sale investments, including those currently stated at cost less impairment, will either be measured as fair value through profit or loss or be designated as FVTOCI (subject to fulfillment of the designation criteria). In addition, the expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost.

#### ***HKFRS 15 Revenue from contracts with customers***

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios.

Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The Directors anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the Directors of the Company do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

### ***HKFRS 16 Leases***

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 “Leases” and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use while other operating lease payments are presented as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

Under HKAS 17, the Group has already recognised prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2016, the Group has non-cancellable operating lease commitments of HK\$53,009,000 as disclosed in note 46. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the Directors complete a detailed review.

The Directors do not anticipate that the application of the other new and amendments to HKFRSs will have material impact on the consolidated financial statements of the Group.

### **3. Significant Accounting Policies**

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (“Listing Rules”) and by the Hong Kong Companies Ordinance (“CO”).

The consolidated financial statements have been prepared on the historical cost basis, except for certain properties and financial instruments, that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 “Share-based payment”, leasing transactions that are within the scope of HKAS 17 “Leases”, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 “Inventories” or value in use in HKAS 36 “Impairment of assets”.

A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

***Basis of consolidation***

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.



*Changes in the Group's ownership interests in existing subsidiaries*

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

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/ permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

***Business combinations***

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 “Income taxes” and HKAS 19 “Employee benefits”, respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or the share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 “Share-based payment” at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 “Non-current assets held for sale and discontinued operations” are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer’s previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer’s previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary’s net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests’ proportionate share of the recognised amounts of the acquiree’s identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

When a business combination is achieved in stages, the Group’s previously held equity interest in the acquiree is remeasured to fair value at acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

*Acquisition of a subsidiary not constituting a business*

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to the financial assets and financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other individual identifiable assets and liabilities on the basis of their relevant fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

***Goodwill***

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGUs") (or groups of CGUs) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A CGU (or group of CGUs) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of CGUs) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than the carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of CGUs).

On disposal of the relevant CGU, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate is described below.

***Investments in associates and joint ventures***

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of HKAS 39, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint venture and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

***Revenue recognition***

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for discounts, returns and sales related taxes.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probably that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed.

Service income is recognised when services are provided.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

***Property, plant and equipment***

Leasehold land and office buildings held for use in the production or for administrative purposes, are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and any subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that would be determined using fair values at the end of the reporting period.

Any revaluation increase arising on revaluation of such land and buildings is recognised in other comprehensive income and accumulated in land and building revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on revaluation of such land and buildings is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the land and building revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus remaining in the land and building reserve is transferred directly to retained earnings.

Property, plant and equipment (other than leasehold land and office building and construction in progress) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost or valuation of assets (other than properties under construction) less their residual values over their useful lives, using straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

### ***Leasing***

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

#### ***The Group as lessee***

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

*Leasehold land and building*

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as “prepaid lease payments” in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease.

*Foreign currencies*

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items are recognised in profit or loss in the period in which they arise.



For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. Hong Kong Dollars) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (exchange fluctuation reserve). Exchange differences resulting from translation of non-foreign operations to the Group's presentation currency accumulated in equity is reclassified to retained earnings upon disposal of relevant group entity.

***Borrowing costs***

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

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

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

***Government grants***

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

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

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

***Retirement benefit costs***

Payments to defined contribution retirement benefits scheme including Mandatory Provident Fund Scheme and the employee's pension schemes of the respective municipal government in various places in the PRC where the Group operates are recognised as an expense when employees have rendered service entitling them to the contributions.

***Taxation***

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary differences arises from the initial recognition of goodwill.

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

### ***Intangible assets***

#### *Intangible assets acquired separately*

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect at any changes in estimate being accounted for on a prospective basis.

*Intangible assets acquired in a business combination*

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in the profit or loss when the asset is derecognised.

***Impairment on tangible and intangible assets other than goodwill***

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a CGU) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

### ***Inventories***

Inventories are stated at the lower of cost and net realisable value. Cost of inventories comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and the costs necessary to make the sale.

### ***Financial instruments***

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

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

*Financial assets*

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss (“FVTPL”), available-for-sale financial assets (“AFS”) and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

#### Financial assets at FVTPL

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition, it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend earned on the financial assets. Fair value is determined in the manner described in Note 43.

#### AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables (b) held-to-maturity investments or (c) financial assets at FVTPL.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period.

#### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, other receivables, loan receivables, time deposits, cash and bank balances and pledged bank deposits) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

### Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it is becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

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

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

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



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

#### *Financial liabilities and equity instruments*

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

#### Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

#### Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis.

#### Financial liabilities at amortisation costs

Financial liabilities including trade payables, other payables, bank loans and amount due to immediate holding company are subsequently measured at amortised cost, using the effective interest method.

#### Non-redeemable convertible preference shares

Non-redeemable convertible preference shares in which the Group has no contractual obligation to redeem and will be only settled by the exchange of fixed number of the Group's own equity instruments is classified as equity instruments.

The balance will be transferred to share capital and share premium once preference shares are converted. Any excess of par value of issued ordinary shares will be transferred to share premium.

#### Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the Group are initially measured at their fair values and, if not designated as at FVTPL are subsequently measured at the higher of: (i) the amount of obligation under the contract, as determined in accordance with HKAS 37 "Provisions, contingent liabilities and contingent assets"; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised over the guarantee period.

#### Derivative financial instruments

Derivative are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to the fair values at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

#### *Derecognition*

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

***Share-based payment transactions****Share options granted to employees*

For grants of share options that are conditional upon satisfying specified vesting conditions, the fair value of services received is determined by reference to the fair value of share options granted at the grant date and is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share option reserve.

When the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained earnings.

**4. Key Sources of Estimation Uncertainties**

In the application of the Group's accounting policies, which are described in Note 3, the Directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of uncertainty at the end of the reporting period, that may have a significant risk of causing material adjustments to the carrying amounts of assets within the next financial year.

***Impairment of goodwill***

Determining the amount of impairment for goodwill requires an estimation of the recoverable amount, which is the value in use of the cash-generating units (“CGUs”) or groups of CGUs to which goodwill is allocated. The value in use calculation uses cash flow projections based on financial budgets approved by the management and requires key assumptions, including the discount rates, expected growth rates, sales volume and selling prices of the products. As at 31 December 2016, the carrying amount of goodwill is HK\$3,331,809,000 (2015: HK\$3,555,995,000). Details of the recoverable amount calculation are disclosed in Note 18.

***Valuation of trade receivables, loan receivables and other receivables***

In determining the recoverability and allowance amount of trade receivables, the management considers the credit quality of individual trade receivables, including default or delay in payments, settlement records, subsequent settlements and ageing analysis of the trade receivables.

Where there is objective evidence of impairment of other receivables and loan receivables, the management determines the recoverability and allowance amount of other receivables and loan receivables by considering any significant financial difficulty of the counterparty, breach of contract such as default or delinquency in interest or principal payments or possibility that the borrower will enter bankruptcy or financial re-organisation.

As at 31 December 2016, the carrying amount of (i) trade receivables being overdue are HK\$66,478,000; (ii) advances to independent third parties included in other receivables are HK\$139,982,000 (2015: HK\$237,452,000) (net of accumulated impairment loss of HK\$106,315,000 (2015:HK\$15,767,000)); (iii) loan receivables due from various government sectors are HK\$38,373,000 (2015: HK\$62,433,000) (net of accumulated impairment of HK\$85,655,000 (2015: HK\$85,058,000)).

***Depreciation and impairment of property, plant and equipment***

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of property, plant and equipment to be within 5 to 50 years. The carrying amount of the Group's property, plant and equipment at 31 December 2016 was HK\$15,009,306,000 (2015: HK\$17,102,276,000). Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, and therefore future depreciation charges could be revised. The carrying amounts of property, plant and equipment are assessed for impairment when facts and circumstances suggest that the carrying amounts of the property, plant and equipment may exceed their recoverable amounts. The Directors of the Company exercise their judgement in estimating the recoverable amount. Where the recoverable amount is less than its carrying amount, an impairment loss may arise. The Directors conducted a review of the Group's production assets and determined that the assets of certain subsidiaries were fully impaired because it is expected that these assets will not generate future benefit to the Group. During the year ended 31 December 2016, impairment loss of HK\$120,079,000 (2015: Nil) has been recognised in respect of those property, plant and equipment (see Note 15).

***Estimated impairment of inventories***

The Group makes impairment loss of inventories based on an assessment of the net realisable value of inventories. Impairment losses are applied to inventories where events or changes in circumstances indicate that the net realisable value is lower than the cost of inventories. The identification of obsolete inventories requires the use of judgement and estimates on the conditions and usefulness of the inventories. In cases where the net realisable value of inventories assessed are less than expected, a recognition of impairment loss of inventories may arise, which would be recognised in profit or loss in the period in which such recognition takes place. At 31 December 2016, the carrying amount of inventories is HK\$1,175,793,000 (2015: HK\$1,082,570,000) (net of accumulated impairment of HK\$60,575,000 (2015: HK\$57,941,000)).

***Deferred tax assets***

The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than or more than expected, a reversal or a recognition of deferred tax assets would be recognised on profit or loss in the consolidated statement of comprehensive income for the year in which such a reversal or recognition takes place. As at 31 December 2016, the carrying amount of deferred tax assets is HK\$114,455,000 (2015: HK\$143,294,000).

**5. Segment Information**

The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's operating segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other operating segments. Summary details of the reportable segments are as follows:

- (i) the import, distribution and handling of cement segment which is the import, distribution and handling of cement in Hong Kong;
- (ii) the manufacture and distribution of cement, clinker, concrete and other cement related products segment which is the manufacture and distribution of cement, clinker, concrete and other cement related products in the PRC; and
- (iii) the investment holding segment which is the investments in listed and unlisted equity securities and management of exchange rate exposure through currency derivatives.

**Segment revenue and results**

The following table presents revenue and results by reportable segments.

	Import, distribution and handling of cement		Manufacture and distribution of cement, clinker, concrete and other cement related products		Investment holding		Elimination		Consolidated	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue										
Sales to external customers	364,382	442,171	11,048,432	10,468,898	-	-	-	-	11,412,814	10,911,069
Inter-segment sales	-	-	48,306	17,622	-	-	(48,306)	(17,622)	-	-
	<u>364,382</u>	<u>442,171</u>	<u>11,096,738</u>	<u>10,486,520</u>	<u>-</u>	<u>-</u>	<u>(48,306)</u>	<u>(17,622)</u>	<u>11,412,814</u>	<u>10,911,069</u>
Segment profit (loss)	<u>66,965</u>	<u>78,341</u>	<u>640,121</u>	<u>129,661</u>	<u>63,122</u>	<u>(21,092)</u>	<u>-</u>	<u>-</u>	<u>770,208</u>	<u>186,910</u>
Unallocated central administration costs									(133,153)	(98,969)
Unallocated other income, gains and losses									<u>(94,560)</u>	<u>(197,764)</u>
Finance costs									542,495	(109,823)
Share of profits of associates									(262,169)	(277,871)
Share of loss of a joint venture									172,795	122,050
									<u>(10,470)</u>	<u>(1,324)</u>
Profit (loss) before tax									<u>442,651</u>	<u>(266,968)</u>

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3. Segment profit (loss) represents the profit earned by (loss from) each segment without allocation of central administration costs (including Directors' salaries), certain other income, gains and losses, finance costs, share of profits of associates and share of loss of a joint venture. This is the measure reported to the executive Directors, being the chief operating decision maker, for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged at prevailing market prices.

The Group has no customers that contributed over 10% of the total revenue of the Group for both years.

No analysis of the Group's assets and liabilities by operating segments is disclosed as it is not regularly provided to the executive Directors for review.

**Geographical information**

The Group operates in three principal geographical areas – Taiwan, Hong Kong and the PRC. The following table provides an analysis of the Group's revenue by location of customers, irrespective of the origin of the goods and services:

	Taiwan		Hong Kong		The PRC		Elimination		Consolidated	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue										
Sales to external customers	-	7,331	364,382	442,171	11,048,432	10,461,567	-	-	11,412,814	10,911,069
Inter-segment sales	-	-	48,306	17,622	-	-	(48,306)	(17,622)	-	-
	<u>-</u>	<u>7,331</u>	<u>412,688</u>	<u>459,793</u>	<u>11,048,432</u>	<u>10,461,567</u>	<u>(48,306)</u>	<u>(17,622)</u>	<u>11,412,814</u>	<u>10,911,069</u>

Analysis of the Group's non-current assets by geographical location of the assets are detailed below:

	Hong Kong		The PRC		Consolidated	
	2016	2015	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current assets	<u>63,849</u>	<u>64,796</u>	<u>21,007,045</u>	<u>23,332,199</u>	<u>21,070,894</u>	<u>23,396,995</u>

*note:* Non-current assets excluded interests in associates, interest in a joint venture, other financial assets, available-for-sale investments, pledged bank deposits and deferred tax assets.



*Other segment information*

	Import, distribution and handling of cement		Manufacture and distribution of cement, clinker, concrete and other cement related products		Investment holding		Consolidated	
	2016	2015	2016	2015	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amounts included in the measure of segment results:								
Allowance for doubtful debts of trade receivables	-	-	88,478	297	-	-	88,478	297
(Gain) loss from changes in fair value of held-for-trading investments	-	-	-	-	(373)	11,550	(373)	11,550
Gain from changes in fair value of financial assets designated as at FVTPL	-	-	-	-	(88,354)	-	(88,354)	-
Depreciation and amortisation	1,995	1,970	1,292,189	1,338,301	1,483	1,236	1,295,667	1,341,507
Dividend income from listed equity investments	-	-	-	-	(687)	(1,107)	(687)	(1,107)
Impairment loss of available-for-sale investments	-	-	-	-	2,928	2,588	2,928	2,588
Impairment loss of inventories	-	-	6,325	7,040	-	-	6,325	7,040
Impairment loss of property, plant and equipment	-	-	120,079	-	-	-	120,079	-
Impairment loss of prepaid lease payments	-	-	801	-	-	-	801	-
Net impairment loss (reversal of impairment loss) recognised in respect of loan and other receivables	-	-	101,618	(15,415)	-	-	101,618	(15,415)
Loss on disposal of property, plant and equipment	223	2	8,067	8,763	-	-	8,290	8,765
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment results:								
Bank interest income	(170)	(3,674)	(46,663)	(76,189)	(8,341)	(7,122)	(55,174)	(86,985)
Finance costs	1	1	126,594	146,989	135,574	130,881	262,169	277,871
Share of profits of associates	-	-	-	-	(172,795)	(122,050)	(172,795)	(122,050)
Share of loss of a joint venture	-	-	-	-	10,470	1,324	10,470	1,324
Income tax expense (credit)	11,056	12,561	204,806	(45,628)	9,357	12,261	225,219	(20,806)

**6. Revenue**

Revenue represents invoiced amount of sales of cement, clinker, concrete and other cement related products, net of discounts, returns and sales related taxes.

An analysis of the Group's revenue is as follows:

	<b>2016</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Sales of cement and clinker	11,179,040	10,629,842
Sales of concrete and other cement related products	<u>233,774</u>	<u>281,227</u>
	<u><u>11,412,814</u></u>	<u><u>10,911,069</u></u>

**7. Investment Income**

	<b>2016</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Dividend income from listed equity investments	687	1,107
Bank interest income	<u>55,174</u>	<u>86,985</u>
	<u><u>55,861</u></u>	<u><u>88,092</u></u>

Investment income earned from financial assets, analysed by category of assets, is as follows:

	<b>2016</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Held-for-trading investments	687	1,107
Loans and receivables (including cash and bank deposits)	<u>55,174</u>	<u>86,985</u>
	<u><u>55,861</u></u>	<u><u>88,092</u></u>

## 8. Other Income, Gains and Losses

	2016 HK\$'000	2015 HK\$'000
Gain from changes in fair value of financial assets designated as at FVTPL	88,354	–
Gain (loss) from changes in fair value of held-for-trading investments	373	(11,550)
Government grants ( <i>note</i> )	52,403	57,046
Net exchange loss	(225,392)	(381,322)
Rental income	725	271
Allowance for doubtful debts of trade receivables ( <i>Note 28</i> )	(88,478)	(297)
Impairment loss of available-for-sale investments ( <i>Note 23</i> )	(2,928)	(2,588)
Impairment loss of property, plant and equipment ( <i>Note 15</i> )	(120,079)	–
Impairment loss of prepaid lease payments	(801)	–
Net (impairment loss) reversal of impairment loss recognised in respect of loan and other receivables ( <i>Note 27</i> )	(101,618)	15,415
Others	<u>24,265</u>	<u>41,958</u>
	<u>(373,176)</u>	<u>(281,067)</u>

*note:* Included in the amounts are HK\$455,000 (2015: Nil) representing deferred income on government subsidies recognised during the year in relation to capital expenditure on technological research and development projects over the projects lives. The remaining amount represents the incentive subsidies provided by the PRC local authorities to the Group to encourage investments in certain specific locations. There is no specific condition attached to the latter grants, which are recognised upon receipts.

## 9. Finance Costs

	2016 HK\$'000	2015 HK\$'000
Interest on:		
Bank loans	243,607	254,213
Loan from immediate holding company	<u>18,562</u>	<u>25,740</u>
Total borrowing costs	262,169	279,953
Less: Amounts capitalised in construction in progress	<u>–</u>	<u>(2,082)</u>
	<u>262,169</u>	<u>277,871</u>

Borrowing costs capitalised arose on specific borrowings to finance the construction in progress for 2015.

#### 10. Profit (Loss) before Tax

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Profit (loss) before tax has been arrived at after charging the following:		
Directors' remuneration ( <i>Note 11</i> )	7,185	3,610
Other staff cost		
Salaries and other benefits	715,740	674,266
Other pension costs and mandatory provident fund contributions	<u>85,322</u>	<u>82,144</u>
Total staff costs	<u>808,247</u>	<u>760,020</u>
Depreciation of property, plant and equipment ( <i>note</i> )	1,179,238	1,223,662
Amortisation of prepaid lease payments	59,956	62,719
Amortisation of intangible assets (included in cost of sales and general and administrative expenses)	19,623	13,877
Amortisation of mining rights (included in cost of sales)	36,850	41,249
Auditor's remuneration	7,623	7,292
Impairment loss of inventories (included in cost of sales)	6,325	7,040
Loss on disposal of property, plant and equipment	8,290	8,765
Operating lease payments in respect of rented premises	<u>15,151</u>	<u>13,417</u>

The Group has no forfeited contributions from the retirement benefit scheme for both years.

*note:* During the year, no depreciation charge (2015: HK\$1,203,000) relating to plant and machinery used in buildings under construction was capitalised under construction in progress.

## 11. Directors' and Employees' Emoluments

*Directors' emoluments*

Directors' remuneration for the year, disclosed pursuant to the applicable Listing Rules and CO, is as follows:

	Executive Directors (note a)				Non-executive Directors (note b)				Independent non-executive Directors (note c)				Total	
	KOO, Cheng-Yun, Leslie	WU Yih Chin	Hung Jin-Yang	Sub-total	SHAN Weijian	CHANG, An-Ping, Nelson	CHANG, Kang-Lung, Jason	WANG, Lishin, Elizabeth	Sub-total	LIAO, Poon Huai, Donald	CHIH Ching, Kenneth	SHIEH Jen-Chung, Roger		Sub-total
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
<b>2016</b>														
Fees	220	-	-	220	220	220	220	220	880	220	220	220	660	1,760
Other emoluments														
Salaries and allowances	-	841	248	1,089	-	-	-	-	-	-	-	-	-	1,089
Performance related bonuses	310	-	100	410	-	-	-	-	-	-	-	-	-	410
Retirement benefits	-	3,926	-	3,926	-	-	-	-	-	-	-	-	-	3,926
<b>Total emoluments</b>	<b>530</b>	<b>4,767</b>	<b>348</b>	<b>5,645</b>	<b>220</b>	<b>220</b>	<b>220</b>	<b>220</b>	<b>880</b>	<b>220</b>	<b>220</b>	<b>220</b>	<b>660</b>	<b>7,185</b>
	Executive Directors (note a)				Non-executive Directors (note b)				Independent non-executive Directors (note c)				Total	
	KOO, Cheng-Yun, Leslie	WU Yih Chin	Sub-total	SHAN Weijian	CHANG, An-Ping, Nelson	CHANG, Kang-Lung, Jason	WANG, Lishin, Elizabeth	Sub-total	LIAO, Poon Huai, Donald	CHIH Ching, Kenneth	SHIEH Jen-Chung, Roger	Sub-total		
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	
<b>2015</b>														
Fees	220	-	220	220	220	220	220	880	220	220	220	660	1,760	
Other emoluments														
Salaries and allowances	-	1,360	1,360	-	-	-	-	-	-	-	-	-	1,360	
Performance related bonuses	310	180	490	-	-	-	-	-	-	-	-	-	490	
<b>Total emoluments</b>	<b>530</b>	<b>1,540</b>	<b>2,070</b>	<b>220</b>	<b>220</b>	<b>220</b>	<b>220</b>	<b>880</b>	<b>220</b>	<b>220</b>	<b>220</b>	<b>660</b>	<b>3,610</b>	

*notes:*

- (a) The executive Directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group. Except for the salaries and allowances of Mr. Wu Yih Chin, emoluments of other Directors and performance related incentive bonuses and retirement benefits of Mr. Wu Yih Chin were paid by the Company.
- (b) The non-executive Directors' emoluments shown above were for their services as Directors of the Company.
- (c) The independent non-executive Directors' emoluments shown above were for their services as Directors of the Company.

The performance related bonuses is determined with reference to the performance of the Group's operation.

The emoluments of Directors are determined by the remuneration committee having regard to the performance of individuals and market trends.

*Employees' emoluments*

During the year, the five highest paid individuals included one Director (2015: two Directors), details of whose emoluments are set out above. The emoluments of the remaining four (2015: three) highest paid individuals are as follows:

	<b>2016</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries and other benefits	2,001	1,541
Retirement benefits scheme contributions	46	69
Performance related bonuses	<u>2,954</u>	<u>1,108</u>
	<u><u>5,001</u></u>	<u><u>2,718</u></u>

Their emoluments were within the following bands:

	<b>Number of employee</b>	
	<b>2016</b>	<b>2015</b>
Up to HK\$1,000,000	3	2
HK\$1,000,001 – HK\$1,500,000	–	1
HK\$1,500,001 – HK\$2,000,000	–	–
HK\$2,000,001 – HK\$2,500,000	<u>1</u>	<u>–</u>

During the year, no remuneration was paid by the Group to the Directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2015: nil). None of the Directors has waived or agreed to waive any remuneration during the year (2015: nil).

## 12. Income Tax Expense (Credit)

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Current tax:		
Hong Kong	11,195	13,704
PRC Enterprise Income Tax	229,464	101,672
Withholding tax	<u>69</u>	<u>736</u>
	<u>240,728</u>	<u>116,112</u>
Overprovision in prior years:		
Hong Kong	–	(1,060)
PRC Enterprise Income Tax	<u>(6,761)</u>	<u>(37,272)</u>
	<u>(6,761)</u>	<u>(38,332)</u>
Deferred tax ( <i>Note 25</i> )	<u>(8,748)</u>	<u>(98,586)</u>
	<u><u>225,219</u></u>	<u><u>(20,806)</u></u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both years.

Under the Law of PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

Certain PRC subsidiaries of the Company are entitled to the preferential tax treatment for Western Development Policy (the “WDP Policy”). The applicable reduced preferential Enterprise Income Tax rate under the WDP Policy is 15% for an effective period up to 2020.

Taxation arising in the PRC is calculated at the rates prevailing in the relevant regions in the PRC.

The tax charge (credit) for the year can be reconciled to the profit (loss) before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	<b>2016</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit (loss) before tax	<u>442,651</u>	<u>(266,968)</u>
Tax at PRC Enterprise Income Tax rate of 25% (2015: 25%) ( <i>note</i> )	110,663	(66,742)
Tax effect of share of profits of associates	(43,199)	(30,513)
Tax effect of share of loss of a joint venture	2,618	331
Tax effect of expenses not deductible for tax purpose	135,531	66,008
Tax effect of income not taxable for tax purpose	(37,833)	(24,606)
Overprovision in prior years	(6,761)	(38,332)
Tax effect of tax losses not recognised	66,451	68,641
Utilisation of tax losses previously not recognised	(1,262)	(2,602)
Income tax on concessionary rate	(4,111)	1,896
Effect of different tax rates of subsidiaries operating in other jurisdictions	(5,695)	(7,003)
Withholding tax on undistributed earnings	9,361	12,189
Others	<u>(544)</u>	<u>(73)</u>
Income tax expense (credit) for the year	<u>225,219</u>	<u>(20,806)</u>

*note:* The Group's major operating subsidiaries are located in the PRC and accordingly, income tax rate of 25% is adopted.



**13. Dividends**

	<b>2016</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Dividends for ordinary and preference shareholders of the Company recognised the following as distribution during the year:		
2015 Final – HK2.0 cents (2015: 2014 final – HK13.0 cents) per share	<u>108,756</u>	<u>492,697</u>

The 2016 preferred distribution to convertible preference shareholders totalling HK\$24,222,000 (2015: HK\$24,223,000) was also recognised as distribution during the year ended 31 December 2016.

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2016 of HK1.0 cent (2015: HK2.0 cents) per ordinary and preference share, totalling HK\$54,378,000 (2015: HK\$108,756,000) has been proposed by the Directors to be payable to ordinary and preference shareholders and is subject to approval by the ordinary shareholders in the forthcoming annual general meeting.

**14. Earnings (Loss) per Share**

The calculation of the basic and diluted earnings (loss) per share attributable to ordinary shareholders of the Company is based on the following data:

***Earnings (loss) for the purposes of basic and diluted earnings (loss) per share***

	<b>2016</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit (loss) for the year attributable to owners of the Company	193,840	(249,391)
Less: Preferred distribution in respect of convertible preference share	(24,222)	(24,223)
Undistributed earnings attributed to convertible preference shareholders	<u>(16,689)</u>	<u>—</u>
Profit (loss) for the year attributable to ordinary shareholders of the Company	<u>152,929</u>	<u>(273,614)</u>

***Number of shares***

	<b>2016</b>	<b>2015</b>
	<i>'000</i>	<i>'000</i>
Weighted average number of ordinary shares in issue for the purposes of basic and diluted earnings (loss) per share	<u>4,943,465</u>	<u>4,192,814</u>

The computation of diluted earnings (loss) per share does not assume the conversion of the outstanding convertible preference shares because their exercise would result in an increase in earnings per share for 2016 or a decrease in loss per share for 2015.

The weighted average number of ordinary shares in issue for the year ended 31 December 2015 was adjusted to reflect the effect of bonus element of the rights issue which was completed in July 2015.

## 15. Property, Plant and Equipment

	Cement plant and facilities HK\$'000	Leasehold land and office building HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures and office equipment HK\$'000	Motor vehicles HK\$'000	Lighters HK\$'000	Construction in progress HK\$'000	Total HK\$'000
<b>COST OR VALUATION</b>								
At 1 January 2015	7,829,771	49,800	13,274,776	112,156	277,432	7,731	540,095	22,091,761
Additions	445	-	41,993	4,592	1,204	-	325,483	373,717
Arising on acquisition of subsidiaries (Note 36)	1,384,929	-	1,138,621	30,253	18,306	-	80,597	2,652,706
Disposals	(4,473)	-	(27,193)	(5,691)	(4,365)	-	(163)	(41,885)
Transfers	164,993	-	258,198	7,260	4,235	-	(434,686)	-
Surplus on valuation	-	4,000	-	-	-	-	-	4,000
Exchange adjustments	(455,453)	-	(720,640)	(8,113)	(14,277)	-	(27,313)	(1,225,796)
At 31 December 2015	8,920,212	53,800	13,965,755	140,457	282,535	7,731	484,013	23,854,503
Additions	18,864	-	47,658	1,897	1,555	-	98,094	168,068
Disposals	-	-	(25,308)	(3,721)	(4,326)	-	-	(33,355)
Transfers	15,435	-	64,456	7,861	750	-	(88,502)	-
Surplus on revaluation	-	900	-	-	-	-	-	900
Exchange adjustments	(534,868)	-	(848,006)	(9,817)	(16,580)	-	(30,951)	(1,440,222)
<b>At 31 December 2016</b>	<b>8,419,643</b>	<b>54,700</b>	<b>13,204,555</b>	<b>136,677</b>	<b>263,934</b>	<b>7,731</b>	<b>462,654</b>	<b>22,549,894</b>
Comprising:								
At cost	8,419,643	-	13,204,555	136,677	263,934	7,731	462,654	22,495,194
At valuation 2016	-	54,700	-	-	-	-	-	54,700
	<b>8,419,643</b>	<b>54,700</b>	<b>13,204,555</b>	<b>136,677</b>	<b>263,934</b>	<b>7,731</b>	<b>462,654</b>	<b>22,549,894</b>
<b>ACCUMULATED DEPRECIATION AND IMPAIRMENT</b>								
At 1 January 2015	1,249,154	-	4,415,052	64,557	162,753	7,653	-	5,899,169
Charge for the year	281,254	975	873,777	24,845	44,014	-	-	1,224,865
Elimination on revaluation	-	(975)	-	-	-	-	-	(975)
Elimination on disposals	(646)	-	(6,461)	(5,034)	(3,672)	-	-	(15,813)
Exchange adjustments	(77,612)	-	(263,313)	(4,890)	(9,204)	-	-	(355,019)
At 31 December 2015	1,452,150	-	5,019,055	79,478	193,891	7,653	-	6,752,227
Charge for the year	278,961	1,219	855,897	15,228	27,933	-	-	1,179,238
Elimination on revaluation	-	(1,219)	-	-	-	-	-	(1,219)
Elimination on disposals	-	-	(17,192)	(3,047)	(3,892)	-	-	(24,131)
Impairment loss recognised in profit or loss	70,641	-	41,273	84	393	-	7,688	120,079
Exchange adjustments	(109,240)	-	(356,106)	(6,653)	(13,607)	-	-	(485,606)
<b>At 31 December 2016</b>	<b>1,692,512</b>	<b>-</b>	<b>5,542,927</b>	<b>85,090</b>	<b>204,718</b>	<b>7,653</b>	<b>7,688</b>	<b>7,540,588</b>
<b>CARRYING VALUES</b>								
<b>At 31 December 2016</b>	<b>6,727,131</b>	<b>54,700</b>	<b>7,661,628</b>	<b>51,587</b>	<b>59,216</b>	<b>78</b>	<b>454,966</b>	<b>15,009,306</b>
At 31 December 2015	7,468,062	53,800	8,946,700	60,979	88,644	78	484,013	17,102,276

Depreciation is calculated to write off the cost or fair value of items of property, plant and equipment (other than construction in progress), less their estimated residual values, if any, using the straight-line method over their estimated useful lives as follows:

Cement plant and facilities	30 years
Leasehold land and office building	Over the unexpired term of lease
Plant and machinery	15 years
Furniture, fixtures and office equipment	5 years
Motor vehicles	5 – 10 years
Lighters	10 years

***Impairment loss recognised during the year***

During the year, the Directors conducted a review of the Group's production facilities and determined that certain assets of the Group were idle, obsolete or damaged. It is expected that those assets will not generate future benefit to the Group. Accordingly, impairment loss on the carrying amount of those assets amounting to HK\$120,079,000 (2015: Nil) was recognised in respect of those property, plant and equipment.

***Fair value of the Group's leasehold land and office building***

The leasehold land and office building is situated in Hong Kong and was revalued on 31 December 2016 at HK\$54,700,000 (2015: HK\$53,800,000) by Grant Sherman Appraisal Limited, an independent firm of qualified professional valuers, at open market value on existing use basis. The resulting surplus arising from the revaluation at 31 December 2016 of HK\$2,119,000 (2015: HK\$4,975,000) was dealt with in the land and building revaluation reserve. Had there not been any revaluation of this property, its carrying amount at cost less accumulated depreciation at 31 December 2016 would be HK\$1,261,000 (2015: HK\$1,297,000).

The fair value of the leasehold land and office building was determined on the direct comparison approach. There had been no change from the valuation technique used in prior year. The fair value is assessed by reference to the recent transactions of similar properties in the neighbourhood with no significant adjustments to the observable inputs (i.e. recent transaction price) and the fair value measurement is categorised in Level 3. In estimating the fair value of the properties, their current use equates to the highest and best use. There have been no transfers into or out of Level 3 during the year.

The significant unobservable input is price per square feet. By using direct comparison approach and taking into account of location and other individual factors such as size, building facilities, level, age of building, etc., the prices per square feet (gross floor area) of the adopted comparables ranged from HK\$20,000/sq.ft to HK\$41,000/sq.ft (2015: HK\$17,000/sq.ft to HK\$35,000/sq.ft).

The management reviews the valuations performed by the independent valuers for financial reporting purposes and reports to the audit committee the valuation process and result of the valuation at least every six months, in line with the Group's interim and annual reporting dates. The management will verify all major inputs to the independent valuation report, assess the property valuation movements when compared to the prior year valuation report and hold discussions with the independent valuers.

#### 16. Prepaid Lease Payments

	<b>2016</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Leasehold land in the PRC	<u>1,850,407</u>	<u>2,017,946</u>
Analysed for reporting purposes as:		
Non-current portion	1,794,820	1,957,979
Current portion	<u>55,587</u>	<u>59,967</u>
	<u>1,850,407</u>	<u>2,017,946</u>

## 17. Intangible Assets

	Goodwill <i>HK\$'000</i>	Customer base <i>HK\$'000</i>	Computer software <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>COST</b>				
At 1 January 2015	6,840,139	83,886	64,183	6,988,208
Arising on acquisition of subsidiaries (Note 36)	681,432	84,758	628	766,818
Additions	–	–	8,199	8,199
Exchange adjustments	<u>(407,425)</u>	<u>(4,068)</u>	<u>(3,417)</u>	<u>(414,910)</u>
At 31 December 2015	7,114,146	164,576	69,593	7,348,315
Additions	–	–	6,660	6,660
Exchange adjustments	<u>(475,329)</u>	<u>(4,746)</u>	<u>(4,374)</u>	<u>(484,449)</u>
At 31 December 2016	<u>6,638,817</u>	<u>159,830</u>	<u>71,879</u>	<u>6,870,526</u>
<b>ACCUMULATED AMORTISATION AND IMPAIRMENT</b>				
At 1 January 2015	3,773,416	83,886	26,765	3,884,067
Charge for the year	–	8,212	5,665	13,877
Exchange adjustments	<u>(215,265)</u>	<u>(312)</u>	<u>(1,495)</u>	<u>(217,072)</u>
At 31 December 2015	3,558,151	91,786	30,935	3,680,872
Charge for the year	–	13,342	6,281	19,623
Exchange adjustments	<u>(251,143)</u>	<u>(1,061)</u>	<u>(2,088)</u>	<u>(254,292)</u>
At 31 December 2016	<u>3,307,008</u>	<u>104,067</u>	<u>35,128</u>	<u>3,446,203</u>
<b>CARRYING VALUES</b>				
At 31 December 2016	<u>3,331,809</u>	<u>55,763</u>	<u>36,751</u>	<u>3,424,323</u>
At 31 December 2015	<u>3,555,995</u>	<u>72,790</u>	<u>38,658</u>	<u>3,667,443</u>

Goodwill is tested for impairment annually. Particulars regarding its impairment testing are disclosed in Note 18. All other intangible assets are amortised over their estimated useful lives, using the straight-line method, as follows:

Customer base	2-6 years
Computer software	5 years

### 18. Impairment Assessment on Goodwill

For the purpose of impairment assessment, goodwill arising from business combinations has been allocated to the following CGUs or groups of CGUs:

	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Upper Value Investments Limited	1,606,752	1,718,111
TCC (Guigang) Cement Ltd.	709,722	758,914
Kong On Cement Holdings Limited	16,598	17,678
Mining Industrial Companies ( <i>note a</i> )	239,121	254,200
Scitus Luzhou Companies ( <i>note b</i> )	144,535	153,569
Anshun Xin Tai Construction Materials Company Limited* (“Anshun Xin Tai”)	4,518	4,800
TCC Huaying ( <i>as defined in Note 36</i> )	58,400	62,050
TCC Huaihua ( <i>as defined in Note 36</i> )	<u>552,163</u>	<u>586,673</u>
	<u><u>3,331,809</u></u>	<u><u>3,555,995</u></u>

\* *For identification purpose only*

*notes:*

- (a) “Mining Industrial Companies” is a group of CGUs making up of TCC Jiangsu Mining Industrial Company Limited, TCC Guigang Mining Industrial Company Limited, TCC Yingde Mining Industrial Company Limited and three other subsidiaries, namely Jurong TCC Cement Co., Ltd., TCC (Guigang) Cement Ltd., and TCC Yingde Cement Co., Ltd.
- (b) “Scitus Luzhou Companies” is a group of CGUs making up of Scitus Naxi Cement Co., Ltd., Scitus Luzhou Cement Co., Ltd, Scitus Hejiang Cement Co., Ltd and Scitus Luzhou Concrete Co., Ltd.

All of these CGUs or groups of CGUs are operating under the segment “Manufacturing and distribution of cement, clinker, concrete and other cement related products”. During the year ended 31 December 2016, the management of the Group determined that there was no impairment of any of its CGUs or groups of CGUs containing goodwill.

The basis of the recoverable amount of the above CGUs or groups of CGUs and its major underlying assumptions are summarised below:

The recoverable amounts of these CGUs or groups of CGUs have been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period with growth rate ranging from 0% to 3% (2015: of 2%) per annum, and a discount rate of 8.79% (2015: 8.21%) per annum. The cash flows beyond the 5-year period are extrapolated with zero growth rate. The key assumption for the value in use calculations is the expected selling price of the products, which is determined based on the unit’s past performance in past few years and management’s expectations for the market development.

Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the manufacture and distribution of cement, clinker, concrete and other cement related products segment to exceed the aggregate recoverable amount of that segment.



**19. Mining Rights**

	<i>HK\$'000</i>
<b>COST</b>	
At 1 January 2015	539,618
Arising on acquisition of subsidiaries (Note 36)	9,823
Additions	91,811
Reclassification from prepaid lease payments	41,978
Exchange adjustments	<u>(31,457)</u>
At 31 December 2015	651,773
Additions	19,241
Exchange adjustments	<u>(39,540)</u>
<b>At 31 December 2016</b>	<u>631,474</u>
<b>ACCUMULATED AMORTISATION AND IMPAIRMENT</b>	
At 1 January 2015	141,625
Charge for the year	41,249
Reclassification from prepaid lease payments	12,615
Exchange adjustments	<u>(8,844)</u>
At 31 December 2015	186,645
Charge for the year	36,850
Exchange adjustments	<u>(12,762)</u>
<b>At 31 December 2016</b>	<u>210,733</u>
<b>CARRYING VALUES</b>	
<b>At 31 December 2016</b>	<u><u>420,741</u></u>
At 31 December 2015	<u><u>465,128</u></u>

The mining rights are amortised using the straight-line method to allocate their cost over their estimated useful lives ranging from 3 to 30 years.

**20. Interests in Associates**

	<b>2016</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost of investments in unlisted associates	1,268,977	1,268,977
Share of post-acquisition profits, and other comprehensive income, net of dividend income	<u>198,375</u>	<u>298,266</u>
	1,467,352	1,567,243
<i>Less: Impairment loss recognised</i>	<u>(50,824)</u>	<u>(50,824)</u>
	<u><u>1,416,528</u></u>	<u><u>1,516,419</u></u>

These associates are strategic partnership for the Group, providing access to new customers and markets in Hong Kong and specific regions in the PRC.

Details of the Group's principal associates at 31 December 2016 and 2015 are as follows:

Name of associate	Place of incorporation and operation	Proportion of ownership interest and voting power held		Principal activities
		2016	2015	
Baoshan Kungang & K. Wah Cement Construction Materials Co. Ltd	The PRC	30%	30%	Manufacture and distribution of cement and clinker
Hong Kong Concrete Company Limited	Hong Kong	31.5%	31.5%	Production and distribution of ready-mixed concrete
Prosperity Conch Cement Company Limited ("Prosperity Conch")	The PRC	25%	25%	Manufacture and distribution of cement and clinker
Quon Hing Concrete Company Limited	Hong Kong	50%	50%	Production and distribution of ready-mixed concrete
Sichuan Taichang Building Material Group Company Limited*	The PRC	30%	30%	Manufacture and distribution of cement and clinker
Yunnan Kungang & K. Wah Cement Construction Materials Co. Ltd	The PRC	30%	30%	Manufacture and distribution of cement and clinker

\* For identification purpose only

Summarised financial information in respect of the Group's material associate is set out below. It represents amounts shown in the associate's financial statements after taking into account the fair value adjustments made on acquisition prepared in accordance with the accounting policies of the Group.

All of these associates are accounted for using the equity method in these consolidated financial statements.

***Prosperity Conch***

	<b>2016</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current assets	<u>1,653,880</u>	<u>1,862,849</u>
Non-current assets	<u>1,881,630</u>	<u>1,943,025</u>
Current liabilities	<u>(381,626)</u>	<u>(331,859)</u>
Non-current liabilities	<u>(168,000)</u>	<u>(178,500)</u>
Revenue	<u>1,830,798</u>	<u>1,493,116</u>
Profit and total comprehensive income for the year	<u>320,774</u>	<u>231,730</u>
Dividends received from the associate during the year	<u>116,190</u>	<u>250,000</u>

Exchange loss of HK\$41,411,000 (2015: HK\$35,273,000) arising on translation of interests in Prosperity Conch to presentation currency of the Group for the year is recognised in other comprehensive income of the Group.

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	<b>2016</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net assets of Prosperity Conch	2,985,884	3,295,515
Proportion of the Group's ownership interest in Prosperity Conch	<u>25%</u>	<u>25%</u>
Carrying amount of the Group's interest in Prosperity Conch	<u>746,471</u>	<u>823,879</u>

*Aggregate information of associates that are not individually material*

	<b>2016</b> <i>HK\$'000</i>	<b>2015</b> <i>HK\$'000</i>
The Group's share of profit	<u>92,601</u>	<u>64,117</u>
The Group's share of other comprehensive income/(expenses)	<u>937</u>	<u>(377)</u>
The Group's share of total comprehensive income	<u>93,538</u>	<u>63,740</u>
Aggregate carrying amount of the Group's interests in these associates	<u>670,057</u>	<u>692,540</u>
The unrecognised share of loss of an associate for the year	<u>4,782</u>	<u>4,308</u>
Cumulative unrecognised share of loss of an associate	<u>9,090</u>	<u>4,308</u>

Exchange loss of HK\$44,815,000 (2015: HK\$28,147,000) arising on translation of interests in associates, that are not individually material, to presentation currency of the Group for the year is recognised in other comprehensive income of the Group.

**21. Interest in a Joint Venture**

	<b>2016</b> <i>HK\$'000</i>	<b>2015</b> <i>HK\$'000</i>
Cost of investment in an unlisted joint venture	12,300	12,300
Share of loss and other comprehensive expense	<u>(12,300)</u>	<u>(1,673)</u>
	<u>–</u>	<u>10,627</u>

Details of the Group's joint venture at 31 December 2016 and 2015 are as follows:

Name of joint venture	Place of incorporation and operation	Proportion of ownership interest and voting power held		Principal activities
		2016	2015	
廣安鑫台建材有限公司	The PRC	50%	50%	Manufacture and distribution of sand and gravel aggregate products (not yet commenced business)

The joint venture is accounted for using the equity method in these consolidated financial statements.

	<b>2016</b> <i>HK\$'000</i>	<b>2015</b> <i>HK\$'000</i>
The Group's share of loss and total comprehensive expenses for the year	<u>(10,469)</u>	<u>(1,324)</u>

## 22. Other Financial Assets

	<b>2016</b> <i>HK\$'000</i>	<b>2015</b> <i>HK\$'000</i>
Loan receivables due from various government sectors ( <i>note a</i> )	19,213	43,747
Long term rental deposits ( <i>note b</i> )	<u>828</u>	<u>828</u>
	<u><u>20,041</u></u>	<u><u>44,575</u></u>

*notes:*

- (a) Loan receivables due from various government sectors of RMB17,155,000 (2015: RMB36,762,000) (equivalent to HK\$19,213,000 (2015: HK\$43,747,000)) which are unsecured, repayable in more than one year and carry variable interest rate with reference to the benchmark loan rates of financial institutions set by the People's Bank of China.
- (b) Long term rental deposits paid to a fellow subsidiary are non-interest bearing.

**23. Available-for-sale Investments**

	<b>2016</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted equity securities, at cost	54,021	54,021
Less: Impairment losses recognised	<u>(19,568)</u>	<u>(16,644)</u>
	<u>34,453</u>	<u>37,377</u>

The above unlisted investments represent investments in unlisted equity securities issued by private entities incorporated in Hong Kong and Taiwan. They are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the Directors are of the opinion that their fair values cannot be measured reliably. As at 31 December 2016, accumulated impairment losses of HK\$19,568,000 (2015: HK\$16,644,000), which is recognised to the extent that the carrying amount exceeded the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Accordingly, the impairment losses of HK\$2,928,000 (2015: HK\$2,588,000) had been recognised in the year ended 31 December 2016 and included in profit or loss in the “other income, gains and losses” line item.

**24. Pledged Bank Deposits/Restricted Bank Deposits/Time Deposits/Cash and Bank Balances**

Pledged bank deposits represent deposits made as performance guarantee in relation to certain mining contracts. The pledged bank deposits will be released upon the completion of relevant mining contracts. They carry interest at fixed rates ranging from 0.30% to 0.38% (2015: 0.35% to 2.67%) per annum.

Restricted bank deposits of RMB61,452,000 (equivalent to HK\$68,826,000) (2015: RMB59,357,000 (equivalent to HK\$70,635,000)) carry interest at fixed rates ranging from 0.35% to 1.10% (2015: 0.35% to 2.65%) per annum.

Cash and bank balances comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less, which carry interest at market interest rates. Bank balances carry interest at prevailing market rates which range from 0.01% to 2.60% (2015: 0.01% to 2.73%) per annum. Time deposits carry interest at fixed rates ranging from 1.30% to 3.30% (2015: 1.30% to 3.00%) per annum.

Majority of the cash and bank balances were denominated in RMB, of which HK\$2,730,401,000 (2015: HK\$4,004,550,000), which is not a freely convertible currency in the international market. The RMB exchange rate is determined by the Government of the PRC and the remittance of these funds out of the PRC is subject to exchange restrictions imposed by the Government of the PRC.

Cash and bank balances that were denominated in foreign currency other than the functional currencies of the relevant group entities are set out below:

	<b>2016</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
United States Dollars	<u>659,982</u>	<u>537,842</u>

## 25. Deferred Tax Assets/Liabilities

The following are the major deferred tax assets (liabilities) recognised by the Group and the movements thereon during the year.

	Fair value adjustments on business combinations <i>HK\$'000</i>	Accelerated tax depreciation <i>HK\$'000</i>	Revaluation of land and buildings <i>HK\$'000</i>	Revaluation of mining rights <i>HK\$'000</i>	Withholding tax on undistributed earnings <i>HK\$'000</i>	Tax losses and others <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2015	(258,147)	37,492	(14,941)	(3,280)	(71,037)	(2,692)	(312,605)
Arising on acquisition of subsidiaries ( <i>Note 36</i> )	(91,810)	7,278	-	-	-	-	(84,532)
Credit (charge) to profit or loss for the year ( <i>Note 12</i> )	13,886	(3,287)	365	361	(12,189)	99,450	98,586
Withholding tax paid	-	-	-	-	24,779	-	24,779
Credit to other comprehensive income	-	-	(610)	-	-	-	(610)
Exchange adjustments	<u>17,603</u>	<u>(2,054)</u>	<u>455</u>	<u>143</u>	<u>-</u>	<u>(3,760)</u>	<u>12,387</u>
At 31 December 2015	(318,468)	39,429	(14,731)	(2,776)	(58,447)	92,998	(261,995)
Credit (charge) to profit or loss for the year ( <i>Note 12</i> )	35,813	4,030	818	342	(9,361)	(22,894)	8,748
Withholding tax paid	-	-	-	-	12,576	-	12,576
Credit to other comprehensive income	-	-	(310)	-	-	-	(310)
Exchange adjustments	<u>18,764</u>	<u>(2,510)</u>	<u>500</u>	<u>148</u>	<u>-</u>	<u>(4,495)</u>	<u>12,407</u>
At 31 December 2016	<u>(263,891)</u>	<u>40,949</u>	<u>(13,723)</u>	<u>(2,286)</u>	<u>(55,232)</u>	<u>65,609</u>	<u>(228,574)</u>



The analysis of the deferred tax balances for financial reporting purposes is as follows:

	<b>2016</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Deferred tax assets	114,455	143,294
Deferred tax liabilities	<u>(343,029)</u>	<u>(405,289)</u>
	<u>(228,574)</u>	<u>(261,995)</u>

As at 31 December 2016, the Group has unused tax losses of HK\$1,412,118,000 (2015: HK\$1,305,714,000) available to offset against future profits. A deferred tax asset has been recognised in respect of HK\$244,613,000 (2015: HK\$386,701,000) of such losses. No deferred tax assets have been recognised in respect of the remaining tax losses of HK\$1,167,505,000 (2015: HK\$919,013,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of HK\$1,053,007,000 (2015: HK\$745,472,000) which will expire at various dates up to 2021. Other losses may be carried forward indefinitely.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC companies from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to HK\$6,137,330,000 (2015: HK\$5,842,854,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

## 26. Inventories

	<b>2016</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Raw materials and consumables	720,710	611,877
Work in progress	229,357	236,502
Finished goods	<u>225,726</u>	<u>234,191</u>
	<u>1,175,793</u>	<u>1,082,570</u>

During the year, the Group recognised impairment loss of inventories in respect of long-aged consumables of HK\$6,325,000 (2015: HK\$7,040,000).

## 27. Prepayments, Deposits and Other Receivables

	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Prepayments	361,545	248,436
Deposits	124,471	170,255
Loan receivables due from various government sectors ( <i>note a</i> )	19,160	18,686
Dividend receivables from associates	30,000	20,000
Value-added tax recoverables	30,514	116,990
Amount due from a joint venture ( <i>note b</i> )	7,803	8,237
Consideration receivable for disposal of available-for-sale investments	–	778
Other receivables ( <i>note c</i> )	<u>139,982</u>	<u>236,674</u>
	<u><u>713,475</u></u>	<u><u>820,056</u></u>

*notes:*

- (a) At the end of the reporting period, loan receivables due from various government sectors with an aggregate carrying amount of HK\$38,373,000 (2015: HK\$62,433,000) are unsecured, of which HK\$19,160,000 (2015: HK\$18,686,000) are non-interest bearing and repayable within one year. The remaining balance of HK\$19,213,000 (2015: HK\$43,747,000) is interest bearing and repayable in more than one year, and shown under non-current asset in “other financial assets” line item as disclosed in Note 22.

Included in the carrying amount of loan receivables as at 31 December 2016 is accumulated impairment loss of HK\$85,655,000 (2015: HK\$85,058,000). The management has monitored the repayment of these loan receivables and assessed the recoverability of these balances regularly to determine the impairment loss. The management determined that for those balances overdue more than one year which are generally not recoverable, full provision for these balances will be made. During the year, the Group has recognised impairment loss of HK\$11,724,000 (2015: HK\$13,836,000) in respect of loan receivables that have been overdue for more than one year and reversed impairment loss of HK\$5,862,000 (2015: HK\$25,977,000) upon receipt of settlement of same amount.

- (b) Amount due from a joint venture is non-interest bearing, unsecured and repayable on demand.

- (c) Included in the carrying amount of other receivables as at 31 December 2016 are advances to certain independent third parties with an aggregate amount of HK\$139,982,000 (2015: HK\$237,452,000) with accumulated impairment loss of HK\$106,315,000 (2015: HK\$15,767,000).

During the year, the Group made an impairment loss of HK\$95,756,000 (2015: Nil) in respect of an advance to a cement manufacturer which is also a customer of the Group. Due to the delay of scheduled repayment from the cement manufacturer to the Group as a result of its financial difficulties, the Directors considered the actual future cash flows would be less than expected. Accordingly, an impairment loss on the advance was recognised in profit or loss. The allowance for doubtful debts of trade receivables due from this cement manufacturer is included in note 28.

For the remaining balances, no impairment loss has been made by the Group as at 31 December 2016 (2015: reversed impairment loss of HK\$3,274,000 upon receipt of settlement of same amount).

In addition, the Group has not written off any other receivables during the year (2015: HK\$8,262,000).

## 28. Trade Receivables

	<b>2016</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables from outsiders	2,954,194	2,840,861
Trade receivable from an associate	14,588	12,089
Trade receivable from a related party	8,605	3,796
Less: Allowance for doubtful debts	<u>(103,324)</u>	<u>(19,976)</u>
	<u><u>2,874,063</u></u>	<u><u>2,836,770</u></u>

The Group's policy is to allow a credit period of 90 – 180 days to its trade customers (including the associate and related party). The following is an aged analysis of trade receivables, net of allowance for doubtful debts, based on the invoice date at the end of the reporting period:

	<b>2016</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 90 days	1,594,477	1,631,628
91 – 180 days	1,209,804	1,160,944
181 – 365 days	<u>69,782</u>	<u>44,198</u>
	<u><u>2,874,063</u></u>	<u><u>2,836,770</u></u>

Before accepting any new customers with credit limit, the Group assesses their historical background and credibility which are available in the market. The credit limit will be determined with reference to the result of research and will be reviewed once a year.

At the end of the reporting period, trade receivables of HK\$66,478,000 (2015: HK\$43,044,000) which have been aged over 180 days and past due as at the end of the reporting period for which the Group has not provided for impairment loss because management is of the opinion that the credit quality of these customers has not deteriorated. Hence, there is no expectation of significant recoverability problem. The Group does not hold any collateral over these balances.

***Ageing of trade receivables which are past due but not impaired***

	<b>2016</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 90 days	4,590	23,050
91 – 180 days	38,071	824
181 – 365 days	<u>23,817</u>	<u>19,170</u>
	<u><u>66,478</u></u>	<u><u>43,044</u></u>

The Group will provide fully for any receivables that are past due beyond 365 days because historical experience is such that those receivables are generally not recoverable.

***Movement in the allowance for doubtful debts***

	<b>2016</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
1 January	19,976	20,684
Allowance for doubtful debts recognised in profit and loss	88,478	297
Exchange adjustments	<u>(5,130)</u>	<u>(1,005)</u>
31 December	<u><u>103,324</u></u>	<u><u>19,976</u></u>

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

**29. Held-for-trading Investments**

	<b>2016</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Listed equity securities in Hong Kong, at market value	28,865	28,523
Quoted investment funds in Taiwan, at fair value	<u>9,328</u>	<u>9,297</u>
	<u><u>38,193</u></u>	<u><u>37,820</u></u>

The fair values of the held-for-trading investments are determined based on the quoted market bid prices available on the relevant exchanges or prices provided by counterparty financial institutions. The quoted investment funds can be disposed of at the prices provided by the counterparty financial institutions on a regular basis.

**30. Derivative Financial Instruments*****Currency derivatives***

The Group utilises currency derivatives to hedge significant future transactions and cash flows. The Group utilises a variety of forward foreign exchange contracts to manage its exchange rate exposure. The instruments adopted are primarily to hedge the currencies used in the Group's principal markets.

During the year, a gain from changes in fair value of forward foreign exchange contracts of HK\$88,354,000 (2015: nil) was recognised in profit or loss and included in other income, gains and losses.

At the end of the reporting period, notional amount of major outstanding forward foreign exchange contracts that the Group has committed are as below:

	<b>2016</b>	<b>2015</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Buy US\$/Sell RMB at rates ranging from 7.0265 to 7.0275	<u>808,098</u>	<u>–</u>

As at 31 December 2016, the fair value of the Group's currency derivatives is estimated to be an asset of HK\$396,000 (2015: Nil), based on the difference between the market forward rate at the end of the reporting period for the remaining duration of the outstanding contracts and their contracted forward rates at the end of the reporting period. The contracts outstanding as at 31 December 2016 will mature in the first quarter of 2017 (2015: Nil).

**31. Trade Payables**

	<b>2016</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables to outsiders	1,083,880	995,445
Trade payable to ultimate holding company	5,308	1,073
Trade payables to fellow subsidiaries	47,734	25,970
Trade payable to an associate	<u>–</u>	<u>1,767</u>
	<u>1,136,922</u>	<u>1,024,255</u>

The following is an aged analysis of trade payables based on the invoice date at the end of the reporting period:

	<b>2016</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 90 days	1,039,232	905,241
91 – 180 days	5,314	18,265
181 – 365 days	12,530	62,690
Over 365 days	<u>79,846</u>	<u>38,059</u>
	<u><u>1,136,922</u></u>	<u><u>1,024,255</u></u>

The trade balances due to ultimate holding company, fellow subsidiaries and the associate are unsecured, interest-free and repayable in accordance with normal trading terms.

### 32. Other Payables and Accrued Liabilities

	<b>2016</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Construction cost payables	326,148	460,770
Deposits and receipts in advance from customers	483,631	488,878
Retention moneys	39,935	33,546
Other taxes payables	135,360	74,085
Preferred distribution payables to convertible preference shareholders	14,130	14,130
Payables for land use rights and mining rights	–	18,505
Consideration payable for the acquisition of additional interests in subsidiaries	8,960	16,660
Expenses accrual	242,546	233,784
Management fee payable to ultimate holding company	11,007	9,680
Other payables to fellow subsidiaries	738	5,848
Refundable deposit to former shareholder of a subsidiary arising from acquisition	67,740	70,635
Deferred income – government grants ( <i>Note 34</i> )	580	–
Other payables	<u>106,355</u>	<u>72,365</u>
	<u><u>1,437,130</u></u>	<u><u>1,498,886</u></u>

**33. Bank Loans**

	<b>2016</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Secured	–	69,615
Unsecured	<u>9,418,256</u>	<u>11,663,268</u>
	<u><u>9,418,256</u></u>	<u><u>11,732,883</u></u>

The loans are repayable as follows:

Within one year	2,295,456	6,028,147
More than one year but not exceeding two years	1,458,000	2,236,200
More than two years but not exceeding five years	<u>5,664,800</u>	<u>3,468,536</u>
	9,418,256	11,732,883
Less: Amounts due for settlement within one year (shown under current liabilities)	<u>(2,295,456)</u>	<u>(6,028,147)</u>
Amounts due for settlement after one year	<u><u>7,122,800</u></u>	<u><u>5,704,736</u></u>

The Group's bank loans that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	<b>2016</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong Dollars	–	159,513
United States Dollars	<u>7,216,800</u>	<u>9,479,129</u>

All bank loans of the Group are variable-rate loans which carry interest with reference to Hong Kong Interbank Offered Rate (“HIBOR”), London Interbank Offered Rate (“LIBOR”) and benchmark loan rates of financial institutions set by The People's Bank of China.



As at the end of the reporting period, the Group has the following undrawn borrowing facilities:

	<b>2016</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Floating rate		
– expiring within one year	4,107,105	3,580,536
– expiring beyond one year	<u>426,800</u>	<u>155,000</u>
	<u><u>4,533,905</u></u>	<u><u>3,735,536</u></u>

The Group has no secured bank borrowings (2015: HK\$69,615,000) which are secured by fixed charges of certain assets of the Group, including property, plant and equipment and prepaid lease payments.

#### 34. Deferred Income – Government Grants

	<b>2016</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Balance at 1 January	–	–
Received during the year	15,798	–
Recognised in profit or loss	(455)	–
Exchange adjustments	<u>20</u>	<u>–</u>
Balance at 31 December	<u><u>15,363</u></u>	<u><u>–</u></u>
Analysed for reporting purpose as:		
Non-current liabilities	14,783	–
Current liabilities	<u>580</u>	<u>–</u>
	<u><u>15,363</u></u>	<u><u>–</u></u>

The deferred income represents government subsidies granted to the Group in relation to the capital expenditure on technological research and development projects. During the year, the Group received these subsidies of HK\$15,798,000 (2015: Nil). The relevant conditions of these subsidies were fulfilled before recognition and such subsidies were non-recurring in nature. The amounts had been treated as deferred income and will be transferred to income over the project lives.

### 35. Amount due to Immediate Holding Company

On 23 December 2016, the Company entered into a loan agreement with the immediate holding company for borrowings of US\$80.0 million (equivalent to HK\$620.8 million). Mr. Koo Cheng-Yun, Leslie, an executive Director, is interested in the transaction to the extent that the immediate holding company is controlled by him. The agreement has a term for one year and is further extendable for another one year. The amount due to immediate holding company is carrying interest with reference to either HIBOR or LIBOR plus a spread, unsecured and the amount as at 31 December 2016 will be repayable on 23 December 2018. During the year ended 31 December 2016, the Group has early repaid the balance as at 31 December 2015 which shall be repaid on 28 December 2017 and has recognised related interest expenses of HK\$18,562,000 (2015: HK\$25,740,000).

### 36. Acquisition of Subsidiaries

In order to enlarge the market share in the PRC, the Group completed the following acquisitions during the year ended 31 December 2015.

In January 2015, the Group completed the acquisition of the entire equity interest in 四川鐵路集團水泥有限責任公司 (Sichuan Railway Group Cement Company Limited\*) at a cash consideration of RMB640.5 million (equivalent to HK\$800.6 million) from an independent third party. The company name was changed to TCC Huaying Cement Company Limited (“TCC Huaying”) after acquisition. TCC Huaying is principally engaged in the manufacture and distribution of cement and clinker in Sichuan province of the PRC.

In May 2015, the Group completed the acquisition of the entire equity interest in 湖南金大地材料有限責任公司 (Hunan Jindadi Materials Company Limited\*) at a cash consideration of RMB1,177.5 million (equivalent to HK\$1,465.7 million) from six independent third parties. The company name was changed to TCC Huaihua Cement Company Limited (“TCC Huaihua”) after acquisition. TCC Huaihua and its subsidiaries (the “TCC Huaihua Group”) are principally engaged in the manufacture and distribution of cement, clinker, concrete and other cement related products in Hunan province of the PRC.

Both acquisitions have been accounted for using the acquisition method. The Group has adjusted the amount of goodwill being recognised based on the final valuation of acquired identifiable assets. The amount of goodwill arising as a result of the acquisitions of TCC Huaying and TCC Huaihua Group were HK\$65,179,000 and HK\$616,253,000 respectively.

Acquisition related costs amounting to HK\$2,516,000 in aggregate have been excluded from the cost of acquisition and have been recognised as an expense in the year ended 31 December 2015, and included in the “general and administrative expenses” line item in profit or loss.

\* For identification purpose only

The net assets acquired in the transactions, and the goodwill arising, are as follows:

	<b>TCC Huaying</b>	<b>TCC Huaihua Group</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment	975,741	1,676,965	2,652,706
Prepaid lease payments	58,030	207,704	265,734
Intangible assets	435	84,951	85,386
Mining rights	1,255	8,568	9,823
Deposits paid for acquisition of other assets	–	1,875	1,875
Deferred tax assets	–	7,278	7,278
	<u>1,035,461</u>	<u>1,987,341</u>	<u>3,022,802</u>
<b>Current assets</b>			
Inventories	42,055	135,534	177,589
Prepaid lease payments	1,530	1,339	2,869
Prepayments, deposits and other receivables ( <i>note</i> )	56,344	84,545	140,889
Trade receivables ( <i>note</i> )	16,714	24,112	40,826
Tax recoverables	625	11,546	12,171
Pledged bank deposits	–	137,640	137,640
Cash and bank balances	16,983	44,977	61,960
	<u>134,251</u>	<u>439,693</u>	<u>573,944</u>
<b>Current liabilities</b>			
Trade payables	32,300	566,280	598,580
Other payables and accrued liabilities	34,815	635,803	670,618
Bank loans	356,225	248,625	604,850
	<u>423,340</u>	<u>1,450,708</u>	<u>1,874,048</u>

	TCC Huaying HK\$'000	TCC Huaihua Group HK\$'000	Total HK\$'000
<b>Non-current liabilities</b>			
Bank loans	–	25,000	25,000
Loan term payables	–	21,024	21,024
Deferred tax liabilities	<u>10,907</u>	<u>80,903</u>	<u>91,810</u>
	<u>10,907</u>	<u>126,927</u>	<u>137,834</u>
	<u>735,465</u>	<u>849,399</u>	<u>1,584,864</u>

*note:* The trade and other receivables acquired with an aggregate fair value of HK\$87,310,000 have gross contractual amounts of HK\$96,400,000. The best estimate at acquisition date of contractual cash flows not expected to be collected was HK\$9,090,000.

	TCC Huaying HK\$'000	TCC Huaihua Group HK\$'000	Total HK\$'000
<b>Goodwill arising on acquisition</b>			
Consideration transferred	800,644	1,465,652	2,266,296
Less: Fair value of identifiable net assets acquired	<u>(735,465)</u>	<u>(849,399)</u>	<u>(1,584,864)</u>
Goodwill arising on acquisition	<u>65,179</u>	<u>616,253</u>	<u>681,432</u>
<b>Net cash outflow arising on acquisition</b>			
Cash consideration	800,644	1,465,652	2,266,296
Less: Cash and bank balances acquired	(16,983)	(44,977)	(61,960)
Deposit paid in prior year	<u>(344,793)</u>	<u>(174,908)</u>	<u>(519,701)</u>
Net cash outflow arising on acquisition	<u>438,868</u>	<u>1,245,767</u>	<u>1,684,635</u>

Goodwill arose on the acquisition of TCC Huaying and TCC Huaihua Group because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to expected synergies, revenue growth, future market development and the assembled workforce for TCC Huaying and TCC Huaihua Group. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

***Impact of acquisitions on the results of the Group***

During the year ended 31 December 2015, TCC Huaying contributed HK\$299,644,000 to the Group's revenue and loss of HK\$61,542,000 to the Group's results for the period from the date of acquisition (in January 2015) to 31 December 2015.

During the year ended 31 December 2015, TCC Huaihua Group contributed HK\$469,899,000 to the Group's revenue and loss of HK\$44,794,000 to the Group's results for the period from the date of acquisition (in May 2015) to 31 December 2015.

If the acquisitions had been completed on 1 January 2015, the Group would record total revenue of HK\$11,184,547,000 and a pro forma loss of HK\$560,801,000 for the year ended 31 December 2015. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisitions been completed on 1 January 2015, nor is it intended to be a projection of future results.

## 37. Share Capital – Ordinary Shares

	Number of ordinary shares	HK\$'000
<i>Authorised:</i>		
Ordinary shares of HK\$0.10 each at 1 January 2015, 31 December 2015 and 31 December 2016	<u>5,000,000,000</u>	<u>500,000</u>
<i>Issued and fully paid:</i>		
Ordinary shares of HK\$0.10 each at 1 January 2015	3,295,643,213	329,565
Rights issue of shares ( <i>note</i> )	1,647,821,617	164,782
Conversion of non-redeemable convertible preference shares	<u>21</u>	<u>–</u>
At 31 December 2015 and 31 December 2016	<u>4,943,464,851</u>	<u>494,347</u>

*note:* On 16 July 2015, the Company issued 1,647,821,617 ordinary shares, on the basis of one rights share for every two existing ordinary shares at the issue price of HK\$2.20 per share. The net proceeds of HK\$3,608.1 million were raised by the Company. The Company's issued ordinary share capital was increased to 4,943,464,851 shares.

The new shares issued rank *pari passu* in all respects with the existing shares in issue.

**38. Share Capital – Non-redeemable Convertible Preference Shares (“Preference Shares”)**

	<b>Number of convertible preference shares</b>	<i>HK\$'000</i>
<i>Authorised:</i>		
Preference shares of HK\$0.10 each		
At 1 January 2015, 31 December 2015 and 31 December 2016	<u>494,344,810</u>	<u>49,435</u>
<i>Issued and fully paid:</i>		
Preference shares of HK\$0.10 each		
At 1 January 2015	494,333,666	49,433
Conversion of preference shares	<u>(21)</u>	<u>–</u>
At 31 December 2015 and 31 December 2016	<u>494,333,645</u>	<u>49,433</u>

The preference shares are non-redeemable and carry no voting right. Pursuant to the terms of the preference shares and the articles of association of the Company, as a result of the rights issue of the Company, the initial conversion price of preference share, being HK\$4.90 per preference share, has been conditionally adjusted to HK\$4.49 per preference share with effect from 12 June 2015. Under the terms of the preference shares, each preference share is initially convertible into one ordinary share. As a result of the above change in the conversion price, the initial conversion rate is adjusted such that the number of ordinary shares into which each preference share is convertible will be adjusted by multiplying the rate of “4.90/4.49”. Details of which is disclosed in the Company’s announcement dated 12 June 2015.

The preference shareholders are entitled to receive dividend *pari passu* with ordinary shareholders on an as converted basis. In addition, they are also entitled to preferred distribution at a rate of 1.0% per annum on the issue price, at HK\$4.9 per preference share, payable semi-annually in arrears. The preferred distribution is non-cumulative. The Directors may, in their sole discretion, elect to defer or not to pay a preferred distribution. If the board of Directors elects to defer or not to pay a preferred distribution, the Company shall not pay any dividends, distributions or make any other payment on any ordinary shares.

### 39. Share-based Payment Transactions

#### *Equity-settled share option scheme*

The Company operates a share option scheme (the “Scheme”) for the purpose of enabling the Directors to grant options to selected Eligible Persons as incentives or rewards for their contribution or potential contribution to the Group. The Scheme shall be valid and effective for a period of 10 years commencing on the adoption date of 23 May 2006. The basis of eligibility of any of the Eligible Persons to the grant of options shall be determined by the Directors from time to time on the basis of the Directors’ opinion as to his contribution or potential contribution to the development and growth of the Group. Eligible Persons means any person falling within one of the following classes:

- (i) any Director or proposed Director (whether executive or non-executive, including any independent non-executive Director), employee of any member of the Group or any controlling shareholder, a person who controls the Company or any company controlled by a controlling shareholder (a “Category A Eligible Person”); or
- (ii) any holder of any securities issued by any member of the Group or any controlling shareholder or any company controlled by a controlling shareholder (a “Category B Eligible Person”);

and, for the purposes of the Scheme, shall include any company controlled by one or more persons belonging to any of the above classes of persons.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares in issue as at the date of adoption of the Scheme. The Company can grant share options to subscribe up to 77,292,200 shares of the Company under the Scheme. The 10% limit may be refreshed with the approval of shareholders of the Company.

The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company’s shareholders. Any option to be granted to a Director, chief executive or substantial shareholder of the Company (or any of their respective associates) must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options).



If a grant of options to a substantial shareholder or an independent non-executive Director (or any of their respective associates) will result in the total number of shares issued and to be issued upon exercise of options already granted and to be granted to such person under the Scheme and any other share option schemes of the Company (including options exercised, cancelled and outstanding) in any 12-month period up to and including the date of grant representing in aggregate over 0.1% of the shares in issue; and in excess of HK\$5 million, such further grant of options is required to be approved by shareholders.

The option period commences on the Commencement Date (the date upon which the options are deemed to be granted and accepted) of such options and ends on the close of business on the day immediately preceding the tenth anniversary thereof.

The exercise price per share shall be determined by the Board, being at least the highest of (i) the closing price of the shares on the date on which an option is offered to an Eligible Person, which must be a business day (“Offer Date”); (ii) the average closing price of the shares for the five trading days immediately preceding the offer date, and (iii) the nominal value of one share.

Share options do not contain rights on the holders to dividends or vote at shareholders meetings.

No share option was granted under the Scheme and no movement was observed during both years.

No expense was recognised in relation to share options granted under the Scheme by the Company during both years.

#### **40. Reserves**

##### ***Contributed surplus***

The contributed surplus of the Group represents the difference between the fair value of the combined net assets value of the subsidiaries involved in the Group reorganisation in September 1997 and the assets, liabilities and undertakings which relate to the import and distribution of cement carried out by Hong Kong Cement Manufacturing Company Limited prior to the Group reorganisation (the “Relevant Business”), as if they were acquired by the Group when the subsidiaries and the Relevant Business commenced operations, and the nominal value of the Company’s shares issued in exchange therefor.

***Statutory reserve fund***

In accordance with the relevant PRC regulations applicable to wholly-foreign owned enterprises, certain PRC subsidiaries are required to appropriate an amount of not less than 10% of its annual after tax profit to the statutory reserve fund which may be used to increase the paid-up capital of the PRC subsidiaries.

**41. Retirement Benefits Plans**

The Group operates a defined contribution retirement benefits scheme under the Mandatory Provident Fund Ordinance (the “MPF Scheme”) for employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees’ basic salaries with maximum of HK\$1,500 per employee per month and are charged to the profit and loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group’s employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group’s employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

The employees of the Company’s subsidiaries in the PRC are members of state-managed retirement benefit plans operated by the government of the PRC. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

The total expense recognised in the consolidated statement of profit or loss and other comprehensive income of HK\$85,322,000 (2015: HK\$82,144,000) represents contributions payable to these plans by the Group at rates specified in the rules of the plans.

**42. Capital Risk Management**

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balances. The Group’s overall strategy remains unchanged from prior years.

The capital structure of the Group consists of net debt, which includes bank loans and amount due to immediate holding company net of cash and bank balances, and equity attributable to owners of the Company, comprising issued share capital, reserves and retained earnings. The Directors review the capital structure on an annual basis. As part of this review, the Directors consider the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debts.

#### 43. Financial Instruments

##### *Categories of financial instruments*

	<b>2016</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Financial assets</b>		
FVTPL		
– held-for-trading investments	38,193	37,820
Derivative financial instruments	396	–
Loans and receivables		
(including cash and cash equivalents)	7,431,974	8,967,444
Available-for-sale investments	34,453	37,377
<b>Financial liabilities</b>		
Amortised cost	<u>11,994,117</u>	<u>14,623,061</u>

##### *Financial risk management objectives and policies*

The Group's major financial instruments include equity investments, trade and other receivables, loan receivables, derivative financial instruments, bank deposits and bank balances, trade and other payables, bank loans and amount due to immediate holding company. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include credit risk, interest rate risk, currency risk, other price risk and liquidity risk and the policies applied by the Group to mitigate these risks are set out below. Management monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

***Credit risk***

At 31 December 2016, the Group's maximum exposure to credit risk, which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties, is arising from the carrying amount of the respective financial assets as stated in the consolidated statement of financial position and the amount of contingent liabilities in relation to financial guarantee issued by the Group as disclosed in Note 44. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debtor at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings.

The Group mainly trades on terms based on prepayments and letters of credits in most of the transactions. Thus, the management considers that the risk is adequately monitored and does not expect any counterparty to fail to meet its obligations.

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for all loan receivables (2015: all) and 97.6% of the trade receivables (2015: 97.4%) as at 31 December 2016.

As at 31 December 2016, the Group has concentration of credit risk with (i) loan receivables due from three (2015: four) borrowers within the government sectors in the PRC; and (ii) financial guarantee issued by the Group to an associate.

**Market risk***(i) Interest rate risk*

The Group is exposed to fair value interest rate risk in relation to the pledged bank deposits, restricted bank deposits and time deposits. The Group is also exposed to cash flow interest rate risk in relation to floating-rate bank loans, amount due to immediate holding company and bank balances. The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise. The fair value interest rate risk on bank deposits is insignificant as the fixed deposits are short-term.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR, LIBOR and benchmark loan rates of financial institutions set by The People's Bank of China arising from the Group's bank loans and amount due to immediate holding company.

## Sensitivity analysis

The Group's sensitivity to interest rate risk has been determined based on the exposure to variable interest rates for financial instruments at the end of the reporting period. The analysis is prepared assuming amount due to immediate holding company and bank balances net of floating-rate bank loans at the end of the reporting period were outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2016 would increase/decrease by HK\$22,000,000 (2015: HK\$6,823,000).

*(ii) Currency risk*

The Group is mainly exposed to United States Dollars (“US\$”) and HK\$.

Amount due to immediate holding company, bank balances and bank loans of the Group are denominated in foreign currencies. The management continuously monitors the foreign exchange exposure and will consider hedging foreign currency risk should the need arise.

In addition, the Group enters into short-term forward foreign exchange contracts (less than 3 months) for hedging purpose. The Group utilises a variety forward foreign exchange contracts to hedge its exposure to foreign currencies on a regular basis.

As at 31 December 2016, major outstanding forward foreign exchange contracts that the Group has committed is buying US\$ and selling RMB at rates from 7.0265 to 7.0275 (2015: nil). Their fair value is estimated to be an asset of HK\$396,000 (2015: nil) and is included as derivative financial instruments (2015: nil) at the end of the reporting period. The contracts will mature in the first quarter of 2017.

## Sensitivity analysis

The following table details the Group’s sensitivity to a reasonably possible change of 5% in exchange rate of US\$ and HK\$ against functional currency of RMB respectively, while all other variables are held constant. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates.

	<b>2016</b>	<b>2015</b>
	<i>HK\$’000</i>	<i>HK\$’000</i>
Increase (decrease) in post-tax profit/decrease (increase) in post-tax loss for the year		
– if RMB weakens against US\$	11,858	(218,488)
– if RMB strengthens against US\$	(11,858)	218,488
– if RMB weakens against HK\$	–	(5,982)
– if RMB strengthens against HK\$	–	5,982

*(iii) Other price risk*

The Group's equity investments and the investment funds with underlying equity investments at the end of the reporting period exposed the Group to equity security price risk. The management manages this exposure by maintaining a portfolio of investments with different risk profiles. The Group's equity price risk is from listed equity securities in Hong Kong and quoted investment funds. Available-for-sale investments also exposed to price risk but no sensitivity analysis is presented as the available-for-sale investments are measured at cost.

*Sensitivity analysis*

The sensitivity analyses below have been determined based on the exposure to equity price risks in respect of held-for-trading investments at the reporting date.

If the prices of the respective held-for-trading investments had been 20% higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2016 would increase/decrease by HK\$7,639,000 (2015: HK\$7,564,000) as a result of the changes in fair value of held-for-trading investments.

***Liquidity risk***

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank loans and ensures compliance with loan covenants.

The Group relies on bank loans as a significant source of liquidity. As at 31 December 2016, the Group has available unutilised bank loan facilities of HK\$4,533,905,000 (2015: HK\$3,735,536,000). Details of which are set out in Note 33.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for non-derivative financial liabilities are based on the agreed repayment dates. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

*Liquidity risk tables*

	Weighted average interest rate %	Repayable on demand HK\$'000	1 – 3 months HK\$'000	3 months to 1 year HK\$'000	1 – 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
<b>2016</b>							
<b>Non-derivative financial liabilities</b>							
Trade and other payables	–	1,007	860,783	1,093,271	–	1,955,061	1,955,061
Bank loans	2.7	–	1,710,486	843,391	7,450,652	10,004,529	9,418,256
Amount due to immediate holding company	2.3	–	3,567	10,700	635,067	649,334	620,800
Financial guarantee contract	–	100,800	–	–	–	100,800	–
		<u>101,807</u>	<u>2,574,836</u>	<u>1,947,362</u>	<u>8,085,719</u>	<u>12,709,724</u>	<u>11,994,117</u>
<b>2015</b>							
<b>Non-derivative financial liabilities</b>							
Trade and other payables	–	838	968,632	990,708	–	1,960,178	1,960,178
Bank loans	2.7	–	2,003,681	4,187,559	5,879,355	12,070,595	11,732,883
Amount due to immediate holding company	1.7	–	8,109	24,327	1,945,609	1,978,045	930,000
Financial guarantee contract	–	124,950	–	–	–	124,950	–
		<u>125,788</u>	<u>2,980,422</u>	<u>5,202,594</u>	<u>7,824,964</u>	<u>16,133,768</u>	<u>14,623,061</u>

The amounts included above for financial guarantee contract is the maximum amount the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.



***Fair value of financial assets and financial liabilities***

*Fair value measurements of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis*

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets/ financial liabilities	Fair value as at 31 December 2016	Fair value hierarchy	Valuation technique(s) and key input(s)
<b>Financial assets</b>			
Held-for-trading investments	Listed equity securities in Hong Kong: – cement industry – HK\$28,865,000 (2015: HK\$28,523,000); and quoted investment funds in Taiwan – HK\$9,328,000 (2015: HK\$9,297,000)	Level 1	Quoted bid prices in active markets.
Forward foreign exchange contracts as derivative financial instruments in the consolidated statement of financial position	Assets – HK\$396,000 (2015: nil)	Level 2	Discounted cash flow Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values. In addition, available-for-sale investments are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the Directors are of the opinion that their fair values cannot be measured reliably.

There were no transfers between levels in both years.

**44. Contingent Liabilities**

As at 31 December 2016, the Group provided a corporate guarantee jointly with other shareholders of an associate to a bank in respect of banking facilities granted to that associate in aggregate amounted to RMB400,000,000 (equivalent to HK\$448,000,000) (2015: RMB400,000,000 (equivalent to HK\$476,000,000)), of which RMB300,000,000 (equivalent to HK\$336,000,000) (2015: RMB350,000,000 (equivalent to HK\$416,500,000)) has been utilised by the associate. Pursuant to the corporate guarantee agreement, the Group has provided the guarantee amount proportioned to its equity interest in the associate, which represents RMB90,000,000 (equivalent to HK\$100,800,000) (2015: RMB105,000,000 (equivalent to HK\$124,950,000)).

Save as disclosed above, the Group had no other material contingent liabilities as at the end of the reporting period.

**45. Capital Commitments**

The Group's capital expenditure in respect of the following items contracted but not provided for in the consolidated financial statements are as follow:

	<b>2016</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Acquisition of property, plant and equipment	<u>473,440</u>	<u>893,459</u>

**46. Operating Lease Commitments**

At the end of the reporting period, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases with a fellow subsidiary which fall due as follows:

	<b>2016</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	4,968	4,968
In the second to fifth years inclusive	19,872	19,872
Over five years	<u>28,169</u>	<u>33,137</u>
	<u>53,009</u>	<u>57,977</u>

Operating lease payments represent rentals payable by the Group for certain of its rented land based on current rental payment. Leases are negotiated for lease term of thirty years and the rental is repriced every two years based on the market rent.

#### 47. Pledge of Assets

As at 31 December 2016, assets with the following carrying amounts have been pledged as performance guarantee in relation to certain mining contracts (2015: or as a security for the bank loans).

	<b>2016</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Property, plant and equipment	–	529,434
Prepaid lease payments	–	62,862
Pledged bank deposits	<u>17,291</u>	<u>19,289</u>
	<u><u>17,291</u></u>	<u><u>611,585</u></u>

**48. Related Parties Transactions**

In addition to the transactions and balances set out in Notes 9, 27, 28, 31, 35 and 46, the Group entered into the following material related party transactions during the year:

	NOTES	2016 HK\$'000	2015 HK\$'000
(i) Rental expenses payable to a fellow subsidiary	(a)	4,968	4,968
(ii) Purchases of cement and clinker from ultimate holding company	(b)	26,577	75,427
(iii) Transportation and management services fee payable to fellow subsidiaries	(a)	224,376	268,545
(iv) Maintenance service and one-off implementation service fee of a computer software system payable to fellow subsidiaries	(a)	19,596	30,243
(v) Sales of limestone to ultimate holding company	(b)	–	7,331
(vi) Service fee payable to ultimate holding company	(a & c)	120,249	86,177
(vii) Management fee payable to a related party (note 1)	(a)	10,242	10,707
(viii) Rental expenses payable to a related party (note 1)	(a)	704	743
(ix) Sales of cement to a related party (note 1)	(b)	44,876	52,348
(x) Trademark fee payable to a related party (note 2)	(a)	5,432	4,766
(xi) Purchase of raw materials from a related party (note 3)	(b)	262	–
(xii) Purchase of raw materials from an associate	(b)	24,086	29,209
(xiii) Sales of cement to an associate	(b)	75,469	90,172
(xiv) Sales of raw materials to an associate	(b)	17,804	31,223
(xv) Service income from associates	(a)	2,341	1,576

*notes:*

- (1) The related party is a non-controlling shareholder of a subsidiary of the Company.
- (2) The related party is the holding company of a non-controlling shareholder of a subsidiary of the Company.
- (3) The related party is a subsidiary of a non-controlling shareholder of a subsidiary of the Company.
- (a) The prices of these transactions were determined between the parties with reference to the agreements signed.
- (b) The prices of these transactions were determined between the parties with reference to market prices.
- (c) On 12 March 2015, the Company entered into a service agreement with the ultimate holding company for provision of services including internal services (including human resources, financial management, internal audit and legal advice) and production related and sales related services by the ultimate holding company. Mr. Koo Cheng-Yun, Leslie, an executive Director, is interested in the transaction to the extent that the ultimate holding company is controlled by him. The agreement has a term commencing from 12 March 2015 to 31 December 2017. The service fee payable by the Company is determined based on the total clinker production capacity, total cement production capacity and the total residual heat generated by the Group for the immediately preceding period. Details of the transaction are set out in the announcement of the Company dated 12 March 2015.

During the year, the remuneration of key management personnel which represents the short-term benefits of Directors remuneration is HK\$7,185,000 (2015: HK\$3,610,000) as set out in Note 11.

## 49. Subsidiaries

Details of the Company's principal subsidiaries at 31 December 2016 and 2015 are as follows:

Name of subsidiary	Place of incorporation/ operation	Particulars of paid up/ registered capital	Proportion of ownership interest		Principal activities
			2016	2015	
<i>Shares held directly:</i>					
Ulexite Investments Limited	British Virgin Island ("BVI")/Hong Kong	Ordinary US\$200	100%	100%	Investment holding
Upper Value Investment Limited	Hong Kong	Ordinary HK\$1	100%	100%	Investment holding
Upper Value Investments Limited	BVI/Hong Kong	Ordinary US\$12,700	100%	100%	Investment holding
<i>Shares held indirectly:</i>					
Anhui King Bridge Cement Ltd.*	The PRC	Registered capital US\$15,000,000	60%	60%	Manufacture and distribution of slag powder
Anshun Xin Tai* <sup>2</sup>	The PRC	Registered capital RMB15,000,000	100%	100%	Manufacture and distribution of sand and gravel aggregate products
Chiefolk Company Limited	Hong Kong	Ordinary HK\$1,000,000	70%	70%	Investment holding
Guizhou Kaili Rui An Jian Cai Co., Ltd.* <sup>1</sup>	The PRC	Registered capital RMB389,660,500	100%	100%	Manufacture and distribution of cement and clinker
Guizhou Kong On Cement Company Limited*	The PRC	Registered capital US\$20,300,000	65%	65%	Manufacture and distribution of cement and clinker
HKC Investments Limited	Taiwan	Ordinary NT\$155,000,000	100%	100%	Investment holding
Hong Kong Cement Company Limited	Hong Kong	Ordinary HK\$164,391,013	100%	100%	Import and distribution of cement
Jurong TCC Cement Co., Ltd.*	The PRC	Registered capital US\$233,000,000	100%	100%	Mining of limestone and production and sales of cement and cement products
Koning Concrete Limited	Hong Kong	Ordinary HK\$100	–	100%	Investment holding
Scitus Luzhou Cement Co., Ltd.*	The PRC	Registered capital RMB395,000,000	100%	100%	Manufacture and distribution of cement and clinker
Scitus Luzhou Concrete Co., Ltd.*	The PRC	Registered capital RMB25,000,000	100%	100%	Manufacture and distribution of concrete

**APPENDIX I**
**FINANCIAL INFORMATION OF THE GROUP**

Name of subsidiary	Place of incorporation/ operation	Particulars of paid up/ registered capital	Proportion of ownership interest		Principal activities
			2016	2015	
Scitus Naxi Cement Co., Ltd.*	The PRC	Registered capital RMB146,510,000	100%	100%	Manufacture and distribution of cement
TCC Anshun Cement Company Limited* <sup>1</sup>	The PRC	Registered capital US\$153,490,000	100%	100%	Manufacture and distribution of cement and clinker
TCC Chongqing Cement Company Limited* <sup>1</sup>	The PRC	Registered capital US\$118,000,000	100%	100%	Manufacture and distribution of cement and clinker
TCC (DongGuan) Cement Company Limited* <sup>1</sup>	The PRC	Registered capital US\$20,000,000	100%	100%	Transshipment cement and cement products
TCC Fuzhou Cement Co., Ltd.* <sup>1</sup>	The PRC	Registered capital US\$16,250,000	100%	100%	Manufacture and distribution of cement
TCC Fuzhou Yangyu Port Co., Ltd.* <sup>1</sup>	The PRC	Registered capital US\$5,000,000	100%	100%	Provision of port facility services
TCC Guangan Cement Company Limited* <sup>1</sup>	The PRC	Registered capital US\$76,990,000	100%	100%	Manufacture and distribution of cement and clinker
TCC (Guigang) Cement Ltd.* <sup>1</sup>	The PRC	Registered capital US\$217,875,900	100%	100%	Manufacture and distribution of cement and clinker
TCC Guigang Mining Industrial Company Limited*	The PRC	Registered capital US\$5,000,000	100%	100%	Provision of limestone quarrying services
TCC Hong Kong Cement Development Limited	BVI/Hong Kong	Ordinary US\$10 Deferred*** US\$90	100%	100%	Property holding
TCC Huaihua* <sup>1</sup>	The PRC	Registered capital RMB93,000,000	100%	100%	Manufacture and distribution of cement and clinker
TCC Huaihua Concrete Company Limited* <sup>2</sup>	The PRC	Registered capital RMB10,000,000	100%	100%	Manufacture and distribution of concrete
TCC Huaying* <sup>2</sup>	The PRC	Registered capital RMB901,850,000	100%	100%	Manufacture and distribution of cement and clinker
TCC Jiangsu Mining Industrial Company Limited* <sup>1</sup>	The PRC	Registered capital US\$4,000,000	100%	100%	Provision of limestone quarrying services
TCC Jingzhou Cement Company Limited* <sup>2</sup>	The PRC	Registered capital RMB10,000,000	100%	100%	Manufacture and distribution of cement and clinker
TCC Liaoning Cement Company Limited* <sup>1</sup>	The PRC	Registered capital US\$55,391,700	100%	100%	Manufacture and distribution of cement and clinker
TCC Liuzhou Company Limited	Hong Kong	Ordinary HK\$10,000	70%	70%	Investment holding

Name of subsidiary	Place of incorporation/ operation	Particulars of paid up/ registered capital	Proportion of ownership interest		Principal activities
			2016	2015	
TCC Liuzhou Construction Materials Company Limited*	The PRC	Registered capital US\$13,500,000	42%**	42%**	Manufacture and distribution of slag powder
TCC Shaoguan Cement Co., Limited <sup>*1</sup>	The PRC	Registered capital US\$40,000,000	100%	100%	Manufacture and distribution of cement and clinker (not yet commenced business)
TCC Yingde Cement Co., Ltd. <sup>*1</sup>	The PRC	Registered capital US\$254,400,000	100%	100%	Manufacture and distribution of cement and clinker
TCC Yingde Mining Industrial Company Limited*	The PRC	Registered capital US\$11,500,000	100%	100%	Provision of limestone quarrying services
Yingde Dragon Mountain Cement Co., Ltd. <sup>*1</sup>	The PRC	Registered capital RMB428,110,000	100%	100%	Manufacture and distribution of cement and clinker

\* Registered as equity joint venture under the PRC law.

<sup>\*1</sup> Registered as wholly foreign owned enterprise under the PRC law.

<sup>\*2</sup> Registered as domestic company under the PRC law.

\*\* A subsidiary of a non wholly-owned subsidiary of the Company and, accordingly, is accounted for as a subsidiary by virtue of the Company's control over it.

\*\*\* The deferred shares of TCC Hong Kong Cement Development Limited are non-voting, carry no rights to dividends and are only entitled to a return of capital when the surplus exceeds US\$1,000,000,000,000,000,000,000.

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results, assets, or liabilities of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

In the opinion of the Directors, none of its subsidiaries that have non-controlling interests that are material to the Group.

None of the subsidiaries had issued any debt securities at the end of the year.



## 50. Statement of Financial Position and Reserves of the Company

	2016 HK\$'000	2015 HK\$'000
Non-current assets		
Investments in subsidiaries	25,634,064	23,461,264
Intangible assets	<u>35</u>	<u>–</u>
	<u>25,634,099</u>	<u>23,461,264</u>
Current assets		
Prepayments, deposits and other receivables	24,095	19,930
Amounts due from subsidiaries	456,517	487,886
Held-for-trading investments	28,865	28,523
Derivative financial instruments	396	–
Cash and bank balances	<u>671,241</u>	<u>999,355</u>
	<u>1,181,114</u>	<u>1,535,694</u>
Current liabilities		
Other payables and accrued liabilities	44,458	38,231
Bank loans	271,600	1,874,900
Amounts due to subsidiaries	<u>1,537,647</u>	<u>1,205,838</u>
	<u>1,853,705</u>	<u>3,118,969</u>
Net current liabilities	<u>(672,591)</u>	<u>(1,583,275)</u>
Total assets less current liabilities	<u>24,961,508</u>	<u>21,877,989</u>
Non-current liabilities		
Bank loans	7,122,800	3,521,750
Amount due to immediate holding company	<u>620,800</u>	<u>930,000</u>
	<u>7,743,600</u>	<u>4,451,750</u>
	<u>17,217,908</u>	<u>17,426,239</u>
Capital and reserves		
Share capital – ordinary shares	494,347	494,347
Share capital – non-redeemable convertible preference shares	49,433	49,433
Reserves	<u>16,674,128</u>	<u>16,882,459</u>
	<u>17,217,908</u>	<u>17,426,239</u>

*Movement in reserves*

	Share premium HK\$'000	Contributed surplus HK\$'000	Capital redemption reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 January 2015	<u>10,547,971</u>	<u>264,586</u>	<u>5,130</u>	<u>3,217,959</u>	<u>14,035,646</u>
Loss and total comprehensive expense for the year	<u>–</u>	<u>–</u>	<u>–</u>	<u>(79,604)</u>	<u>(79,604)</u>
Issue of new shares upon rights issue	3,460,426	–	–	–	3,460,426
Transaction costs attributable to issue of ordinary shares	(17,089)	–	–	–	(17,089)
Payment of dividends	–	–	–	(492,697)	(492,697)
Preferred distribution to convertible preference shareholders	<u>–</u>	<u>–</u>	<u>–</u>	<u>(24,223)</u>	<u>(24,223)</u>
At 31 December 2015	<u>13,991,308</u>	<u>264,586</u>	<u>5,130</u>	<u>2,621,435</u>	<u>16,882,459</u>
Loss and total comprehensive expense for the year	<u>–</u>	<u>–</u>	<u>–</u>	<u>(75,353)</u>	<u>(75,353)</u>
Payment of dividends	–	–	–	(108,756)	(108,756)
Preferred distribution to convertible preference shareholders	<u>–</u>	<u>–</u>	<u>–</u>	<u>(24,222)</u>	<u>(24,222)</u>
At 31 December 2016	<u>13,991,308</u>	<u>264,586</u>	<u>5,130</u>	<u>2,413,104</u>	<u>16,674,128</u>

**4. INDEBTEDNESS**

Our indebtedness consisted of bank loans and amount due to immediate holding company.

**Bank loans**

At the close of business on May 31, 2017, being the latest practicable date for the purpose of preparing this indebtedness statement prior to the printing of this Scheme Document, the Group in aggregate had outstanding bank loans amounting to approximately HK\$8,763.14 million which comprised of:

- (a) Bank loans – unsecured and unguaranteed: HK\$7,510.40 million
- (b) Bank loans – unsecured and guaranteed: HK\$1,252.74 million

**Unsecured and unguaranteed amount due to immediate holding company**

The amount due to immediate holding company as at May 31, 2017 was referred to the loan between the Company and the immediate holding company for the borrowings of US\$80 million (equivalent to HK\$620.80 million).

**Contingent liabilities**

The Group's contingent liabilities of approximately HK\$77.97 million, comprise corporate guarantees given by the Group for banking facilities granted to associate. The corporate guarantees represent the Group's proportionate share of the banking facilities utilised by the associate of the Group as at May 31, 2017.

Save as aforesaid or as otherwise mentioned herein and apart from intra-group liabilities and normal accounts payable in the ordinary course of business, the Group did not have any outstanding mortgages, charges, debentures, loan capital, debt securities issued and outstanding or authorised or otherwise created but unissued, bank loans and overdrafts or other similar indebtedness, finance leases or hire purchase commitment, liabilities under acceptances (other than normal trade bills) or acceptance credits or other material contingent liabilities or guarantees as at May 31, 2017.

The Directors have confirmed that there has been no material change in the Group's indebtedness position and contingent liabilities during the period from May 31, 2017 up to the Latest Practicable Date.

## 5. MATERIAL CHANGES

Save as disclosed in the interim results of the Company for the six months period ended June 30, 2017 in “Appendix I – Financial Information of the Group” to the Scheme Document including that:

1. the revenue for the six months ended June 30, 2017 (“**1H2017**”) increased by approximately 25.4% as compared with that for the six months period ended June 30, 2016 (“**1H2016**”), which was mainly due to the increase in average selling price of cement in the PRC during 1H2017 as compared to 1H2016;
2. gross profit for the 1H2017 increased prominently from approximately HK\$766.4 million for 1H2016 to approximately HK\$1,363.4 million for 1H2017, which was mainly attributable to the increased selling price of cement coupled with the Group’s ever strengthening operational efficiency;
3. the share of profits of associates increased from approximately HK\$61.8 million for 1H2016 to approximately HK\$136.9 million for 1H2017, which was mainly due to increase in profitability of the Group’s associated companies in the PRC; and
4. profit attributable to the shareholders of the Company during 1H2017 amounted to around HK\$469.4 million as compared to a loss attributable to the shareholders of the Company during 1H2016 of around HK\$156.1 million, as a result of the prominent increase in gross profit of the Group during 1H2017,

the Directors confirm that there had been no other material change in the financial or trading position or outlook of the Group since December 31, 2016 (the date to which the latest audited consolidated financial statements of the Group were made up) and up to and including the Latest Practicable Date.

**1. FINANCIAL SUMMARY**

The following summary financial information for each of the three financial years ended December 31, 2014, 2015 and 2016 and for the six months ended June 30, 2017 is extracted from the audited consolidated financial statements of TCC Group as set forth in the financial reports of TCC for the years ended December 31, 2015 and 2016 and the unaudited consolidated financial statements of TCC Group as set forth in TCC's financial report for the six months ended June 30, 2017, respectively.

The auditor's reports issued by Deloitte & Touche Taiwan in respect of TCC Group's audited consolidated financial statements for each of the three years ended December 31, 2014, 2015 and 2016 did not contain any qualifications.

There are no exceptional items because of size, nature or incidence that are required to be disclosed in the financial statements of TCC Group for each of the three years ended December 31, 2014, 2015 and 2016.

## Consolidated Statement of Profit or Loss and Other Comprehensive Income

	For the year ended			For the six
	31 December (audited)			months ended
	2014	2015	2016	30 June 2017
	NT\$'000	NT\$'000	NT\$'000	(unaudited)
				2017
				NT\$'000
OPERATING REVENUE	118,325,809	93,679,076	89,564,306	45,893,851
OPERATING COSTS	<u>93,453,214</u>	<u>79,151,059</u>	<u>71,583,302</u>	<u>37,627,091</u>
GROSS PROFIT	<u>24,872,595</u>	<u>14,528,017</u>	<u>17,981,004</u>	<u>8,266,760</u>
OPERATING EXPENSES				
Marketing	964,818	859,723	733,021	384,484
General and administrative	4,011,430	3,987,700	4,193,229	1,863,367
Research and development	<u>38,678</u>	<u>6,895</u>	<u>20,618</u>	<u>16,587</u>
Total operating expenses	<u>5,014,926</u>	<u>4,854,318</u>	<u>4,946,868</u>	<u>2,264,438</u>
INCOME FROM OPERATIONS	<u>19,857,669</u>	<u>9,673,699</u>	<u>13,034,136</u>	<u>6,002,322</u>
NON-OPERATING INCOME AND EXPENSES				
Share of profit of associates and joint ventures	1,250,088	737,161	979,609	666,243
Interest income	309,383	430,757	267,182	112,498
Dividend income	832,814	958,117	808,767	295,911
Government grants	221,457	233,545	217,788	39,731
Other income	875,025	585,411	672,917	153,282
Gain on disposal of property, plant and equipment	163,222	3,206	37,721	3,679
Finance costs	(1,907,215)	(1,873,739)	(1,916,837)	(943,342)
Other expenses	(194,176)	(447,715)	(473,231)	(255,627)
Impairment loss recognized on financial assets	–	(51,296)	(619,013)	(109,581)
Impairment loss recognized on property, plant and equipment	(11,461)	(13,105)	(508,142)	–
Foreign exchange gains (losses), net	<u>(198,086)</u>	<u>(1,570,026)</u>	<u>(985,562)</u>	<u>(210,786)</u>
Total non-operating income and expenses	<u>1,341,051</u>	<u>(1,007,684)</u>	<u>(1,518,801)</u>	<u>(247,992)</u>
INCOME BEFORE INCOME TAX	21,198,720	8,666,015	11,515,335	5,754,330
INCOME TAX EXPENSE	<u>4,614,844</u>	<u>1,740,389</u>	<u>2,673,260</u>	<u>1,519,839</u>
NET INCOME	<u>16,583,876</u>	<u>6,925,626</u>	<u>8,842,075</u>	<u>4,234,491</u>
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plan	(72,678)	(652,832)	385,369	–
Share of other comprehensive loss of associates and joint ventures	(16,536)	(1,476)	(6,193)	–
Income tax benefit (expense) related to items that will not be reclassified subsequently to profit or loss	<u>12,178</u>	<u>110,938</u>	<u>(65,512)</u>	<u>–</u>
	<u>(77,036)</u>	<u>(543,370)</u>	<u>313,664</u>	<u>–</u>

**APPENDIX II**
**FINANCIAL INFORMATION OF TCC GROUP**

	For the year ended			For the six
	31 December (audited)			months ended
	2014	2015	2016	30 June 2017
	NT\$'000	NT\$'000	NT\$'000	(unaudited)
				2017
				NT\$'000
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	2,106,968	(1,828,277)	(7,055,040)	(1,608,779)
Unrealized gain (loss) on available-for-sale financial assets	826,077	(5,141,341)	243,381	3,140,487
Cash flow hedges	21,883	(11,071)	4,022	(13,167)
Share of other comprehensive income (loss) of associates and joint ventures	347,759	6,015	(493,741)	(247,740)
	<u>3,302,687</u>	<u>(6,974,674)</u>	<u>(7,301,378)</u>	<u>1,270,801</u>
Other comprehensive income (loss) for the year/period, net of income tax	<u>3,225,651</u>	<u>(7,518,044)</u>	<u>(6,987,714)</u>	<u>1,270,801</u>
<b>TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR/PERIOD</b>	<b><u>19,809,527</u></b>	<b><u>(592,418)</u></b>	<b><u>1,854,361</u></b>	<b><u>5,505,292</u></b>
NET INCOME ATTRIBUTABLE TO:				
Shareholders of the parent	10,828,868	5,775,989	6,358,452	2,981,955
Non-controlling interests	<u>5,755,008</u>	<u>1,149,637</u>	<u>2,483,623</u>	<u>1,252,536</u>
	<u>16,583,876</u>	<u>6,925,626</u>	<u>8,842,075</u>	<u>4,234,491</u>
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Shareholders of the parent	13,340,699	(806,454)	2,411,113	4,757,813
Non-controlling interests	<u>6,468,828</u>	<u>214,036</u>	<u>(556,752)</u>	<u>747,479</u>
	<u>19,809,527</u>	<u>(592,418)</u>	<u>1,854,361</u>	<u>5,505,292</u>
EARNINGS PER SHARE(NT\$)				
Basic earnings per share	<u>2.93</u>	<u>1.56</u>	<u>1.72</u>	<u>0.81</u>
Diluted earnings per share	<u>2.93</u>	<u>1.56</u>	<u>1.72</u>	<u>0.81</u>
DIVIDENDS	<u>9,193,518</u>	<u>4,910,594</u>	<u>5,353,655</u>	<u>-</u>
DIVIDENDS PER SHARE (NT\$)	2.49	1.33	1.45	-

## 2. UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The following is the full text of the unaudited consolidated interim financial statements of TCC Group for the six months ended June 30, 2017 as extracted from the financial report of TCC for the six months ended June 30, 2017.

## TAIWAN CEMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS  
(In Thousands of New Taiwan Dollars)

ASSETS	June 30, 2017 (Reviewed)		December 31, 2016 (Audited)		June 30, 2016 (Reviewed)	
	Amount	%	Amount	%	Amount	%
<b>CURRENT ASSETS</b>						
Cash and cash equivalents (Notes 4 and 6)	\$ 25,529,191	10	\$ 28,179,758	11	\$ 26,182,757	10
Financial assets at fair value through profit or loss (Notes 4 and 7)	147,673	-	148,488	-	146,656	-
Available-for-sale financial assets (Notes 4, 8 and 29)	18,168,327	7	15,536,693	6	14,095,190	5
Notes receivable (Notes 4 and 10)	13,678,514	5	12,600,411	5	9,838,636	4
Accounts receivable (Notes 4, 10, 11 and 29)	6,721,026	3	6,782,292	3	6,402,826	3
Notes and accounts receivable from related parties (Notes 4 and 28)	254,373	-	546,984	-	866,375	-
Other receivables	719,395	-	770,838	-	567,812	-
Other receivables from related parties (Notes 4 and 28)	359,832	-	181,997	-	880,811	-
Inventories (Notes 4, 12 and 30)	9,360,034	4	8,893,965	3	8,314,191	3
Prepayments (Note 18)	3,187,175	1	2,955,246	1	2,950,736	1
Other financial assets (Notes 4, 6 and 29)	740,324	-	812,127	-	2,127,482	1
Other current assets (Notes 4 and 9)	467,145	-	475,213	-	441,339	-
Total current assets	<u>79,333,009</u>	<u>30</u>	<u>77,884,012</u>	<u>29</u>	<u>72,814,811</u>	<u>27</u>
<b>NON-CURRENT ASSETS</b>						
Available-for-sale financial assets (Notes 4, 8 and 29)	4,596,508	2	4,190,855	2	3,932,343	2
Financial assets carried at cost (Note 4)	583,097	-	589,736	-	810,789	-
Investments accounted for using equity method (Notes 4 and 14)	7,460,840	3	7,444,947	3	7,724,871	3
Property, plant and equipment (Notes 4, 15, 23 and 29)	96,760,640	37	101,799,766	38	107,998,519	40
Investment properties (Notes 4, 16, 23 and 29)	6,059,390	2	6,073,056	2	5,983,608	2
Intangible assets (Notes 4, 17 and 23)	20,527,954	8	21,175,282	8	21,978,037	8
Prepayments for property, plant and equipment	2,846,186	1	2,740,525	1	1,966,057	1
Long-term finance lease receivables (Notes 4, 11 and 29)	33,088,952	13	33,666,040	13	34,206,904	13
Net defined benefit asset (Note 4)	828,008	-	827,402	-	449,655	-
Long-term prepayments for leases (Note 18)	6,642,225	3	6,934,059	3	7,354,559	3
Other non-current assets (Notes 4 and 29)	3,425,281	1	3,663,016	1	3,557,168	1
Total non-current assets	<u>182,819,081</u>	<u>70</u>	<u>189,104,684</u>	<u>71</u>	<u>195,962,510</u>	<u>73</u>
<b>TOTAL</b>	<u>\$ 262,152,090</u>	<u>100</u>	<u>\$ 266,988,696</u>	<u>100</u>	<u>\$ 268,777,321</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>						
<b>CURRENT LIABILITIES</b>						
Short-term loans (Notes 19 and 29)	\$ 21,669,150	8	\$ 20,635,324	8	\$ 15,749,372	6
Short-term bills payable (Note 19)	5,193,780	2	5,921,518	2	5,851,897	2
Notes and accounts payable (Note 28)	7,466,214	3	7,671,640	3	6,804,530	3
Dividends payable (Note 22)	5,558,338	2	-	-	4,958,003	2
Other payables (Notes 20 and 30)	6,955,383	3	7,960,894	3	7,084,100	3
Current income tax liabilities (Note 4)	997,897	-	1,324,329	1	877,862	-
Advance receipts	3,706,791	2	3,352,902	1	2,938,293	1
Long-term loans - current portion (Notes 19 and 29)	12,196,596	5	8,163,950	3	14,469,773	5
Other current liabilities (Notes 4 and 9)	95,498	-	74,362	-	123,636	-
Total current liabilities	<u>63,839,647</u>	<u>25</u>	<u>55,104,919</u>	<u>21</u>	<u>58,857,466</u>	<u>22</u>
<b>NON-CURRENT LIABILITIES</b>						
Long-term loans (Notes 19 and 29)	41,947,717	16	53,342,059	20	51,772,729	19
Deferred income tax liabilities (Note 4)	10,242,024	4	10,213,967	4	10,297,263	4
Net defined benefit liability (Note 4)	160,030	-	184,115	-	239,952	-
Other non-current liabilities (Notes 4 and 30)	597,269	-	746,965	-	837,168	-
Total non-current liabilities	<u>52,947,040</u>	<u>20</u>	<u>64,487,106</u>	<u>24</u>	<u>63,147,112</u>	<u>23</u>
Total liabilities	<u>116,786,687</u>	<u>45</u>	<u>119,592,025</u>	<u>45</u>	<u>122,004,578</u>	<u>45</u>
<b>EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT (Note 22)</b>						
Share capital	36,921,759	14	36,921,759	14	36,921,759	14
Capital surplus	13,534,162	5	13,534,162	5	12,309,615	4
Retained earnings	44,965,824	17	47,337,524	18	42,887,203	16
Others	10,750,464	4	8,974,606	3	10,215,827	4
Equity attributable to shareholders of the parent	<u>106,172,209</u>	<u>40</u>	<u>106,768,051</u>	<u>40</u>	<u>102,334,404</u>	<u>38</u>
<b>NON-CONTROLLING INTERESTS (Note 22)</b>	<u>39,193,194</u>	<u>15</u>	<u>40,628,620</u>	<u>15</u>	<u>44,438,339</u>	<u>17</u>
Total equity	<u>145,365,403</u>	<u>55</u>	<u>147,396,671</u>	<u>55</u>	<u>146,772,743</u>	<u>55</u>
<b>TOTAL</b>	<u>\$ 262,152,090</u>	<u>100</u>	<u>\$ 266,988,696</u>	<u>100</u>	<u>\$ 268,777,321</u>	<u>100</u>

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

(With Deloitte & Touche review report dated August 11, 2017)



**APPENDIX II**
**FINANCIAL INFORMATION OF TCC GROUP**
**TAIWAN CEMENT CORPORATION AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)  
(Reviewed, Not Audited)

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2017		2016		2017		2016	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 9 and 28)	\$ 24,714,080	100	\$ 22,942,147	100	\$ 45,893,851	100	\$ 40,666,259	100
OPERATING COSTS (Notes 4, 9, 12, 21, 23 and 28)	19,446,050	78	17,880,863	78	37,627,091	82	34,019,366	84
GROSS PROFIT	5,268,030	22	5,061,284	22	8,266,760	18	6,646,893	16
OPERATING EXPENSES (Notes 21, 23 and 28)								
Marketing	204,025	1	174,822	1	384,484	1	360,861	1
General and administrative	995,111	4	1,111,103	5	1,863,367	4	2,021,281	5
Research and development	8,202	-	4,696	-	16,587	-	10,199	-
Total operating expenses	1,207,338	5	1,290,621	6	2,264,438	5	2,392,341	6
INCOME FROM OPERATIONS	4,060,692	17	3,770,663	16	6,002,322	13	4,254,552	10
NON-OPERATING INCOME AND EXPENSES								
Share of profit of associates and joint ventures (Notes 4 and 14)	398,479	2	223,903	1	666,243	1	372,932	1
Interest income (Notes 4 and 28)	59,408	-	69,472	-	112,498	-	147,960	-
Dividend income (Note 4)	295,911	1	246,767	1	295,911	1	246,776	1
Other income	152,502	1	223,063	1	193,013	-	359,393	1
Gain on disposal of property, plant and equipment	1,932	-	28,999	-	3,679	-	30,867	-
Finance costs (Notes 4 and 23)	(449,567)	(2)	(466,056)	(2)	(943,342)	(2)	(970,881)	(2)
Other expenses (Notes 8 and 23)	(206,111)	(1)	(100,165)	-	(257,485)	(1)	(175,361)	(1)
Foreign exchange losses, net Net gain (loss) on financial assets and liabilities at fair value through profit or loss	(235,956)	(1)	(528,558)	(2)	(210,786)	-	(520,443)	(1)
Total non-operating expenses	1,766	-	110	-	(107,723)	-	250	-
INCOME BEFORE INCOME TAX	4,079,056	17	3,468,198	15	5,754,330	12	3,746,045	9
INCOME TAX EXPENSE (Notes 4 and 24)	1,008,273	4	759,266	3	1,519,839	3	942,586	2
NET INCOME	3,070,783	13	2,708,932	12	4,234,491	9	2,803,459	7
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4 and 22)								
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translating foreign operations	1,563,894	6	(2,218,612)	(10)	(1,608,779)	(3)	(2,888,743)	(7)
Unrealized gain (loss) on available-for-sale financial assets	598,268	2	(1,127,880)	(5)	3,140,487	7	(1,176,410)	(3)

(Continued)



## TAIWAN CEMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
(In Thousands of New Taiwan Dollars)  
(Reviewed, Not Audited)

	Equity Attributable to Shareholders of the Parent											
	Retained Earnings					Others						
	Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Difference on Translating Foreign Operations	Unrealized Gain/Loss on Available-for-sale Financial Assets	Cash Flow Hedges	Total	Non-controlling Interests	Total Equity
BALANCE, JANUARY 1, 2016	\$ 36,921,759	\$ 12,309,615	\$ 12,811,665	\$ 13,050,495	\$ 19,710,897	\$ 45,573,057	\$ 2,239,093	\$ 10,993,974	\$ 5,487	\$ 108,042,985	\$ 47,441,267	\$ 155,484,252
Appropriation of prior year's earnings	-	-	577,599	-	(577,599)	(4,910,594)	-	-	-	(4,910,594)	-	(4,910,594)
Legal reserve	-	-	-	-	(4,910,594)	(4,910,594)	-	-	-	-	(2,302,800)	(2,302,800)
Cash dividends to shareholders	-	-	-	-	-	-	-	-	-	-	-	-
Cash dividends distributed by subsidiaries	-	-	-	-	2,224,740	2,224,740	-	-	-	2,224,740	578,719	2,803,459
Net income for the six months ended June 30, 2016	-	-	-	-	-	-	-	-	-	-	-	-
Other comprehensive loss for the six months ended June 30, 2016	-	-	-	-	-	-	(1,819,826)	(1,197,352)	(5,544)	(3,022,722)	(1,278,847)	(4,301,574)
Total other comprehensive income (loss)	-	-	-	-	-	-	(1,819,826)	(1,197,352)	(5,544)	(2,997,987)	(700,128)	(3,698,115)
BALANCE, JUNE 30, 2016	\$ 36,921,759	\$ 12,309,615	\$ 13,389,264	\$ 13,050,495	\$ 16,447,444	\$ 42,887,203	\$ 419,267	\$ 9,796,617	\$ (57)	\$ 102,334,404	\$ 44,433,330	\$ 146,772,734
BALANCE, JANUARY 1, 2017	\$ 36,921,759	\$ 13,534,162	\$ 13,389,264	\$ 13,050,484	\$ 20,897,776	\$ 47,337,524	\$ (2,235,617)	\$ 11,200,323	\$ 7,900	\$ 106,768,051	\$ 40,628,620	\$ 147,396,671
Appropriation of prior year's earnings	-	-	635,845	-	(635,845)	(5,353,655)	-	-	-	(5,353,655)	-	(5,353,655)
Legal reserve	-	-	-	-	(635,845)	(635,845)	-	-	-	-	(2,182,905)	(2,182,905)
Cash dividends to shareholders	-	-	-	-	-	-	-	-	-	-	-	-
Cash dividends distributed by subsidiaries	-	-	-	-	2,981,955	2,981,955	-	-	-	2,981,955	1,252,536	4,234,491
Net income for the six months ended June 30, 2017	-	-	-	-	-	-	-	-	-	-	-	-
Other comprehensive income (loss) for the six months ended June 30, 2017	-	-	-	-	-	-	(1,265,913)	3,049,671	(7,900)	1,775,858	(505,057)	1,270,801
Total other comprehensive income (loss)	-	-	-	-	-	-	(1,265,913)	3,049,671	(7,900)	1,767,958	(505,057)	1,262,801
BALANCE, JUNE 30, 2017	\$ 36,921,759	\$ 13,534,162	\$ 14,025,109	\$ 13,050,484	\$ 17,899,231	\$ 44,965,824	\$ (3,499,530)	\$ 14,249,694	\$ (7,900)	\$ 106,172,209	\$ 39,193,194	\$ 145,365,403

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

(With Deloitte &amp; Touche review report dated August 11, 2017)

## TAIWAN CEMENT CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Six Months Ended June 30	
	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 5,754,330	\$ 3,746,045
Adjustments for:		
Depreciation expense	3,021,203	3,388,639
Amortization expense	188,292	214,984
Net loss (gain) on financial assets and liabilities at fair value through profit or loss	107,723	(250)
Finance costs	943,342	970,881
Interest income	(112,498)	(147,960)
Dividend income	(295,911)	(246,776)
Share of profits of associates and joint ventures	(666,243)	(372,932)
Loss (gain) on disposal of property, plant and equipment, net	19,554	(13,747)
Loss (gain) on disposal of investments, net	377	(179)
Inventory write-down reversal	(13,299)	(2,639)
Unrealized loss on foreign exchange, net	163,982	329,632
Others	108,326	120,182
Changes in operating assets and liabilities:		
Financial assets held for trading	(109,466)	-
Notes receivable	(1,813,020)	2,374,061
Accounts receivable	40,261	437,649
Notes and accounts receivable from related parties	275,376	108,392
Other receivables	(10,389)	24,915
Other receivables from related parties	18,111	27,575
Inventories	(759,895)	549,382
Prepayments	(371,441)	291,921
Other current assets	(24,905)	(31,354)
Notes and accounts payable	76,650	(212,924)
Other payables	(646,175)	(376,596)
Advance receipts	433,777	(160,553)
Other current liabilities	21,136	9,165
Net defined benefit liability	(24,691)	(45,393)
Cash generated from operations	6,324,507	10,982,120
Income tax paid	(1,707,684)	(1,210,623)
Net cash generated from operating activities	<u>4,616,823</u>	<u>9,771,497</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of available-for-sale financial assets	(24,366)	(35,449)
Proceeds from disposal of available-for-sale financial assets	21,781	19,450
Proceeds from the return of capital upon investees' capital reduction of financial assets carried at cost	-	11,584
Proceeds from financial assets carried at cost	5,833	-

(Continued)

## TAIWAN CEMENT CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Six Months Ended	
	June 30	
	2017	2016
Payments for property, plant and equipment	\$ (633,201)	\$ (1,958,027)
Proceeds from disposal of property, plant and equipment	40,183	33,636
Payments for intangible assets	(8,323)	(79,557)
Decrease in long-term finance lease receivables	577,088	128,505
Increase in other financial assets	(11,320)	(105,945)
Decrease (increase) in other non-current assets	185,862	(293,920)
Increase in prepayments for leases	(65,236)	(47,335)
Interest received	123,332	182,799
Dividends received	491,521	430,043
Net cash generated from (used in) investing activities	<u>703,154</u>	<u>(1,714,216)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase (decrease) in short-term loans	1,568,999	(6,420,829)
Increase in long-term loans	1,875,728	7,367,522
Repayment of long-term loans	(6,744,733)	(17,697,169)
Decrease in short-term bills payable	(727,738)	(307,883)
Decrease in other non-current liabilities	(148,967)	(119,111)
Cash dividends paid	(1,978,222)	(2,255,391)
Interest paid	(911,912)	(898,132)
Net cash used in financing activities	<u>(7,066,845)</u>	<u>(20,330,993)</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>		
	<u>(903,699)</u>	<u>(520,891)</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<u>(2,650,567)</u>	<u>(12,794,603)</u>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<u>28,179,758</u>	<u>38,977,360</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<u>\$ 25,529,191</u>	<u>\$ 26,182,757</u>

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

(With Deloitte & Touche review report dated August 11, 2017)

(Concluded)

**TAIWAN CEMENT CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED JUNE 30, 2017 AND 2016  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)  
(Reviewed, Not Audited)****1. GENERAL INFORMATION**

Taiwan Cement Corporation (the “Corporation”) was incorporated in 1946 and restructured as a corporation in 1951, which was jointly operated by the Ministry of Economics Resource Committee and the Taiwan Provincial Government. In 1954, the Corporation privatized as a result of the Taiwan government’s land reform program, land-to-the-tiller policy. The Corporation engages in the manufacture and marketing of cement, cement-related products and ready-mixed concrete. The Corporation’s shares have been listed on the Taiwan Stock Exchange since February 1962.

The consolidated financial statements of the Corporation and its subsidiaries, collectively referred to as the “Group”, are presented in New Taiwan dollars, the functional currency of the Corporation.

**2. APPROVAL OF FINANCIAL STATEMENTS**

The consolidated financial statements were approved by the Corporation’s board of directors on August 11, 2017.

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

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

Except for the following, whenever applied, the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC would not have any material impact on the Group’s accounting policies:

Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers

The amendments include additions of several accounting items and requirements for disclosures of impairment of non-financial assets as a consequence of the IFRSs endorsed and issued into effect by the FSC. In addition, as a result of the post implementation review of IFRSs in Taiwan, the amendments also include an emphasis on certain recognition and measurement considerations and add requirements for disclosures of related-party transactions and goodwill.

The amendments stipulate that other companies or institutions of which the chairman of the board of directors or president serves as the chairman of the board of directors or the president of the Group, or is the spouse or second immediate family of the chairman of the board of directors or president of the Group are deemed to have a substantive related-party relationship, unless it can be demonstrated that no control, joint control, or significant influence exists. Furthermore, the amendments require the disclosure of the names of the related parties and the relationships with whom the Group has significant transactions. If the transactions or balance with a specific related party is 10% or more of the Group’s respective total transactions or balance, such transactions should be separately disclosed by the name of each related party.

The amendments also require additional disclosure if there is a significant difference between the actual operations after a business combination and the expected benefits on the acquisition date.

When the amendments are applied retrospectively from January 1, 2017, the disclosure of related-party transactions is enhanced. Refer to Note 28 for related disclosures.

- b. The Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the “IFRSs”) endorsed by the FSC for application starting from 2018

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2014-2016 Cycle	Note 2
Amendment to IFRS 2 “Classification and Measurement of Share-based Payment Transactions”	January 1, 2018
Amendments to IFRS 4 “Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts”	January 1, 2018
IFRS 9 “Financial Instruments”	January 1, 2018
Amendments to IFRS 9 and IFRS 7 “Mandatory Effective Date of IFRS 9 and Transition Disclosures”	January 1, 2018
IFRS 15 “Revenue from Contracts with Customers”	January 1, 2018
Amendments to IFRS 15 “Clarifications to IFRS 15 Revenue from Contracts with Customers”	January 1, 2018
Amendment to IAS 7 “Disclosure Initiative”	January 1, 2017
Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”	January 1, 2017
Amendments to IAS 40 “Transfers of Investment Property”	January 1, 2018
IFRIC 22 “Foreign Currency Transactions and Advance Consideration”	January 1, 2018

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The amendment to IFRS 12 is retrospectively applied for annual periods beginning on or after January 1, 2017; the amendment to IAS 28 is retrospectively applied for annual periods beginning on or after January 1, 2018.

- IFRS 9 “Financial Instruments”

#### Recognition, measurement and impairment of financial assets

With regard to financial assets, all recognized financial assets that are within the scope of IAS 39 “Financial Instruments: Recognition and Measurement” are subsequently measured at amortized cost or fair value. Under IFRS 9, the requirement for the classification of financial assets is stated below.

For the Group’s debt instruments that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, their classification and measurement are as follows:

- 1) For debt instruments, if they are held within a business model whose objective is to collect contractual cash flows, the financial assets are measured at amortized cost and are assessed for impairment continuously with impairment loss recognized in profit or loss, if any. Interest revenue is recognized in profit or loss by using the effective interest method;

- 2) For debt instruments, if they are held within a business model whose objective is achieved by both the collection of contractual cash flows and the sale of financial assets, the financial assets are measured at fair value through other comprehensive income (FVTOCI) and are assessed for impairment. Interest revenue is recognized in profit or loss by using the effective interest method, and other gains or losses shall be recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses. When the debt instruments are derecognized or reclassified, the cumulative gains or losses previously recognized in other comprehensive income is reclassified from equity to profit or loss.

Except for the above, all other financial assets are measured at fair value through profit or loss. However, the Group may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss. No subsequent impairment assessment is required, and the cumulative gains or losses previously recognized in other comprehensive income cannot be reclassified from equity to profit or loss.

The Group analyzed the facts and circumstances of its financial assets as of June 30, 2017 and performed a preliminary assessment of the impact of IFRS 9 on the classification and measurement of such financial assets. Under IFRS 9:

- 1) Listed shares, emerging market shares, and unlisted shares classified as available-for-sale will be classified as at fair value through other comprehensive income, and the fair value gains or losses accumulated in other equity will be transferred directly to retained earnings instead of being reclassified to profit or loss on disposal. Besides this, unlisted shares measured at cost will be measured at fair value instead;
- 2) Mutual funds classified as available-for-sale will be classified as at fair value through profit or loss because the contractual cash flows are not solely payments of principal and interest on the principal outstanding, and they are not equity instruments.

#### Impairment of financial assets

IFRS 9 requires that impairment loss on financial assets be recognized by using the expected credit loss model. A credit loss allowance is required for financial assets measured at amortized cost. A loss allowance for 12-month expected credit losses is required for a financial asset if its credit risk has not increased significantly since its initial recognition. A loss allowance for full lifetime expected credit losses is required for a financial asset if its credit risk has increased significantly since its initial recognition and is not low. However, a loss allowance for full lifetime expected credit losses is required for trade receivables that do not constitute a financing transaction.

For purchased or originated credit-impaired financial assets, the Group takes into account the expected credit losses on initial recognition in calculating the credit-adjusted effective interest rate. Subsequently, any changes in expected losses are recognized as a loss allowance with a corresponding gain or loss recognized in profit or loss.

The Group elects not to restate prior periods when applying the requirements for the recognition, measurement and impairment of financial assets under IFRS 9 and will provide the disclosures related to the classification and the adjustment information upon initial application of IFRS 9. Furthermore, the Group will provide disclosures of the differences in amounts if the Group continues to apply the existing accounting treatments in 2018.



Hedge accounting

The main changes in hedge accounting amended the application requirements for hedge accounting to better reflect the entity's risk management activities. Compared with IAS 39, the main changes include: (1) enhancing types of transactions eligible for hedge accounting, specifically broadening the risks eligible for hedge accounting of non-financial items; (2) changing the way hedging derivative instruments are accounted for to reduce profit or loss volatility; and (3) replacing the retrospective effectiveness assessment with the principle of an economic relationship between the hedging instrument and the hedged item.

A preliminary assessment of the Group's hedging relationships indicates that during the period they will qualify as continuing hedging relationships upon the application of IFRS 9. Under the Group's current hedge accounting policy, the forward element of forward contracts is excluded from the designated hedging relationships and the related changes are recognized directly in profit or loss. On adoption of IFRS 9, the forward element of forward contracts may be elected to be recognized in other comprehensive income and accumulated in other equity and accounted for subsequent to being reclassified to profit or loss or being included directly in the carrying amount of the asset or the liability recognized for the hedged items, and the above treatments are expected to be applied prospectively.

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

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

New IFRSs	Effective Date Announced by IASB (Note)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 16 "Leases"	January 1, 2019
IFRS 17 "Insurance Contracts"	January 1, 2021
IFRIC 23 "Uncertainty Over Income Tax Treatments"	January 1, 2019

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

IFRS 16 "Leases"

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

Under IFRS 16, if the Group is a lessee, it shall recognize right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for low-value and short-term leases. The Group may elect to apply the accounting method similar to the accounting for operating leases under IAS 17 to low-value and short-term leases. On the consolidated statements of comprehensive income, the Group should present depreciation expenses charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed by using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities are classified within financing activities.

The application of IFRS 16 is not expected to have a material impact on the accounting of the Group as lessor.

When IFRS 16 becomes effective, the Group may elect to apply this standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of the initial application of this standard recognized at the date of initial application.

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

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **a. Statement of compliance**

These interim consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 "Interim Financial Reporting" as endorsed and issued into effect by the FSC. The disclosed information included in these interim consolidated financial statements is less than the disclosed information required in a complete set of annual consolidated financial statements.

##### **b. Basis of preparation**

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

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

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

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

Current assets include:

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

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period; and
- 3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

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

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

d. Basis of consolidation

Principles for preparing consolidated financial statements

The consolidated financial statements incorporate the financial statements of the Corporation and the entities controlled by the Corporation.

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

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

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

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

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

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

See Note 13 for more information on subsidiaries (including the percentages of ownership and main businesses).

e. Business combinations

Acquisitions of businesses are accounted for by using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as they are incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interests in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

For each business combination, the Corporation measures the non-controlling interests at either fair value or the share in the recognized amounts of the acquiree's identifiable net assets. Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets, in the event of liquidation, may be initially measured at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of the measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value.

When a business combination is achieved in stages, the Group's previously held equity interest in an acquiree is remeasured to fair value at the acquisition date, and the resulting gain or loss is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are recognized on the same basis as would be required if those interests were directly disposed of by the Group.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period or additional assets or liabilities are recognized to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized as of that date.

f. Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (i.e. foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period except for exchange differences on transactions entered into in order to hedge certain foreign currency risks.

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

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

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

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

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

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising from the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognized in other comprehensive income.

g. Inventories

Inventories consist of raw materials, supplies, finished goods and work in process and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at the weighted-average cost on the end of reporting period.

h. Investments in associates and joint ventures

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

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

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

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

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

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

The entire carrying amount of an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date on which its investment ceases to be an associate and a joint venture. Any retained investment is measured at fair value at that date, and the fair value is regarded as the investment's fair value on its initial recognition as a financial asset. The difference between the previous carrying amount of the associate and joint venture attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate and the joint venture. The Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate and joint venture on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Group continues to apply the equity method and does not remeasure the retained interest.

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

i. Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and subsequent accumulated impairment loss.

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

Freehold land is not depreciated.

Depreciation on property, plant and equipment (including assets held under finance leases) is recognized using the straight-line method. Each significant part is depreciated separately. If a lease term is shorter than the assets' useful lives, such assets are depreciated over the lease term. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis.

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

j. Investment properties

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

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

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

k. Goodwill

Goodwill arising from the acquisition of a business is carried at cost as established at the date of the acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units or groups of cash-generating units (referred to as "cash-generating units") that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit or groups of cash-generating units was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit or groups of cash-generating units is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

If goodwill has been allocated to a cash-generating unit and the entity disposes of an operation within that unit, the goodwill associated with the operation that is disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal and is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

l. Intangible assets

1) Intangible assets acquired separately

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

When the Group has a right to charge for usage of concession infrastructure (as a consideration for providing construction services in a service concession arrangement), it recognizes this as an intangible asset at fair value upon initial recognition. The intangible asset is subsequently measured at cost less accumulated amortization and any accumulated impairment loss.

2) Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date. Subsequent to initial recognition, they are measured on the same basis as intangible assets that are acquired separately.

## 3) Derecognition of intangible assets

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

## m. Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the smallest group of cash-generating units on a reasonable and consistent basis of allocation.

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

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

## n. Non-current assets held for sale

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

When a sale plan would result in a loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale, regardless of whether the Group will retain a non-controlling interest in that subsidiary after the sale.

When the Group is committed to a sale plan involving the disposal of an investment or a portion of an investment in an associate or a joint venture, only the investment or the portion of the investment that will be disposed of is classified as held for sale when the classification criteria are met, and the Group discontinues the use of the equity method in relation to the portion that is classified as held for sale. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale continues to be accounted for by using the equity method. If the Group ceases to have significant influence or joint control over the investment after the disposal takes place, the Group accounts for any retained interest that has not been classified as held for sale in accordance with the accounting policies for financial instruments.

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

When a subsidiary, joint venture, associate, or a portion of an interest in a joint venture or an associate previously classified as held for sale no longer meets the criteria to be so classified, it is measured at the carrying amount that would have been recognized had such interests not been classified as held for sale. Financial statements for the periods since classification as held for sale are amended accordingly.



o. Financial instruments

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

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

1) Financial assets

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

a) Measurement category

Financial assets are classified into the following categories: Financial assets at fair value through profit or loss, available-for-sale financial assets, and loans and receivables.

i. Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss when a financial asset is held for trading.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on their remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 27.

ii. Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Available-for-sale financial assets are measured at fair value. Changes in the carrying amounts of available-for-sale monetary financial assets (relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and dividends on available-for-sale equity investments) are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of or is determined to be impaired.

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment loss at the end of each reporting period and are presented in a separate line item as financial assets carried at cost. If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between carrying amount and fair value is recognized in other comprehensive income on financial assets. Any impairment losses are recognized in profit and loss.

## iii. Loans and receivables

Loans and receivables (including cash equivalents) are measured at amortized cost using the effective interest method less any impairment, except for short-term receivables when the effect of discounting is immaterial.

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

## b) Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Financial assets carried at amortized cost are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio, as well as observable changes in national or local economic conditions that correlate with defaults on receivables.

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

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

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

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

In respect of available-for-sale equity securities, impairment loss previously recognized in profit or loss is not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income. In respect of available-for-sale debt securities, impairment loss is subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

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

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

c) Derecognition of financial assets

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

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

2) Equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by a group entity are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Corporation's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Corporation's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

Except for financial liabilities at fair value through profit or loss, all financial liabilities are carried at amortized cost using the effective interest method.

Financial liabilities are classified as at fair value through profit or loss when any such financial liability is either held for trading or is designated as at fair value through profit or loss.

Financial liabilities at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 27.

A financial liability may be designated as at fair value through profit or loss upon initial recognition when doing so results in more relevant information and if:

- i. Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- ii. The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and has performance evaluated on a fair value basis, in accordance with the Corporation's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- iii. The contract contains one or more embedded derivatives so that the entire combined contract (asset or liability) can be designated as at fair value through profit or loss.

For a financial liability designated as at fair value through profit or loss, the amount of changes in fair value attributable to changes in the credit risk of the liability is presented in other comprehensive income and will not be subsequently reclassified to profit or loss. The remaining amount of changes in the fair value of that liability is presented in profit or loss. The gain or loss accumulated in other comprehensive income will be transferred to retained earnings when the financial liabilities are derecognized. If this accounting treatment related to credit risk would create or enlarge an accounting mismatch, all changes in fair value of the liability are presented in profit or loss.

- b) Derecognition of financial liabilities

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

- 4) Derivative financial instruments

The Group enters into derivative financial instruments to manage its exposure to foreign exchange rate risks, including foreign exchange forward contracts.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, and in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative; their risks and characteristics are not closely related to those of the host contracts; and the contracts are not measured at fair value through profit or loss.

- p. Hedge accounting

The effects of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in other comprehensive income. The gains or losses relating to the ineffective portion is recognized immediately in profit or loss.

The associated gains or losses that were recognized in other comprehensive income are reclassified from equity to profit or loss as a reclassification adjustment in the line item relating to the hedged item in the same period when the hedged item affects profit or loss. If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, the associated gains and losses that were recognized in other comprehensive income are removed from equity and are included in the initial cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued prospectively when the Group revokes the designated hedging relationship, or when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer meets the criteria for hedge accounting. The cumulative gains or losses on the hedging instrument that has been previously recognized in other comprehensive income from the period when the hedge was effective remains separately in equity until the forecasted transaction occurs. When a forecasted transaction is no longer expected to occur, the gains or losses accumulated in equity are recognized immediately in profit or loss.

## q. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Allowances for sales returns and liabilities for returns are recognized at the time of sale based on the seller's reliable estimate of future returns and based on past experience and other relevant factors.

## 1) Sale of goods

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

- a) The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- b) The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- c) The amount of revenue can be measured reliably;
- d) It is probable that the economic benefits associated with the transaction will flow to the Group; and
- e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from the sale of property in the course of ordinary activities is recognized when the construction is completed and the property is transferred to the buyer. Until such revenue is recognized, deposits and installment payments received from sales of properties are carried in the consolidated balance sheets under current liabilities.

## 2) Rendering of services

Service income including that from operating services provided under service concession arrangements is recognized when services are provided.

Freight revenue is recognized by reference to the proportion of the voyage period.

Revenue from a contract to provide services is recognized by reference to the stage of completion of the contract or when services are provided.

## 3) Sale of electric power

Revenue from electric power is calculated according to the volume of electric power sold and the energy rate.

## 4) Dividend and interest income

Dividend income from investments is recognized when a shareholder's right to receive payment has been established provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the applicable effective interest rate.

## r. Leasing

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. The lease component of all electric power selling contracts identified in accordance with IFRIC 4 “Determining Whether an Arrangement Contains a Lease” is classified as a finance lease.

## 1) The Group as lessor

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Group’s net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group’s net investment outstanding in respect of the leases.

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

## 2) The Group as lessee

Assets held under finance leases are initially recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated balance sheet as a finance lease obligation.

Finance expenses implicit in lease payments for each period are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, and in which case they are capitalized.

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

## s. Borrowing costs

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

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

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

## t. Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable. Relevant grants of an asset are recognized as deferred revenue or a reduction of the asset’s cost on a straight-line basis.

## u. Employee benefits

## 1) Short-term employee benefits

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

## 2) Retirement benefits

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

Pension costs for an interim period are calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant plan amendments, settlements, or other significant one-off events.

## 3) Other long-term employee benefits

Other long-term employee benefits are accounted for in the same way as the accounting required for a defined benefit plan except that rereasurement is recognized in profit or loss.

## v. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. The interim period income tax is assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to the expected total annual earnings.

## 1) Current tax

According to the Income Tax Law of the Republic of China, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain earnings.

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

## 2) Deferred tax

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

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

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

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

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred taxes for the reporting period

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, and in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

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

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

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

a. Impairment loss of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The calculation of the value in use requires management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

b. Impairment loss of property, plant and equipment

The impairment loss of property, plant and equipment in relation to production was based on the recoverable amounts of those assets, which is the higher of their fair value less costs of disposal and their value in use. Any changes in the market prices or future cash flows will affect the recoverable amounts of those assets and may lead to the recognition of additional impairment losses or the reversal of impairment losses.



## 6. CASH AND CASH EQUIVALENTS

	June 30, 2017	December 31, 2016	June 30, 2016
Cash on hand	\$ 9,177	\$ 9,245	\$ 8,883
Checking accounts and demand deposits	14,715,759	17,730,116	15,232,354
Cash equivalents			
Time deposits with original maturities of less than 3 months	9,478,575	9,634,877	9,727,049
Bonds with repurchase agreements	<u>1,325,680</u>	<u>805,520</u>	<u>1,214,471</u>
	<u>\$ 25,529,191</u>	<u>\$ 28,179,758</u>	<u>\$ 26,182,757</u>

The market rate intervals of cash in the bank and bonds with repurchase agreements at the end of the reporting period were as follows:

	June 30, 2017	December 31, 2016	June 30, 2016
Cash in bank	0.01%-2.60%	0.01%-2.60%	0.01%-2.60%
Bonds with repurchase agreements	0.33%-1.25%	0.30%-1.08%	0.30%-0.32%

As of June 30, 2017, December 31, 2016 and June 30, 2016, time deposits with original maturities of more than 3 months were \$356,184 thousand, \$411,478 thousand and \$1,722,139 thousand, respectively, and were classified to other financial assets.

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

	June 30, 2017	December 31, 2016	June 30, 2016
<u>Financial assets held for trading</u>			
Non-derivative financial assets			
Mutual funds	\$ 147,673	\$ 146,841	\$ 146,656
Derivative financial assets (not under hedge accounting)			
Foreign exchange forward contracts	<u>-</u>	<u>1,647</u>	<u>-</u>
	<u>\$ 147,673</u>	<u>\$ 148,488</u>	<u>\$ 146,656</u>

At the end of the reporting period, outstanding foreign exchange forward contracts not under hedge accounting were as follows:

Date	Currency	Maturity Date	Notional Amount (In Thousands)
<u>December 31, 2016</u>			
Buy	USD/RMB	2017.1	USD115,000/RMB808,098

The Group entered into foreign exchange forward contracts to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities.

**8. AVAILABLE-FOR-SALE FINANCIAL ASSETS**

	June 30, 2017	December 31, 2016	June 30, 2016
Domestic investments			
Listed shares	\$ 8,747,848	\$ 7,338,337	\$ 6,647,409
Emerging market shares	98,945	536,211	533,619
Mutual funds	<u>24,375</u>	<u>19,395</u>	<u>30,708</u>
	8,871,168	7,893,943	7,211,736
Foreign investments			
Listed shares	<u>13,893,667</u>	<u>11,833,605</u>	<u>10,815,797</u>
	<u>\$ 22,764,835</u>	<u>\$ 19,727,548</u>	<u>\$ 18,027,533</u>
Current	\$ 18,168,327	\$ 15,536,693	\$ 14,095,190
Non-current	<u>4,596,508</u>	<u>4,190,855</u>	<u>3,932,343</u>
	<u>\$ 22,764,835</u>	<u>\$ 19,727,548</u>	<u>\$ 18,027,533</u>

Refer to Note 29 for information relating to available-for-sale financial assets pledged as collateral for credit accommodations.

**9. DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGING**

	June 30, 2017	December 31, 2016	June 30, 2016
<u>Derivative financial assets under hedge accounting</u>			
Cash flow hedges - foreign exchange forward contracts (included in other current assets)	<u>\$ -</u>	<u>\$ 13,167</u>	<u>\$ -</u>
<u>Derivative financial liabilities under hedge accounting</u>			
Cash flow hedges - foreign exchange forward contracts (included in other current liabilities)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 95</u>

The terms of the foreign exchange forward contracts were negotiated to match the terms of the respective designated hedged items. The Group has entered into raw material purchase contracts with foreign coal suppliers and entered into foreign exchange forward contracts to avoid exchange rate exposure to its forecasted purchases. These foreign exchange forward contracts were designated as cash flow hedges. When forecasted purchases actually take place, the carrying amounts of the non-financial hedged items will be adjusted accordingly.

The outstanding foreign exchange forward contracts at the end of the reporting period were as follows:

Date	Currency	Maturity Date	Notional Amount (In Thousands)
<u>December 31, 2016</u>			
Buy	NTD/USD	2017.1-2017.2	NTD527,666/USD16,800
<u>June 30, 2016</u>			
Buy	NTD/USD	2016.7	NTD126,054/USD3,900

Gains and losses of hedging instruments reclassified from equity to profit or loss were included in the following line items in the consolidated statements of comprehensive income:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
Operating revenues	\$ (129)	\$ (677)	\$ 705	\$ 2,361
Operating costs	<u>306</u>	<u>2,111</u>	<u>6,410</u>	<u>12,601</u>
	<u>\$ 177</u>	<u>\$ 1,434</u>	<u>\$ 7,115</u>	<u>\$ 14,962</u>

#### 10. NOTES AND ACCOUNTS RECEIVABLE

	June 30, 2017	December 31, 2016	June 30, 2016
Notes receivable	\$ 13,689,280	\$ 12,612,965	\$ 9,849,991
Accounts receivable	6,866,268	6,905,743	6,572,104
Less: Allowance for impairment loss	<u>(156,008)</u>	<u>(136,005)</u>	<u>(180,633)</u>
	<u>\$ 20,399,540</u>	<u>\$ 19,382,703</u>	<u>\$ 16,241,462</u>
Receivables past due but not impaired	<u>\$ 25,845</u>	<u>\$ 76,558</u>	<u>\$ 73,556</u>

In determining the recoverability of notes and accounts receivable, the Group considered any change in the credit quality of the notes and accounts receivable since the date credit was initially granted to the end of the reporting period. The Group recognized an allowance for impairment loss of 100% against receivables when there was indication that the receivable was impaired, and the allowance for impairment loss was recognized against the rest of the past due receivables based on the estimated irrecoverable amounts determined by reference to the past default experience with the counterparties and an analysis of their current financial positions.

For the accounts receivable balances that were past due at the end of the reporting period, the Group did not recognize an allowance for impairment loss, because there was no significant change in the credit quality, and the amounts were still considered recoverable.

The Group had a wide range of unrelated customers, hence the concentration in credit risk is relatively limited.

The aging analysis of receivables was as follows:

	<b>June 30, 2017</b>	<b>December 31, 2016</b>	<b>June 30, 2016</b>
Up to 90 days	\$ 14,770,052	\$ 13,460,527	\$ 12,694,812
91-180 days	5,464,682	5,801,948	3,410,947
181-365 days	109,917	64,135	53,890
Over 365 days	<u>54,889</u>	<u>56,093</u>	<u>81,813</u>
	<u>\$ 20,399,540</u>	<u>\$ 19,382,703</u>	<u>\$ 16,241,462</u>

The above aging schedule was based on the number of days past due from the invoice date.

The movements of the allowance for doubtful notes and accounts receivable were as follows:

	<b>Individually Assessed for Impairment</b>	<b>Collectively Assessed for Impairment</b>	<b>Total</b>
Balance at January 1, 2016	\$ 185,521	\$ 37,813	\$ 223,334
Allowance (reversals)	(39,894)	57	(39,837)
Write-offs	(1,020)	-	(1,020)
Effects of exchange rate changes	<u>(1,844)</u>	<u>-</u>	<u>(1,844)</u>
Balance at June 30, 2016	<u>\$ 142,763</u>	<u>\$ 37,870</u>	<u>\$ 180,633</u>
Balance at January 1, 2017	\$ 99,256	\$ 36,749	\$ 136,005
Allowance (reversals)	17,775	(1,274)	16,501
Write-offs	-	(1,730)	(1,730)
Effects of exchange rate changes	<u>5,232</u>	<u>-</u>	<u>5,232</u>
Balance at June 30, 2017	<u>\$ 122,263</u>	<u>\$ 33,745</u>	<u>\$ 156,008</u>

**11. FINANCE LEASE RECEIVABLES**

	<b>June 30, 2017</b>	<b>December 31, 2016</b>	<b>June 30, 2016</b>
Not later than 1 year	\$ 5,032,499	\$ 4,479,022	\$ 4,538,722
Later than 1 year and not later than 5 years	20,731,154	20,559,413	20,364,059
Later than 5 years	<u>35,980,482</u>	<u>38,552,728</u>	<u>41,451,077</u>
	61,744,135	63,591,163	66,353,858
Less: Unearned finance income	27,489,352	29,225,002	31,452,574
Less: Accumulated impairment	<u>47,878</u>	<u>47,878</u>	<u>118,880</u>
Present value of minimum lease payments	<u>\$ 34,206,905</u>	<u>\$ 34,318,283</u>	<u>\$ 34,782,404</u>

(Continued)

	June 30, 2017	December 31, 2016	June 30, 2016
Current (included in accounts receivable)	\$ 1,117,953	\$ 652,243	\$ 575,500
Non-current	<u>33,088,952</u>	<u>33,666,040</u>	<u>34,206,904</u>
	<u>\$ 34,206,905</u>	<u>\$ 34,318,283</u>	<u>\$ 34,782,404</u> (Concluded)

After transitioning to IFRSs, the Group's electric power selling contracts with guaranteed power generation periods fall under IFRIC 4 "Determining Whether an Arrangement Contains a Lease" and IAS 17 "Leases". The lease was denominated in New Taiwan dollars, and the term entered into was 25 years.

The interest rate inherent in the lease was fixed at the contract date for the entire lease term. The interest rate inherent in the finance lease was approximately 11.18%.

Refer to Note 29 for information relating to financial lease receivables pledged as collateral for bank borrowings, which were recorded under property, plant and equipment before transitioning to IFRSs.

## 12. INVENTORIES

	June 30, 2017	December 31, 2016	June 30, 2016
Finished goods	\$ 2,363,661	\$ 1,984,216	\$ 1,738,173
Work in process	1,476,566	1,474,511	1,636,139
Raw materials	5,375,236	5,290,667	4,795,308
Buildings and Land held for sale	<u>144,571</u>	<u>144,571</u>	<u>144,571</u>
	<u>\$ 9,360,034</u>	<u>\$ 8,893,965</u>	<u>\$ 8,314,191</u>

The cost of goods sold included inventory write-downs (reversals of inventory write-downs) which were as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
Inventory write-downs (reversals of inventory write-downs)	<u>\$ (22,510)</u>	<u>\$ 20,116</u>	<u>\$ (13,299)</u>	<u>\$ (2,639)</u>

The recovery of net realizable values was mainly due to the sales of inventories.

Refer to Note 30 for information relating to bills of lading pledged as collateral for bank borrowings.

## 13. SUBSIDIARIES

## a. Subsidiaries included in consolidated financial statements

The consolidated financial statements include subsidiaries which are as follows:

Investor	Investee	Main Business	Proportion of Ownership (%)			Remark	
			June 30, 2017	December 31, 2016	June 30, 2016		
Taiwan Cement Corporation	Taiwan Transport & Storage Corporation	Warehousing, transportation, and sale of sand and gravel	83.9	83.9	83.9		
	TCC Investment Corporation	Investment	100.0	100.0	100.0		
	Kuan-Ho Refractories Industry Corporation	Production and sale of refractory materials	95.3	95.3	95.3		
	Kuan-Ho Construction & Development Corporation	Construction and lease services	92.9	92.9	92.9		
	Hong Kong Cement Manufacturing Co., Ltd. ("HKCMCL")	Investment holding	84.7	84.7	84.7		
	Ta-Ho Maritime Corporation	Marine transportation	64.8	64.8	64.8	3)	
	Taiwan Cement Engineering Corporation	Engineering services	99.0	99.0	99.0		
	Tunwoo Company Limited	Warehousing, and sale of cement	100.0	100.0	100.0		
	TCC Chemical Corporation	Processing and sale of chemical material	100.0	100.0	100.0	3)	
	TCC Information Systems Corporation	Information software	99.4	99.4	99.4		
	Taiwan Prosperity Chemical Corporation	Processing and sale of chemical material	50.0	50.0	50.0	3)	
	Tung Chen Mineral Corporation	Afforestation and sale of limestone	99.5	99.5	99.5		
	Jin Chang Minerals Corporation	Afforestation and sale of limestone	100.0	100.0	100.0		
	Hoping Industrial Port Corporation	Hoping Industrial Port management	100.0	100.0	100.0	3)	
	TCC International Ltd. ("TCCP")	Investment holding	100.0	100.0	100.0	3)	
	Ho-Ping Power Company	Thermal power generation	59.5	59.5	59.5	3)	
	Ta-Ho Onyx Taitung Environment Co., Ltd.	Waste collection and treatment	100.0	100.0	100.0		
	HPC Power Service Corporation	Business consulting	60.0	60.0	60.0	3)	
	Taiwan Transport & Storage Corporation	E.G.C. Cement Corporation	Sale of cement	50.6	50.6	50.6	
		Feng Sheng Enterprise Company	Sale of ready-mixed concrete	45.4	45.4	45.4	
Trans Philippines Mineral Corporation		Mining excavation	40.0	40.0	40.0		
Taicorn Minerals Corporation		Mining excavation	72.7	72.7	72.7		
Ta-Ho Onyx RSEA Environment Co., Ltd.		Waste collection and treatment	66.6	66.6	66.6		
Ho Sheng Mining Co., Ltd.		Mining excavation	100.0	100.0	100.0		
E.G.C. Cement Corporation		Sale of cement	44.4	44.4	44.4		
Ho Swen Construction Material Co., Ltd.		Sand and gravel filtering and sale	51.0	51.0	51.0		
Ta-Ho Maritime Corporation		Marine transportation	27.5	27.5	27.5	3)	
TCC Investment Corporation		Union Cement Traders Inc.	Import and export trading	100.0	100.0	100.0	
	Ho-Ping Power Company	Thermal power generation	0.5	0.5	0.5	3)	
	Taiwan Prosperity Chemical Corporation	Processing and sale of chemical material	0.5	0.5	0.5	3)	
	Ta-Ho Maritime Corporation	Marine transportation	-	-	-	3)	

(Continued)

**APPENDIX II**
**FINANCIAL INFORMATION OF TCC GROUP**

Investor	Investee	Main Business	Proportion of Ownership (%)			Remark
			June 30, 2017	December 31, 2016	June 30, 2016	
HKCMCL	TCC Development Ltd.	Property leasing	100.0	100.0	100.0	
Ta-Ho Maritime Corporation	Ta-Ho Maritime Holdings Ltd.	Investment	100.0	100.0	100.0	
Taiwan Cement Engineering Corporation	TCEC Corporation	Investment	100.0	100.0	100.0	
TCC Information Systems Corporation	Taicem Information (Samoa) Pte., Ltd.	Investment	100.0	100.0	100.0	
Hoping Industrial Port Corporation	Taiwan Prosperity Chemical Corporation	Processing and sale of chemical material	2.3	2.3	2.3	3)
TCCI	TCC International Holdings Ltd. ("TCCIH")	Investment holding	63.1	63.1	56.9	1), 3)
Feng Sheng Enterprise Company	Ho Swen Construction Material Co., Ltd.	Sand and gravel filtering and sale	9.0	9.0	9.0	
TPMC	TMC	Mining excavation	18.2	18.2	18.2	
Union Cement Traders Inc.	Taiwan Transport & Storage Corporation	Warehousing, transportation, and sale of sand and gravel	0.7	0.7	0.7	
Ta-Ho Maritime Holdings Ltd.	Ta-Ho Maritime (Hong Kong) Limited.	Marine transportation	100.0	100.0	100.0	
	THC International S.A.	Marine transportation	100.0	100.0	100.0	
	Chi Ho Maritime S.A.	Marine transportation	100.0	100.0	100.0	
	Sheng Ho Maritime S.A.	Marine transportation	100.0	100.0	100.0	
	Ta-Ho Maritime (Singapore) Pte. Ltd.	Marine transportation	100.0	100.0	100.0	
TCEC Corporation	TCEC (Yingde) Machine Co., Ltd.	Production and sale of cement machinery and assembly work	100.0	100.0	100.0	
Taicem Information (Samoa) Pte., Ltd.	Fuzhou TCC Information Technology Co., Ltd.	Software product and equipment maintenance	100.0	100.0	100.0	
Ta-Ho Maritime (Hong Kong) Limited	Da Tong (Guigang) International Logistics Co., Ltd.	Logistics and transportation	100.0	100.0	100.0	
Da Tong (Guigang) International Logistics Co., Ltd.	Da Tong (Ying De) Logistics Co., Ltd.	Logistics and transportation	100.0	100.0	100.0	
	Guigang Da-Ho Shipping Co., Ltd.	marine transportation	100.0	100.0	100.0	
TCCIH	Chia Hsin Cement Greater China Holding Corporation	Investment holding	100.0	100.0	100.0	
	Upper Value Investment Limited	Investment holding	100.0	100.0	100.0	
	Upper Value Investments Ltd. ("UPPV")	Investment holding	100.0	100.0	100.0	3)
	TCC Hong Kong Cement (BVI) Holdings Ltd.	Investment holding	100.0	100.0	100.0	3)
	Ulexite Investments Ltd.	Investment holding	100.0	100.0	100.0	
Upper Value Investment Limited	Prime York Ltd.	Investment holding	100.0	100.0	100.0	
	Prosperity Minerals (International) Ltd.	Investment holding	100.0	100.0	100.0	

(Continued)

**APPENDIX II**
**FINANCIAL INFORMATION OF TCC GROUP**

Investor	Investee	Main Business	Proportion of Ownership (%)			Remark
			June 30, 2017	December 31, 2016	June 30, 2016	
TCC Hong Kong Cement (BVI) Holdings Ltd.	TCC Hong Kong Cement Development Limited	Investment holding	100.0	100.0	100.0	
	TCC Hong Kong Cement (QHC) Ltd.	Investment holding	100.0	100.0	100.0	
	TCC Hong Kong Cement (Yargoan) Ltd.	Investment holding	100.0	100.0	100.0	
	TCC Hong Kong Cement (HKC) Ltd.	Investment holding	100.0	100.0	100.0	
	TCC Hong Kong Cement (Philippines) Ltd.	Investment holding	100.0	100.0	100.0	
	TCC Hong Kong Cement (International) Ltd.	Investment holding	100.0	100.0	100.0	3)
	Hong Kong Cement Company Limited ("HKCCL")	Sale of cement	100.0	100.0	100.0	
	TCC Hong Kong Cement (QHC) Ltd.	Chiefolk Co., Ltd.	Investment holding	70.0	70.0	70.0
Chiefolk Co., Ltd.	TCC International (Liuzhou) Ltd.	Investment holding	100.0	100.0	100.0	
TCC International (Liuzhou) Ltd.	TCC Liuzhou Co., Ltd.	Investment holding	100.0	100.0	100.0	
TCC Liuzhou Co., Ltd.	TCC Liuzhou Construction Materials Company Limited	Manufacturing and sale of slag powder	60.0	60.0	60.0	
TCC Hong Kong Cement (HKC) Ltd.	Koning Concrete Ltd.	Investment holding	100.0	100.0	100.0	
TCC Hong Kong Cement (Philippines) Ltd.	TCC Cement Corporation	Cement processing services	100.0	100.0	100.0	
TCC Hong Kong Cement (International) Ltd.	TCC International (Hong Kong) Co., Ltd. ("TCCI (HK)")	Investment holding	100.0	100.0	100.0	3)
TCCI (HK)	TCC Guigang Mining Industrial Company Limited	Mining excavation	52.5	52.5	52.5	
	Jiangsu TCC Investment Co., Ltd.	Investment holding	100.0	100.0	100.0	
	Jingyang Industrial Limited	Investment holding	100.0	100.0	100.0	
	TCC International (Guangxi) Ltd.	Investment holding	100.0	100.0	100.0	
	TCC Shaoguan Cement Co., Ltd.	Manufacturing and sale of cement	100.0	100.0	100.0	
	TCC Yingde Mining Industrial Company Limited	Mining excavation	48.9	48.9	48.9	
	TCC Yingde Cement Co., Ltd.	Manufacturing and sale of cement	100.0	100.0	100.0	3)
	TCC Jiangsu Mining Industrial Company Limited	Mining excavation	100.0	100.0	100.0	
	TCC Fuzhou Yangyu Port Co., Ltd.	Service of port facility	100.0	100.0	100.0	
	TCC (Dong Guan) Cement Co., Ltd.	Manufacturing and sale of cement	100.0	100.0	100.0	
	TCC Fuzhou Cement Co., Ltd.	Manufacturing and sale of cement	100.0	100.0	100.0	
	TCC Huaihua Cement Company Limited	Manufacturing and sale of cement	100.0	100.0	100.0	
	Anhui King Bridge Cement Co., Ltd.	Manufacturing and sale of cement	60.0	60.0	60.0	

(Continued)



**APPENDIX II**
**FINANCIAL INFORMATION OF TCC GROUP**

Investor	Investee	Main Business	Proportion of Ownership (%)			Remark
			June 30, 2017	December 31, 2016	June 30, 2016	
Jiangsu TCC Investment Co., Ltd.	Jurong TCC Cement Co., Ltd.	Manufacturing and sale of cement	21.5	21.5	22.4	2), 3)
Jingyang Industrial Limited	Jurong TCC Cement Co., Ltd.	Manufacturing and sale of cement	78.5	78.5	77.6	2), 3)
TCC International (Guangxi) Ltd.	TCC (Gui Gang) Cement Ltd.	Manufacturing and sale of cement	100.0	100.0	100.0	3)
TCC (Gui Gang) Cement Ltd.	TCC Huaying Cement Company Limited	Manufacturing and sale of cement	100.0	100.0	100.0	
	TCC Guigang Mining Industrial Company Limited	Mining excavation	47.5	47.5	47.5	
TCC Yingde Cement Co., Ltd.	TCC Yingde Mining Industrial Company Limited	Mining excavation	34.8	34.8	34.8	
	Scitus Luzhou Concrete Co., Ltd.	Sale of ready-mixed concrete	25.0	25.0	25.0	
	Scitus Luzhou Cement Co., Ltd.	Manufacturing and sale of cement	10.0	10.0	10.0	
	Scitus Naxi Cement Co., Ltd.	Manufacturing and sale of cement	10.0	10.0	10.0	
	Scitus Hejiang Cement Co., Ltd.	Manufacturing and sale of cement	10.0	10.0	10.0	
TCC Jiangsu Mining Industrial Company Limited	TCC Yingde Mining Industrial Company Limited	Mining excavation	16.3	16.3	16.3	
TCC Huaihua Cement Company Limited	TCC Jingzhou Cement Company Limited	Manufacturing and sale of cement	100.0	100.0	100.0	
	TCC Huaihua Concrete Company Limited	Sale of ready-mixed concrete	100.0	100.0	100.0	
Ulexite Investments Ltd.	HKC Investments Limited	Investment holding	100.0	100.0	100.0	
UPPV	Wayly Holdings Ltd.	Investment holding	100.0	100.0	100.0	
	TCC International (China) Co., Ltd.	Investment holding	100.0	100.0	100.0	
	Kong On Cement Holdings Ltd.	Investment holding	65.0	65.0	65.0	
	Mega East Ltd.	Investment holding	100.0	100.0	100.0	
	Prosperity Minerals (China) Ltd.	Investment holding	100.0	100.0	100.0	
	Sure Kit Ltd.	Investment holding	100.0	100.0	100.0	
	Hensford Ltd.	Investment holding	100.0	100.0	100.0	
	Kiton Ltd.	Investment holding	100.0	100.0	100.0	
	Prosperity Cement Investment Ltd.	Investment holding	100.0	100.0	100.0	
	Scitus Cement (China) Holdings Ltd. (“Scitus Holdings”)	Investment holding	100.0	100.0	100.0	
Wayly Holdings Ltd.	Guizhou Kaili Rui An Jian Cai Co., Ltd.	Manufacturing and sale of cement	100.0	100.0	100.0	
TCC International (China) Co., Ltd.	TCC New (Hangzhou) Management Company Limited	Operation management	100.0	100.0	100.0	
Kong On Cement Holdings Ltd.	Guizhou Kong On Cement Company Limited	Manufacturing and sale of cement	100.0	100.0	100.0	
Mega East Ltd.	TCC Guangan Cement Company Limited	Manufacturing and sale of cement	100.0	100.0	100.0	
Sure Kit Ltd.	TCC Chongqing Cement Company Limited	Manufacturing and sale of cement	100.0	100.0	100.0	3)

(Continued)

Investor	Investee	Main Business	Proportion of Ownership (%)			Remark
			June 30, 2017	December 31, 2016	June 30, 2016	
Hensford Ltd.	TCC Anshun Cement Company Limited	Manufacturing and sale of cement	100.0	100.0	100.0	3)
Kiton Ltd.	TCC Liaoning Cement Company Limited	Manufacturing and sale of cement	100.0	100.0	100.0	
Prosperity Cement Investment Ltd.	Yingde Dragon Mountain Cement Co., Ltd.	Manufacturing and sale of cement	100.0	100.0	100.0	3)
TCC Anshun Cement Company Limited	Anshun Xin Tai Construction Materials Company Limited	Filtering of sand and gravel and sale of ready-mixed concrete	100.0	100.0	100.0	
Scitus Holdings	Scitus Cement (China) Operating Co., Ltd.	Investment holding	100.0	100.0	100.0	
	Hexagon XIV Holdings Ltd.	Investment holding	100.0	100.0	100.0	
	Hexagon XIII Holdings Ltd.	Investment holding	100.0	100.0	100.0	
	Hexagon IX Holdings Ltd.	Investment holding	100.0	100.0	100.0	
	Hexagon VIII Holdings Ltd.	Investment holding	100.0	100.0	100.0	
	Hexagon V Holdings Ltd.	Investment holding	100.0	100.0	100.0	
	Hexagon IV Holdings Ltd.	Investment holding	100.0	100.0	100.0	
	Hexagon III Holdings Ltd.	Investment holding	100.0	100.0	100.0	
	Hexagon II Holdings Ltd.	Investment holding	100.0	100.0	100.0	
	Hexagon Holdings Ltd.	Investment holding	100.0	100.0	100.0	
Hexagon IX Holdings Ltd.	Scitus Hejiang Cement Co., Ltd.	Manufacturing and sale of cement	90.0	90.0	90.0	
Hexagon IV Holdings Ltd.	Scitus Luzhou Cement Co., Ltd.	Manufacturing and sale of cement	90.0	90.0	90.0	
Hexagon III Holdings Ltd.	Scitus Naxi Cement Co., Ltd.	Manufacturing and sale of cement	90.0	90.0	90.0	
Hexagon XIV Holdings Ltd.	Scitus Luzhou Concrete Co., Ltd.	Sales of ready-mixed concrete	75.0	75.0	75.0	

(Concluded)

## Remarks:

- 1) In September 2016, TCCI acquired interests in TCCIH from Chia Hsin Cement Corporation and its subsidiary, Chia Hsin Pacific Limited, resulting in an increase in its proportion of ownership of TCCIH. As approved by the board of directors on April 19, 2017, the Corporation and its subsidiary, TCCI, contemplated privatizing TCCIH by a Scheme of Arrangement, where, subject to the approval of the competent authorities and courts in the relevant regions and resolution in a special shareholders' meeting of TCCIH by December 31, 2017, TCCI will pay in cash or new shares to be issued by the Corporation in order to acquire all of the outstanding shares of TCCIH to the effect that TCCIH will be delisted from the mainboard of the Hong Kong Exchange and Clearing Limited and become a wholly-owned subsidiary of the Corporation. In July 2017, the Corporation received a letter of approval from the Taiwan Stock Exchange regarding its acquisition interests in TCCIH.
- 2) Jingyang Industrial Limited increased capital in Jurong TCC Cement Co., Ltd.
- 3) The financial statements for the six months ended June 30, 2017 and 2016 were reviewed.
- 4) Except for those mentioned directly above in Remark 3, the financial statements for the six months ended June 30, 2016 and 2017 were not reviewed by auditors.

## b. Details of subsidiaries with material non-controlling interests

	Proportion of Ownership and Voting Rights Held by Non-controlling Interests		
	June 30, 2017	December 31, 2016	June 30, 2016
TCCIH	36.9%	36.9%	43.1%
Taiwan Prosperity Chemical Corporation	47.2%	47.2%	47.2%
Ho-Ping Power Company	40.0%	40.0%	40.0%

See Table 6 following the Notes to Consolidated Financial Statements for the information on the places of incorporation and principal businesses.

## 14. INVESTMENTS ACCOUNTED FOR BY USING EQUITY METHOD

	June 30, 2017	December 31, 2016	June 30, 2016
Investments in associates	\$ 7,460,840	\$ 7,444,947	\$ 7,681,983
Investments in joint ventures	<u>-</u>	<u>-</u>	<u>42,888</u>
	<u>\$ 7,460,840</u>	<u>\$ 7,444,947</u>	<u>\$ 7,724,871</u>

## a. Investments in associates

	June 30, 2017	December 31, 2016	June 30, 2016
Material associates			
Prosperity Conch Cement Company Limited	\$ 3,242,483	\$ 3,103,826	\$ 3,478,983
Associates that are not individually material			
Yunnan Kungang & K. Wah Cement Construction Materials Co., Ltd.	1,554,215	1,529,975	1,577,980
Baoshan Kungang & K. Wah Cement Construction Materials Co., Ltd.	794,135	752,278	753,623
CCC USA Corporation	707,379	720,290	686,343
ONYX Ta-Ho Environmental Services Co., Ltd.	336,923	444,093	284,518
Quon Hing Concrete Co., Ltd.	242,041	292,066	319,120
Chia Huan Tung Cement Corporation	215,301	219,588	226,119
Hong Kong Concrete Co., Ltd.	207,066	211,779	177,987
Shih Hsin S&T Co., Ltd.	151,908	161,118	167,373
Synpac Ltd.	9,389	9,934	9,937
Sichuan Taichang Building Material Group Company Limited	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 7,460,840</u>	<u>\$ 7,444,947</u>	<u>\$ 7,681,983</u>

## 1) Material associates

	<b>Proportion of Ownership</b>		
	<b>June 30, 2017</b>	<b>December 31, 2016</b>	<b>June 30, 2016</b>
Prosperity Conch Cement Company Limited	25.0%	25.0%	25.0%

Refer to Table 7 “Information on Investments in Mainland China” following the Notes to Consolidated Financial Statements for the nature of activities, principal place of business and country of incorporation of Prosperity Conch Cement Company Limited. The investment accounted for by using the equity method and the share of profit or loss and other comprehensive income of the investment for the six months ended June 30, 2017 and 2016 was not based on the associate’s financial statements reviewed by the auditors for the same period.

Summarized financial information in respect of Prosperity Conch Cement Company Limited were as follows:

	<b>June 30, 2017</b>	<b>December 31, 2016</b>	<b>June 30, 2016</b>
Current assets	\$ 7,189,464	\$ 6,876,835	\$ 7,341,713
Non-current assets	7,362,670	7,823,814	8,417,526
Current liabilities	(909,971)	(1,586,799)	(1,113,401)
Non-current liabilities	<u>(672,233)</u>	<u>(698,544)</u>	<u>(729,905)</u>
Equity	<u>\$ 12,969,930</u>	<u>\$ 12,415,306</u>	<u>\$ 13,915,933</u>
Proportion of the Group’s ownership	25%	25%	25%
Carrying amount	<u>\$ 3,242,483</u>	<u>\$ 3,103,826</u>	<u>\$ 3,478,983</u>

	<b>For the Three Months Ended June 30</b>		<b>For the Six Months Ended June 30</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Operating revenue	<u>\$ 2,548,542</u>	<u>\$ 1,907,994</u>	<u>\$ 4,369,728</u>	<u>\$ 3,327,177</u>
Net income for the period	\$ 699,930	\$ 328,439	\$ 1,061,037	\$ 422,508
Other comprehensive income (loss)	<u>170,472</u>	<u>(280,912)</u>	<u>(506,408)</u>	<u>(463,080)</u>
Total comprehensive income (loss) for the period	<u>\$ 870,402</u>	<u>\$ 47,527</u>	<u>\$ 554,629</u>	<u>\$ (40,572)</u>

## 2) Aggregate information of individually immaterial associates

	<b>Proportion of Ownership</b>			
	<b>June 30, 2017</b>	<b>December 31, 2016</b>	<b>June 30, 2016</b>	
Yunnan Kungang & K. Wah Cement Construction Materials Co., Ltd.	30.0%	30.0%	30.0%	
Baoshan Kungang & K. Wah Cement Construction Materials Co., Ltd.	30.0%	30.0%	30.0%	
CCC USA Corp.	33.3%	33.3%	33.3%	
ONYX Ta-Ho Environmental Services Co., Ltd.	50.0%	50.0%	50.0%	
Quon Hing Concrete Co., Ltd.	50.0%	50.0%	50.0%	
Chia Huan Tung Cement Corporation	33.8%	33.8%	33.8%	
Hong Kong Concrete Co., Ltd.	31.5%	31.5%	31.5%	
Shih Hsin S&T Co., Ltd.	18.9%	18.9%	18.9%	
Synpac Ltd.	25.0%	25.0%	25.0%	
Sichuan Taichang Building Material Group Company Limited	30.0%	30.0%	30.0%	
	<b>For the Three Months Ended June 30</b>		<b>For the Six Months Ended June 30</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
The Group's share of:				
Net income for the period	\$ 223,497	\$ 142,063	\$ 400,984	\$ 267,889
Other comprehensive income (loss)	<u>78,079</u>	<u>(56,192)</u>	<u>(121,138)</u>	<u>(109,879)</u>
Total comprehensive income for the period	<u>\$ 301,576</u>	<u>\$ 85,871</u>	<u>\$ 279,846</u>	<u>\$ 158,010</u>

The Group's percentage of ownership in Shih Hsin S&T Co., Ltd. is less than 20%, but the Group has significant influence and accounts for the investment by using the equity method.

The above investments accounted for by using the equity method and the share of profit or loss and other comprehensive income (loss) of those investments for the six months ended June 30, 2017 and 2016 were based on the associates' unreviewed financial statements for the same period except those of CCC USA Corporation.

## b. Investments in joint ventures

Investments in joint ventures of the Group were as follows:

	<b>June 30, 2017</b>	<b>December 31, 2016</b>	<b>June 30, 2016</b>
Unlisted shares			
Guangan Xin Tai Construction Materials Company Limited	\$ -	\$ -	\$ 42,888

The Group holds 50% of the issued share capital of Guangan Xin Tai Construction Materials Company Limited and voting rights.

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
The Group's share of:				
Net loss for the period	\$ -	\$ (270)	\$ -	\$ (584)
Other comprehensive loss	-	(1,004)	-	(1,532)
Total comprehensive loss for the period	\$ -	\$ (1,274)	\$ -	\$ (2,116)

The investments accounted for by using the equity method and the share of profit or loss and other comprehensive loss of such investments for the six months ended June 30, 2017 and 2016 were based on unreviewed financial statements for the same periods.

## 15. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Machinery and Equipment	Miscellaneous Equipment	Property in Construction	Total
<b>Cost</b>						
Balance at January 1, 2016	\$ 20,766,374	\$ 54,191,589	\$ 103,905,771	\$ 12,257,492	\$ 4,849,487	\$ 195,970,713
Additions	6,129	76,924	61,937	82,718	267,787	495,495
Disposals	-	(7,483)	(373,200)	(170,461)	-	(551,144)
Reclassification	-	(7,032)	181,913	23,902	(172,520)	26,263
Effects of exchange rate changes	-	(1,315,100)	(2,075,007)	(108,531)	(75,469)	(3,574,107)
Balance at June 30, 2016	<u>\$ 20,772,503</u>	<u>\$ 52,938,898</u>	<u>\$ 101,701,414</u>	<u>\$ 12,085,120</u>	<u>\$ 4,869,285</u>	<u>\$ 192,367,220</u>
<b>Accumulated depreciation and impairment</b>						
Balance at January 1, 2016	\$ 274,188	\$ 13,440,651	\$ 59,128,303	\$ 9,817,437	\$ -	\$ 82,660,579
Disposals	-	(7,483)	(360,584)	(163,188)	-	(531,255)
Depreciation expenses	-	768,053	2,319,116	288,919	-	3,376,088
Effects of exchange rate changes	-	(245,685)	(815,840)	(75,186)	-	(1,136,711)
Balance at June 30, 2016	<u>\$ 274,188</u>	<u>\$ 13,955,536</u>	<u>\$ 60,270,995</u>	<u>\$ 9,867,982</u>	<u>\$ -</u>	<u>\$ 84,368,701</u>
Carrying amounts at June 30, 2016	<u>\$ 20,498,315</u>	<u>\$ 38,983,362</u>	<u>\$ 41,430,419</u>	<u>\$ 2,217,138</u>	<u>\$ 4,869,285</u>	<u>\$ 107,998,519</u>
<b>Cost</b>						
Balance at January 1, 2017	\$ 20,678,952	\$ 51,534,206	\$ 99,393,155	\$ 12,039,090	\$ 4,589,547	\$ 188,234,950
Additions	-	3,045	56,809	57,189	271,218	388,261
Disposals	(1,878)	(22,195)	(103,389)	(95,043)	-	(222,505)
Reclassification	-	6,511	180,291	12,637	(177,650)	21,789
Effects of exchange rate changes	-	(1,302,735)	(2,030,387)	(202,047)	(67,848)	(3,603,017)
Balance at June 30, 2017	<u>\$ 20,677,074</u>	<u>\$ 50,218,832</u>	<u>\$ 97,496,479</u>	<u>\$ 11,811,826</u>	<u>\$ 4,615,267</u>	<u>\$ 184,819,478</u>
<b>Accumulated depreciation and impairment</b>						
Balance at January 1, 2017	\$ 274,188	\$ 14,666,095	\$ 61,394,024	\$ 10,068,911	\$ 31,966	\$ 86,435,184
Disposals	-	(4,106)	(70,950)	(87,712)	-	(162,768)
Depreciation expenses	-	695,781	2,001,911	311,110	-	3,008,802
Effects of exchange rate changes	-	(249,918)	(820,025)	(150,430)	(2,007)	(1,222,380)
Balance at June 30, 2017	<u>\$ 274,188</u>	<u>\$ 15,107,852</u>	<u>\$ 62,504,960</u>	<u>\$ 10,141,879</u>	<u>\$ 29,959</u>	<u>\$ 88,058,838</u>
Carrying amounts at January 1, 2017	<u>\$ 20,404,764</u>	<u>\$ 36,868,111</u>	<u>\$ 37,999,131</u>	<u>\$ 1,970,179</u>	<u>\$ 4,557,581</u>	<u>\$ 101,799,766</u>
Carrying amounts at June 30, 2017	<u>\$ 20,402,886</u>	<u>\$ 35,110,980</u>	<u>\$ 34,991,519</u>	<u>\$ 1,669,947</u>	<u>\$ 4,585,308</u>	<u>\$ 96,760,640</u>

The above items of property, plant and equipment were depreciated on a straight-line basis over the estimated useful life of the asset:

Buildings	
Main buildings	30-60 years
Main plants	16-50 years
Storage units	10-50 years
Others	20-50 years
Machinery and equipment	2-28 years
Miscellaneous equipment	2-20 years

Property, plant and equipment pledged as collateral for bank borrowings are set out in Note 29.

Acquisitions of property, plant and equipment included non-cash items and were reconciled as follows:

	<b>For the Six Months Ended June 30</b>	
	<b>2017</b>	<b>2016</b>
Acquisitions of property, plant and equipment	\$ 388,261	\$ 495,495
Increase in prepayments for equipment	164,304	10,845
Decrease in payables for equipment	<u>80,636</u>	<u>1,451,687</u>
	<u>\$ 633,201</u>	<u>\$ 1,958,027</u>

## 16. INVESTMENT PROPERTIES

	<b>June 30, 2017</b>	<b>December 31, 2016</b>	<b>June 30, 2016</b>
Land	\$ 5,389,605	\$ 5,389,605	\$ 5,296,054
Buildings	<u>669,785</u>	<u>683,451</u>	<u>687,554</u>
	<u>\$ 6,059,390</u>	<u>\$ 6,073,056</u>	<u>\$ 5,983,608</u>

Except for depreciation, the Group did not recognize significant additions, disposals, or impairment loss of investment properties during the six months ended June 30, 2017 and 2016.

The buildings of the investment properties were depreciated over their estimated useful lives of 50 years, using the straight-line method.

As of December 31, 2016 and 2015, the fair values of the investment properties owned by the Group were \$10,901,414 thousand and \$11,157,619 thousand, respectively. Management of the Group had assessed and determined that there was no significant changes in the fair value on June 30, 2016 from those as of December 31, 2015. As of June 30, 2017, the fair value of investment properties were \$15,253,955 thousand as determined by independent qualified professional valuers.

The investment properties pledged as collateral for bank borrowings are set out in Note 29.

## 17. INTANGIBLE ASSETS

	Goodwill	Operational Concession	Mining Rights	Others	Total
<u>Cost</u>					
Balance at January 1, 2016	\$ 13,134,936	\$ 7,683,851	\$ 2,992,002	\$ 1,230,004	\$ 25,040,793
Additions	-	-	77,989	1,568	79,557
Effects of exchange rate changes	(420,522)	-	(94,415)	(15,743)	(530,680)
Balance at June 30, 2016	<u>\$ 12,714,414</u>	<u>\$ 7,683,851</u>	<u>\$ 2,975,576</u>	<u>\$ 1,215,829</u>	<u>\$ 24,589,670</u>
<u>Accumulated amortization and impairment</u>					
Balance at January 1, 2016	\$ -	\$ 604,631	\$ 998,997	\$ 829,613	\$ 2,433,241
Amortization expenses	-	75,579	89,121	50,284	214,984
Effects of exchange rate changes	-	-	(30,588)	(6,004)	(36,592)
Balance at June 30, 2016	<u>\$ -</u>	<u>\$ 680,210</u>	<u>\$ 1,057,530</u>	<u>\$ 873,893</u>	<u>\$ 2,611,633</u>
Carrying amounts at June 30, 2016	<u>\$ 12,714,414</u>	<u>\$ 7,003,641</u>	<u>\$ 1,918,046</u>	<u>\$ 341,936</u>	<u>\$ 21,978,037</u>
<u>Cost</u>					
Balance at January 1, 2017	\$ 12,191,933	\$ 7,681,476	\$ 2,859,051	\$ 1,203,719	\$ 23,936,179
Additions	-	-	-	8,323	8,323
Effects of exchange rate changes	(392,098)	-	(99,068)	(25,480)	(516,646)
Balance at June 30, 2017	<u>\$ 11,799,835</u>	<u>\$ 7,681,476</u>	<u>\$ 2,759,983</u>	<u>\$ 1,186,562</u>	<u>\$ 23,427,856</u>
<u>Accumulated amortization and impairment</u>					
Balance at January 1, 2017	\$ -	\$ 755,555	\$ 1,086,135	\$ 919,207	\$ 2,760,897
Amortization expenses	-	75,555	66,044	46,693	188,292
Effects of exchange rate changes	-	-	(32,695)	(16,592)	(49,287)
Balance at June 30, 2017	<u>\$ -</u>	<u>\$ 831,110</u>	<u>\$ 1,119,484</u>	<u>\$ 949,308</u>	<u>\$ 2,899,902</u>
Carrying amounts at January 1, 2017	<u>\$ 12,191,933</u>	<u>\$ 6,925,921</u>	<u>\$ 1,772,916</u>	<u>\$ 284,512</u>	<u>\$ 21,175,282</u>
Carrying amounts at June 30, 2017	<u>\$ 11,799,835</u>	<u>\$ 6,850,366</u>	<u>\$ 1,640,499</u>	<u>\$ 237,254</u>	<u>\$ 20,527,954</u>

The above items of intangible assets with finite useful lives are amortized on a straight-line basis, over their useful lives as follows:

Operational concession	50 years
Mining rights	30-50 years
Others	3-17 years

## 18. PREPAYMENTS FOR LEASES

	June 30, 2017	December 31, 2016	June 30, 2016
Current (included in prepayments)	\$ 209,020	\$ 217,214	\$ 230,725
Non-current	<u>6,642,225</u>	<u>6,934,059</u>	<u>7,354,559</u>
	<u>\$ 6,851,245</u>	<u>\$ 7,151,273</u>	<u>\$ 7,585,284</u>

The above prepayments for leases were land use rights in China.



## 19. BORROWINGS

## a. Short-term loans

	June 30, 2017	December 31, 2016	June 30, 2016
<u>Secured borrowings</u>			
Bank loans	\$ 90,000	\$ 150,000	\$ 270,000
<u>Unsecured borrowings</u>			
Bank loans - unsecured	21,045,309	20,245,767	15,088,702
Bank loans - letters of credit	<u>533,841</u>	<u>239,557</u>	<u>390,670</u>
	<u>21,579,150</u>	<u>20,485,324</u>	<u>15,479,372</u>
	<u>\$ 21,669,150</u>	<u>\$ 20,635,324</u>	<u>\$ 15,749,372</u>
Interest rate	0.53%-4.35%	0.82%-4.35%	0.74%-5.35%

## b. Short-term bills payable

	June 30, 2017	December 31, 2016	June 30, 2016
Commercial paper	\$ 5,200,000	\$ 5,930,000	\$ 5,862,000
Less: Unamortized discount on bills payable	<u>6,220</u>	<u>8,482</u>	<u>10,103</u>
	<u>\$ 5,193,780</u>	<u>\$ 5,921,518</u>	<u>\$ 5,851,897</u>
Interest rate	0.95%-1.28%	0.63%-1.27%	0.98%-1.45%

## c. Long-term loans

	June 30, 2017	December 31, 2016	June 30, 2016
Secured borrowings	\$ 5,108,579	\$ 7,775,503	\$ 9,112,427
Unsecured borrowings	<u>49,035,734</u>	<u>53,730,506</u>	<u>57,130,075</u>
	54,144,313	61,506,009	66,242,502
Less: Current portions	<u>12,196,596</u>	<u>8,163,950</u>	<u>14,469,773</u>
	<u>\$ 41,947,717</u>	<u>\$ 53,342,059</u>	<u>\$ 51,772,729</u>
Interest rate	1.29%-2.80%	1.18%-2.90%	1.30%-2.84%

Long-term loans consist of unsecured borrowings, secured borrowings and earmarked loans. The principals of long-term unsecured and secured borrowings are due in December 2021, and the interests are paid monthly. The principals of earmarked loans are due in February 2019, and the interests are paid monthly, quarterly, or semiannually.

**20. OTHER PAYABLES**

	<b>June 30, 2017</b>	<b>December 31, 2016</b>	<b>June 30, 2016</b>
Payables for equipment	\$ 1,267,631	\$ 1,432,129	\$ 1,616,128
Salaries and bonuses payable	838,505	1,134,697	695,000
Deposits and retention money	723,077	745,642	728,302
Taxes payable	613,907	748,023	558,862
Freight payables	316,667	195,128	214,625
Fines payable	264,000	264,000	264,000
Payables for electricity	248,007	374,268	308,654
Others	<u>2,683,589</u>	<u>3,067,007</u>	<u>2,698,529</u>
	<u>\$ 6,955,383</u>	<u>\$ 7,960,894</u>	<u>\$ 7,084,100</u>

**21. RETIREMENT BENEFIT PLANS**

Employee benefits expense in respect of the defined retirement benefit plans applied the actuarially determined pension cost discount rate as of December 31, 2016 and 2015 and was recognized in the following line items in its respective periods:

	<b>For the Three Months Ended June 30</b>		<b>For the Six Months Ended June 30</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Operating costs	\$ 1,101	\$ 2,519	\$ 2,388	\$ 5,145
Operating expenses	<u>321</u>	<u>804</u>	<u>674</u>	<u>1,543</u>
	<u>\$ 1,422</u>	<u>\$ 3,323</u>	<u>\$ 3,062</u>	<u>\$ 6,688</u>

**22. EQUITY**

## a. Ordinary shares

	<b>June 30, 2017</b>	<b>December 31, 2016</b>	<b>June 30, 2016</b>
Number of shares authorized (in thousands)	<u>6,000,000</u>	<u>6,000,000</u>	<u>6,000,000</u>
Shares authorized	<u>\$ 60,000,000</u>	<u>\$ 60,000,000</u>	<u>\$ 60,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>3,692,176</u>	<u>3,692,176</u>	<u>3,692,176</u>
Shares issued	<u>\$ 36,921,759</u>	<u>\$ 36,921,759</u>	<u>\$ 36,921,759</u>

A holder of issued ordinary shares with par value of NT\$10 is entitled to the proportional rights to vote and to dividends.

## b. Capital surplus

	June 30, 2017	December 31, 2016	June 30, 2016
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)</u>			
Issuance of shares	\$ 10,435,775	\$ 10,435,775	\$ 10,435,775
Conversion of bonds	1,520,632	1,520,632	1,520,632
The difference between consideration received and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	1,224,547	1,224,547	-
Treasury share transactions	194,598	194,598	194,598
Donations	31,537	31,537	31,537
<u>May only be used to offset a deficit (2)</u>			
Changes in percentage of ownership interests in subsidiaries	116,238	116,238	116,238
Forfeited share options	10,315	10,315	10,315
<u>May not be used for any purpose</u>			
Changes in interests in associates accounted for by using equity method	<u>520</u>	<u>520</u>	<u>520</u>
	<u>\$ 13,534,162</u>	<u>\$ 13,534,162</u>	<u>\$ 12,309,615</u>

- 1) Such capital surplus may be used to offset a deficit; in addition, when the Corporation has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Corporation's capital surplus and once a year).
- 2) Such capital surplus arises from the effect of changes in ownership interest in a subsidiary resulting from equity transactions, other than actual disposals or acquisitions, or from changes in capital surplus of subsidiaries accounted for by using the equity method.

## c. Retained earnings and dividend policy

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees. The shareholders held their regular meeting in June 2016 and, in that meeting, resolved amendments to the Corporation's Articles of Incorporation (the "Articles"), particularly the amendment to the policy on dividend distribution and the addition of the policy on the distribution of employees' compensation.

Under the dividend policy as set forth in the amended Articles, where the Corporation made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Corporation's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors before and after amendment, refer to "Employee benefits expense" in Note 23b.

In addition to the capital-intensive, mature and stable production and marketing of cement and cement-related products, the Corporation aggressively pursues diversification. For the development of diversified investments or other important capital budgeting plans, the Corporation decided that the payout ratio of cash dividend is to be at least 20% of the total dividends to be distributed to ordinary shareholders; the rest will be paid in share dividends.

Items referred to under Rule No. 1010012865, Rule No. 1010047490 and Rule No. 1030006415 issued by the FSC and the directive titled “Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs” should be appropriated to or reversed from a special reserve by the Corporation.

An appropriation of earnings to the legal reserve shall be made until the legal reserve equals the Corporation’s share capital. The legal reserve may be used to offset deficits. If the Corporation has no deficit and the legal reserve has exceeded 25% of the Corporation’s share capital, the excess may be transferred to capital or distributed in cash.

Except for non-ROC resident shareholders, all shareholders receiving dividends are allowed a tax credit equal to their proportionate share of the income tax paid by the Corporation.

The appropriations of earnings for 2016 and 2015, which were proposed by the shareholders’ general meeting in June 2017 and 2016, respectively, were as follows:

	<b>Appropriation of Earnings</b>		<b>Dividends Per Share</b>	
	<b>For the Year Ended</b>		<b>(NT\$)</b>	
	<b>December 31</b>		<b>For the Year Ended</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Legal reserve	\$ 635,845	\$ 577,599		
Cash dividends	5,353,655	4,910,594	<u>\$ 1.45</u>	<u>\$ 1.33</u>

d. Special reserve

The Corporation appropriated to special reserve the amounts that were the same as the unrealized revaluation increment and cumulative translation adjustments transferred to retained earnings at the first-time adoption of IFRSs, which were \$10,454,422 thousand and \$2,709,369 thousand, respectively.

The special reserve appropriated at the first-time adoption of IFRSs relating to investment in properties other than land may be reversed according to the period of use. The special reserve relating to land may be reversed upon disposal or reclassification. The special reserve appropriated due to currency translation adjustments for financial statements of foreign operations (including subsidiaries) shall be reversed based on the Corporation’s disposal percentage, and all of the special reserve shall be reversed when the Corporation loses significant influence.

## e. Others equity items

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

	<b>For the Six Months Ended June 30</b>	
	<b>2017</b>	<b>2016</b>
Balance at January 1	\$ (2,233,617)	\$ 2,239,093
Exchange differences on translating foreign operations	(1,094,453)	(1,685,449)
Share of exchange differences of associates and joint ventures accounted for by using the equity method	<u>(171,460)</u>	<u>(134,377)</u>
Balance at June 30	<u>\$ (3,499,530)</u>	<u>\$ 419,267</u>

## 2) Unrealized gain (loss) on available-for-sale financial assets

	<b>For the Six Months Ended June 30</b>	
	<b>2017</b>	<b>2016</b>
Balance at January 1	\$ 11,200,323	\$ 10,993,974
Unrealized gain (loss) arising on revaluation of available-for-sale financial assets	3,049,419	(1,197,144)
Cumulative loss reclassified to profit on disposal of available-for-sale financial assets	395	(170)
Share of unrealized loss on revaluation of available-for-sale financial assets of associates accounted for by using the equity method	<u>(143)</u>	<u>(43)</u>
Balance at June 30	<u>\$ 14,249,994</u>	<u>\$ 9,796,617</u>

## 3) Cash flow hedges

	<b>For the Six Months Ended June 30</b>	
	<b>2017</b>	<b>2016</b>
Balance at January 1	\$ 7,900	\$ 5,487
Changes in fair value of hedging instruments - foreign exchange forward contracts	(12,169)	(14,521)
Reclassified loss from expiration of hedging instruments - foreign exchange forward contracts	<u>4,269</u>	<u>8,977</u>
Balance at June 30	<u>\$ -</u>	<u>\$ (57)</u>

## f. Non-controlling interests

	<b>For the Six Months Ended June 30</b>	
	<b>2017</b>	<b>2016</b>
Balance at January 1	\$ 40,628,620	\$ 47,441,267
Attributable to non-controlling interests:		
Share of profit (loss) for the period	1,252,536	578,719
Exchange differences arising on translation of foreign operations	(514,326)	(1,203,294)
Unrealized gain (loss) on available-for-sale financial assets	90,691	20,913
Changes in cash flow hedges	(5,267)	(3,696)
Share of other comprehensive loss of associates and joint ventures accounted for by using the equity method	(76,137)	(92,761)
Cumulative gain reclassified to profit or loss on sale of available-for-sale financial assets	(18)	(9)
Dividends paid by subsidiaries	<u>(2,182,905)</u>	<u>(2,302,800)</u>
Balance at June 30	<u>\$ 39,193,194</u>	<u>\$ 44,438,339</u>

## 23. NET INCOME

Net income includes the following items:

## a. Depreciation and amortization

	<b>For the Three Months Ended June 30</b>		<b>For the Six Months Ended June 30</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Property, plant and equipment	\$ 1,484,978	\$ 1,658,924	\$ 3,008,802	\$ 3,376,088
Investment properties	6,028	6,263	12,401	12,551
Intangible assets	<u>91,321</u>	<u>108,187</u>	<u>188,292</u>	<u>214,984</u>
	<u>\$ 1,582,327</u>	<u>\$ 1,773,374</u>	<u>\$ 3,209,495</u>	<u>\$ 3,603,623</u>
An analysis of depreciation by function				
Operating costs	\$ 1,423,077	\$ 1,573,148	\$ 2,822,570	\$ 3,121,406
Operating expenses	67,006	90,588	196,786	264,296
Non-operating expenses	<u>923</u>	<u>1,451</u>	<u>1,847</u>	<u>2,937</u>
	<u>\$ 1,491,006</u>	<u>\$ 1,665,187</u>	<u>\$ 3,021,203</u>	<u>\$ 3,388,639</u>
An analysis of amortization by function				
Operating costs	\$ 78,779	\$ 94,005	\$ 162,929	\$ 186,394
Operating expenses	<u>12,542</u>	<u>14,182</u>	<u>25,363</u>	<u>28,590</u>
	<u>\$ 91,321</u>	<u>\$ 108,187</u>	<u>\$ 188,292</u>	<u>\$ 214,984</u>

## b. Employee benefits expense

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
Retirement benefit plans				
Defined contribution plans	\$ 86,553	\$ 90,281	\$ 174,211	\$ 203,011
Defined benefit plan	<u>1,422</u>	<u>3,323</u>	<u>3,062</u>	<u>6,688</u>
	87,975	93,604	177,273	209,699
Other employee benefits	<u>1,167,728</u>	<u>1,096,126</u>	<u>2,228,169</u>	<u>2,341,534</u>
	<u>\$ 1,255,703</u>	<u>\$ 1,189,730</u>	<u>\$ 2,405,442</u>	<u>\$ 2,551,233</u>
An analysis of employee benefits expense by function				
Operating costs	\$ 894,121	\$ 829,421	\$ 1,717,434	\$ 1,797,593
Operating expenses	<u>361,582</u>	<u>360,309</u>	<u>688,008</u>	<u>753,640</u>
	<u>\$ 1,255,703</u>	<u>\$ 1,189,730</u>	<u>\$ 2,405,442</u>	<u>\$ 2,551,233</u>

In compliance with the Company Act as amended in May 2015 and the proposed amended Articles of Incorporation of the Corporation, which was approved by the shareholders in their meeting in June 2016, the Corporation accrued employees' compensation and remuneration of directors at the rates of 0.01-3% and no higher than 1%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors for the three months ended June 30, 2017 and 2016 and the six months ended June 30, 2017 and 2016. The employees' compensation and the remuneration of directors for said periods were as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
Employees' compensation	<u>\$ 12,865</u>	<u>\$ 50,739</u>	<u>\$ 17,909</u>	<u>\$ 58,538</u>
Remuneration of directors	<u>\$ 19,297</u>	<u>\$ 16,953</u>	<u>\$ 26,863</u>	<u>\$ 19,513</u>

If there is a change in the amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

The employees' compensation and remuneration of directors for the years ended December 31, 2016 and 2015, which have been resolved to be paid in cash by the board of directors in March 2017 and in March 2016, respectively, were as follows:

	For the Year Ended December 31	
	2016	2015
Employees' compensation	<u>\$ 37,114</u>	<u>\$ 28,834</u>
Remuneration of directors	<u>\$ 55,680</u>	<u>\$ 50,517</u>

There was no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2016 and 2015.

Information on the employees' compensation and remuneration of directors resolved by the Corporation's board of directors in 2017 and 2016 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

c. Finance costs

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
Interest on bank borrowings	\$ 385,976	\$ 417,420	\$ 834,187	\$ 860,664
Other finance costs	<u>63,591</u>	<u>48,636</u>	<u>109,155</u>	<u>110,217</u>
	<u>\$ 449,567</u>	<u>\$ 466,056</u>	<u>\$ 943,342</u>	<u>\$ 970,881</u>

Information about capitalized interest was as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
Capitalization amount of interest	<u>\$ 5,768</u>	<u>\$ 1,514</u>	<u>\$ 6,150</u>	<u>\$ 2,264</u>
Capitalization rate of interest	0.98-1.58%	1.58%	0.98-1.58%	1.58%

## 24. INCOME TAX

a. Income tax recognized in profit or loss

Major components of tax expense were as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
Current tax				
In respect of the current period	\$ 933,912	\$ 714,828	\$ 1,425,530	\$ 931,991
Adjustments for prior periods	<u>16,199</u>	<u>(7,340)</u>	<u>14,426</u>	<u>(8,611)</u>
	950,111	707,488	1,439,956	923,380
Deferred tax	<u>58,162</u>	<u>51,778</u>	<u>79,883</u>	<u>19,206</u>
	<u>\$ 1,008,273</u>	<u>\$ 759,266</u>	<u>\$ 1,519,839</u>	<u>\$ 942,586</u>



## b. Integrated income tax

	June 30, 2017	December 31, 2016	June 30, 2016
Unappropriated earnings			
Generated before January 1, 1998	\$ 38,366	\$ 38,366	\$ 38,366
Generated on and after January 1, 1998	<u>17,851,865</u>	<u>20,859,410</u>	<u>16,409,078</u>
	<u>\$ 17,890,231</u>	<u>\$ 20,897,776</u>	<u>\$ 16,447,444</u>
Shareholder-imputed credit accounts	<u>\$ 2,196,527</u>	<u>\$ 1,702,678</u>	<u>\$ 2,081,013</u>

The expected and actual creditable ratio for the distribution of the 2016 and 2015 earnings were 10.86% and 10.57%, respectively.

## c. Income tax assessments

The information of income tax assessments for group entities is as follows:

Year	Company
2015	Kuan-Ho Construction & Development Corporation, Ta-Ho Onyx RSEA Environment Co., Ltd., Union Cement Traders Inc., TCC Investment Corporation, Ho Sheng Mining Co., Ltd., Ho Swen Construction Material Co., Ltd., Taiwan Cement Engineering Corporation, TCC Chemical Corporation, TCC Information Systems Corporation, Taiwan Prosperity Chemical Corporation, Tung Chen Mineral Corporation, Jin Chang Minerals Corporation, Ho-Ping Industrial Port Corporation, Ta-Ho Onyx Taitung Environment Co., Ltd., HPC Power Service Corporation, E.G.C. Cement Corporation, Kuan-Ho Refractories Industry Corporation, Tunwoo Company Limited, Ta-Ho Maritime Corporation
2014	Taiwan Cement Corporation, Taiwan Transport & Storage Corporation, Ho-Ping Power Company, Feng Sheng Enterprise Company

## 25. EARNINGS PER SHARE

Unit: NT\$ Per Share

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
Basic earnings per share	<u>\$ 0.58</u>	<u>\$ 0.54</u>	<u>\$ 0.81</u>	<u>\$ 0.60</u>
Diluted earnings per share	<u>\$ 0.58</u>	<u>\$ 0.54</u>	<u>\$ 0.81</u>	<u>\$ 0.60</u>

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
Profit for the period attributable to owners of the Corporation	<u>\$ 2,149,711</u>	<u>\$ 2,003,745</u>	<u>\$ 2,981,955</u>	<u>\$ 2,224,740</u>
<u>Number of shares (in thousands)</u>				
Weighted average number of ordinary shares in computation of basic earnings per share	3,692,176	3,692,176	3,692,176	3,692,176
Effect of potentially dilutive ordinary shares:				
Employees' compensation	<u>365</u>	<u>1,826</u>	<u>997</u>	<u>2,296</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u><u>3,692,541</u></u>	<u><u>3,694,002</u></u>	<u><u>3,693,173</u></u>	<u><u>3,694,472</u></u>

If the Corporation offered to settle compensation paid to employees in cash or shares, the Corporation assumed the entire amount of the compensation or bonus will be settled in shares, and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

**26. CAPITAL MANAGEMENT**

The Group need to maintain sufficient capital to fulfill the Group's requirements of business expansion and construction. Therefore, the capital management of the Group shall focus on a comprehensive operational plan to ensure sound profitability and financial structure so as to fulfill the mid- and long-term demand of working capital, capital expenditures, debts repayment and dividend distributions.

**27. FINANCIAL INSTRUMENTS**

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

The consolidated financial statements included holdings in unlisted shares. The fair values of those unlisted shares, which were estimated through valuation techniques, would fluctuate with high volatility, and the management believes that their fair values cannot be reliably measured. Therefore, such investments were measured at cost less accumulated impairment.

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

1) Fair value hierarchy

June 30, 2017

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Mutual funds	\$ 147,673	\$ -	\$ -	\$ 147,673
Available-for-sale financial assets				
Domestic listed shares	\$ 8,747,848	\$ -	\$ -	\$ 8,747,848
Foreign listed shares	13,893,667	-	-	13,893,667
Domestic emerging market shares	98,945	-	-	98,945
Mutual funds	<u>24,375</u>	<u>-</u>	<u>-</u>	<u>24,375</u>
	<u>\$ 22,764,835</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,764,835</u>

December 31, 2016

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Mutual funds	\$ 146,841	\$ -	\$ -	\$ 146,841
Derivative instrument - foreign exchange forward contracts	<u>-</u>	<u>1,647</u>	<u>-</u>	<u>1,647</u>
	<u>\$ 146,841</u>	<u>\$ 1,647</u>	<u>\$ -</u>	<u>\$ 148,488</u>
Available-for-sale financial assets				
Domestic listed shares	\$ 7,338,337	\$ -	\$ -	\$ 7,338,337
Foreign listed shares	11,833,605	-	-	11,833,605
Domestic emerging market shares	536,211	-	-	536,211
Mutual funds	<u>19,395</u>	<u>-</u>	<u>-</u>	<u>19,395</u>
	<u>\$ 19,727,548</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,727,548</u>
Derivative financial assets for hedging				
Foreign exchange forward contracts	<u>\$ -</u>	<u>\$ 13,167</u>	<u>\$ -</u>	<u>\$ 13,167</u>

June 30, 2016

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Mutual funds	\$ 146,656	\$ -	\$ -	\$ 146,656
Available-for-sale financial assets				
Domestic listed shares	\$ 6,647,409	\$ -	\$ -	\$ 6,647,409
Foreign listed shares	10,815,797	-	-	10,815,797
Domestic emerging market shares	533,619	-	-	533,619
Mutual funds	30,708	-	-	30,708
	<u>\$ 18,027,533</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,027,533</u>
Derivative financial liabilities for hedging				
Foreign exchange forward contracts	\$ -	\$ 95	\$ -	\$ 95

There were no transfers between Levels 1 and 2 in the current and prior periods.

2) Valuation techniques and inputs applied for the purpose of Level 2 fair value measurement

<u>Financial Instruments</u>	<u>Valuation Techniques and Inputs</u>
Derivatives - foreign currency forward contracts	Discounted cash flow.  Future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates discounted at a rate that reflects the credit risk of various counterparties.

c. Categories of financial instruments

	June 30, 2017	December 31, 2016	June 30, 2016
<u>Financial assets</u>			
FVTPL	\$ 147,673	\$ 148,488	\$ 146,656
Derivative financial instruments in designated hedge accounting relationships	-	13,167	-
Loans and receivables (1)	81,091,607	83,540,447	81,073,603
Available-for-sale (2)	23,347,932	20,317,284	18,838,322
<u>Financial liabilities</u>			
Derivative financial instruments in designated hedge accounting relationships	-	-	95
Amortized cost (3)	100,987,178	103,695,385	106,690,404

1) The balances include loans and receivables measured at amortized cost, which comprise cash and cash equivalents, notes and accounts receivable, other receivables, other financial assets and long-term finance lease receivables.

2) The balances include the carrying amount of available-for-sale financial assets measured at cost.

- 3) The balances include financial liabilities measured at amortized cost, which comprise short-term loans, short-term bills payable, notes and accounts payable, dividends payable, other payables and long-term loans (including current portion).

d. Financial risk management objectives and policies

The risk control and hedging strategy performed by the Group were affected by operation environments, and the Group adopted appropriate risk controls and hedging strategies according to its nature of business and risk diversification principles. These risks include market risk, credit risk and liquidity risk.

The Group sought to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The Group did not enter into or trade financial instruments for speculation.

1) Market risk

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

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

a) Foreign currency risk

The foreign financial assets and liabilities were exposed to risk of foreign currency fluctuations. To lower foreign currency risk, the Group has established control mechanisms to immediately monitor its foreign currency position and exchange rate fluctuations.

To maximize the hedging effectiveness, the Group matched up the conditions of derivative instruments with those in the contracts of hedged items.

The carrying amounts of the significant monetary assets and liabilities not denominated in the functional currency (including those eliminated on consolidation) at the end of reporting period are set out in Note 32.

The Group was mainly exposed to the USD.

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

	USD Impact		HKD Impact	
	For the Six Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
NTD	\$ (2,767)	\$ (4,166)	\$ -	\$ -
RMB	\$ (22,333)	\$ (11,243)	\$ 3,600	\$ 4,605
HKD	\$ 346,170	\$ 357,566	\$ -	\$ -

## b) Interest rate risk

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

	June 30, 2017	December 31, 2016	June 30, 2016
Cash flow interest rate risk			
Financial assets	\$ 14,715,759	\$ 17,730,116	\$ 15,232,354
Financial liabilities	75,813,463	82,141,333	81,991,874

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

For the Group's portion of floating interest rate financial assets, if interest rates had been 50 basis points higher/lower, the cash inflows from floating interest rate financial assets for the six months ended June 30, 2017 and 2016 would increase/decrease by \$30,535 thousand and \$31,607 thousand, respectively.

For the Group's portion of floating interest rate financial liabilities, if interest rates had been 50 basis points higher/lower, the cash outflows from floating interest rate financial liabilities for the six months ended June 30, 2017 and 2016 would increase/decrease by \$157,313 thousand and \$170,133 thousand, respectively.

## c) Other price risk

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

The sensitivity analyses were based on the exposure of listed shares and emerging market shares at the end of reporting period. If equity prices had been 5% higher/lower, other comprehensive income for the six months ended June 30, 2017 and 2016 would increase/decrease by \$1,137,023 thousand and \$899,841 thousand, respectively.

## 2) Credit risk

Potential impacts on financial assets would occur if the Group's counterparties breach financial instrument contracts, including impacts to the concentration of credit risk, components, contractual amounts and other receivables.

As at the end of the reporting period, the Group's maximum exposure to credit risk, which would cause a financial loss to the Group due to the failure of counterparties to discharge an obligation, could arise from the carrying amounts of the respective recognized financial assets as stated in the balance sheets.

The Group transacted with a large number of customers from various industries and geographical locations. The Group continuously assesses the operations and financial positions of customers and monitors the collectability of accounts receivable. The Group also required credit enhancements by bank guarantees or collaterals for certain customers or in certain geographical locations.

The credit risk on liquid funds and derivatives was limited because the counterparties are banks with high credit ratings which were assigned by international credit-rating agencies.

### 3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank facilities and ensures compliance with loan covenants. As of June 30, 2017, December 31, 2016 and June 30, 2016, the amount of unused financing facilities was \$94,122,083 thousand, \$66,943,374 thousand and \$80,412,773 thousand, respectively.

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

#### June 30, 2017

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
<u>Non-derivative financial liabilities</u>					
Non-interest bearing	\$ 301,525	\$ 22,401,050	\$ 2,067,148	\$ 327,544	\$ 40,027
Variable interest rate liabilities	3,591,397	16,483,307	14,690,222	44,301,623	-
Fixed interest rate liabilities	<u>175,000</u>	<u>5,025,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 4,067,922</u>	<u>\$ 43,909,357</u>	<u>\$ 16,757,370</u>	<u>\$ 44,629,167</u>	<u>\$ 40,027</u>

#### December 31, 2016

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
<u>Non-derivative financial liabilities</u>					
Non-interest bearing	\$ 1,063,710	\$ 14,197,236	\$ 2,739,247	\$ 439,094	\$ 40,402
Variable interest rate liabilities	1,788,269	18,116,475	10,646,457	55,516,565	-
Fixed interest rate liabilities	<u>705,000</u>	<u>5,225,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 3,556,979</u>	<u>\$ 37,538,711</u>	<u>\$ 13,385,704</u>	<u>\$ 55,955,659</u>	<u>\$ 40,402</u>

June 30, 2016

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
<u>Non-derivative financial liabilities</u>					
Non-interest bearing	\$ 192,970	\$ 19,003,986	\$ 3,188,704	\$ 598,125	\$ 39,798
Variable interest rate liabilities	2,228,583	11,617,023	17,710,346	53,022,318	-
Fixed interest rate liabilities	<u>252,000</u>	<u>5,610,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,673,553</u>	<u>\$ 36,231,009</u>	<u>\$ 20,899,050</u>	<u>\$ 53,620,443</u>	<u>\$ 39,798</u>

## 28. TRANSACTIONS WITH RELATED PARTIES

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

### a. Name of the related parties and relationship

<u>Related Party</u>	<u>Relationship with the Group</u>
Onyx Ta-Ho Waste Clearance Co., Ltd.	Associates
ONYX Ta-Ho Environmental Services Co., Ltd.	Associates
Shin Hsin S&T Co., Ltd.	Associates
Quon Hing Concrete Co., Ltd.	Associates
Prosperity Conch Cement Company Limited	Associates
Yunnan Kungang & K. Wah Cement Construction Materials Co., Ltd.	Associates
Baoshan Kungang & K. Wah Cement Construction Materials Co., Ltd.	Associates
CCC USA Corp.	Associates
Chia Hsin R.M.C. Corp.	Management personnel in substance
The Koo Foundation	Management personnel in substance
Chia Hsin Cement Corporation	Management personnel in substance
Dongguan Jinli Cement Company Limited	Management personnel in substance
L'Hotel de Chine Corporation	Management personnel in substance
Goldsun Building Materials Co., Ltd.	Investors with significant influence over the Group
Top Form Construction Ltd.	Investors with significant influence over the Group
China Hi-Ment Corporation	Under the Group's significant influence
Rong Gong Enterprise Co.	Under the Group's significant influence
Sole Energy Tech Corp.	Same key management personnel
Synpac-Kingdom Pharmaceutical Co., Ltd.	Same key management personnel
China Synthetic Rubber Corporation	Same key management personnel
Zhong Xin Investment Co., Ltd.	Same key management personnel
E-ONE Moli Energy Corp.	Same key management personnel
Consolidated Resource Company	Same key management personnel
CSRC China Corporation	Same key management personnel
CSRC China (Anshan) Corporation	Same key management personnel

(Continued)



Related Party	Relationship with the Group
Chienten Temple	Same key management personnel
He Feng Investment Co., Ltd.	Same key management personnel
CSRC China (Chongqing) Corporation	Same key management personnel
Dr. Cecilia Koo Botanic Conservation and Environmental Protection Foundation	Same key management personnel
Continental Carbon India Ltd.	Same key management personnel
Guangan Xin Tai Construction Materials Company Limited	Joint ventures

(Concluded)

## b. Operating transactions

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
<u>Sales</u>				
Associates	\$ 158,097	\$ 165,382	\$ 292,352	\$ 346,968
Management personnel in substance	130,311	150,865	263,988	317,308
Under the Group's significant influence	22,355	49,051	92,203	82,128
Same key management personnel	42,307	42,155	83,394	84,659
Investors with significant influence over the Group	<u>24,121</u>	<u>73,515</u>	<u>41,700</u>	<u>149,354</u>
	<u>\$ 377,191</u>	<u>\$ 480,968</u>	<u>\$ 773,637</u>	<u>\$ 980,417</u>
<u>Purchases of goods and operating expenses</u>				
Under the Group's significant influence	\$ 102,220	\$ 117,285	\$ 215,495	\$ 238,319
Associates	25,972	38,747	44,363	60,674
Same key management personnel	11,672	32,571	25,665	57,945
Others	<u>4,828</u>	<u>1,300</u>	<u>4,882</u>	<u>5,300</u>
	<u>\$ 144,692</u>	<u>\$ 189,903</u>	<u>\$ 290,405</u>	<u>\$ 362,238</u>

Notes receivable and accounts receivable from related parties were as follows:

	June 30, 2017	December 31, 2016	June 30, 2016
Management personnel in substance			
Chia Hsin Cement Corporation	\$ 61,431	\$ 103,221	\$ 131,273
Dongguan Jinli Cement Company Limited	-	221,660	471,438
Others	<u>13,019</u>	<u>19,197</u>	<u>19,099</u>
	<u>74,450</u>	<u>344,078</u>	<u>621,810</u>
Associates			
Quon Hing Concrete Co., Ltd.	69,697	60,656	53,149
Shin Hsin Storage & Transportation Co., Ltd.	35,521	20,895	62,685
Others	<u>13,797</u>	<u>15,082</u>	<u>14,607</u>
	<u>119,015</u>	<u>96,633</u>	<u>130,441</u>
Under the Group's significant influence			
China Hi-Ment Corporation	27,200	43,037	60,630
Others	<u>-</u>	<u>515</u>	<u>514</u>
	<u>27,200</u>	<u>43,552</u>	<u>61,144</u>
Investors with significant influence over the Group	<u>21,084</u>	<u>53,788</u>	<u>27,560</u>
Same key management personnel	<u>12,624</u>	<u>8,933</u>	<u>25,420</u>
	<u>\$ 254,373</u>	<u>\$ 546,984</u>	<u>\$ 866,375</u>

Notes payable and accounts payable to related parties were as follows:

	June 30, 2017	December 31, 2016	June 30, 2016
Under the Group's significant influence	\$ 75,245	\$ 134,365	\$ 81,280
Associates	9,720	5,056	23,460
Others	<u>3,878</u>	<u>4,237</u>	<u>6,058</u>
	<u>\$ 88,843</u>	<u>\$ 143,658</u>	<u>\$ 110,798</u>

The price and terms of the above transactions were similar to those for third parties. Rentals of lease contracts with related parties were based on market prices and the payment terms were determined at arm's length.

c. Loans to related parties (included in other receivables from related parties)

	June 30, 2017	December 31, 2016	June 30, 2016
Management personnel in substance			
Dongguan Jinli Cement Company Limited.	\$ -	\$ 113,565	\$ 508,725
Joint ventures			
Guangan Xin Tai Construction Materials Company Limited	<u>23,976</u>	<u>24,701</u>	<u>25,921</u>
	<u>\$ 23,976</u>	<u>\$ 138,266</u>	<u>\$ 534,646</u>

For the six months ended June 30, 2017 and 2016, the loans to related parties mentioned above were unsecured loans.

	<b>For the Three Months Ended June 30</b>		<b>For the Six Months Ended June 30</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Interest income	\$ <u>-</u>	\$ <u>2,383</u>	\$ <u>-</u>	\$ <u>2,701</u>

d. Other receivables from related parties

	<b>June 30, 2017</b>	<b>December 31, 2016</b>	<b>June 30, 2016</b>
Associates			
ONYX Ta-Ho Environmental Services Co., Ltd.	\$ 209,107	\$ 306	\$ 269,107
Quon Hing Concrete Co., Ltd.	116,910	33,264	33,272
Others	<u>-</u>	<u>-</u>	<u>31,050</u>
	326,017	33,570	333,429
Joint ventures	7,315	7,530	7,784
Same key management personnel	1,622	1,697	2,504
Management personnel in substance	<u>902</u>	<u>934</u>	<u>2,448</u>
	\$ <u>335,856</u>	\$ <u>43,731</u>	\$ <u>346,165</u>

Other receivables from related parties included dividend receivables and interest receivables.

e. Compensation of key management personnel

The compensation of directors and other key management personnel for the six months ended June 30, 2017 and 2016 were as follows:

	<b>For the Three Months Ended June 30</b>		<b>For the Six Months Ended June 30</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Short-term employee benefits	\$ 69,592	\$ 59,777	\$ 120,309	\$ 136,714
Other long-term employee benefits	25,329	-	25,329	-
Post-employment benefits	<u>1,103</u>	<u>753</u>	<u>2,155</u>	<u>1,534</u>
	\$ <u>96,024</u>	\$ <u>60,530</u>	\$ <u>147,793</u>	\$ <u>138,248</u>

f. Endorsements and guarantees

Endorsements and guarantees provided by the Group to related parties and actually drawn as of June 30, 2017, December 31, 2016 and June 30, 2016 were as follows:

	<b>June 30, 2017</b>	<b>December 31, 2016</b>	<b>June 30, 2016</b>
Associates			
Baoshan Kungang & K. Wah Cement Construction Marterials Co., Ltd.	\$ <u>309,227</u>	\$ <u>415,530</u>	\$ <u>436,050</u>

**29. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY**

The following assets were pledged or mortgaged as collateral for certain short-term loans, long-term loans, performance bonds and other credit accommodations:

	June 30, 2017	December 31, 2016	June 30, 2016
Available-for-sale financial assets (including current and non-current portion)	\$ 333,494	\$ 292,098	\$ 267,121
Property, plant and equipment	2,644,550	2,763,898	3,139,422
Investment properties	1,225,631	1,227,927	951,936
Prepayments for leases (including current and non-current portion)	16,729,539	17,642,251	18,341,203
Pledged bank deposits			
Current (included in other financial assets)	384,140	400,649	405,343
Non-current (included in other non-current assets)	<u>305,275</u>	<u>266,010</u>	<u>281,783</u>
	<u>\$ 21,622,629</u>	<u>\$ 22,592,833</u>	<u>\$ 23,386,808</u>

**30. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS**

a. The balances of the letters of credit for purchase of raw material were as follows:

Name	June 30, 2017	December 31, 2016	June 30, 2016
The Corporation	\$ 197,432	\$ 418,428	\$ 157,061
Taiwan Prosperity Chemical Corp.	1,364,509	954,111	758,000
Ho-Ping Power Company	1,215,960	340,613	350,393

b. As of June 30, 2017, December 31, 2016 and June 30, 2016, the Corporation has issued bills of lading for finished goods in the amount of 286,000 tons as collateral for its credit facilities with financial institutions.

c. The amounts of letters of guarantee granted for bonds issued by the banks for the Group are as follows:

Name	June 30, 2017	December 31, 2016	June 30, 2016
The Corporation	\$ 39,870	\$ 39,870	\$ 43,747
Ho-Ping Power Company	1,148,000	1,148,000	1,148,000
Taiwan Prosperity Chemical Corp.	67,000	52,400	65,400
TCCI (Group)	342,704	358,025	370,771
Taiwan Transport & Storage Corp.	28,150	28,650	28,650

- d. Based on the “Build-Own-Operate Agreement for Waste Incineration Plant” (the “BOO Agreement”) entered into by and between Ta-Ho Onyx RSEA Environment Co., Ltd. (“Ta-Ho RSEA”) and the Yunlin County Government (the “YCG”), Ta-Ho RSEA is permitted to build, operate and own an incineration plant, and the YCG shall engage Ta-Ho RSEA to conduct waste incineration within Yunlin County.

Since the YCG delayed in issuing its license and terminated the BOO Agreement unilaterally on August 9, 2006, Ta-Ho RSEA filed a petition for arbitration in December 2006. Ta-Ho RSEA received the arbitration award dated October 1, 2008, which decided that the YCG shall pay Ta-Ho RSEA \$1.5 billion before November 30, 2008 as a Phase I payment, any delay of which shall incur interest of 5% per annum; the remainder as a Phase II payment in the aggregate amount of \$1,387,052 thousand, US\$1,706 thousand and JPY307 thousand shall be paid concurrently when Ta-Ho RSEA transferred the assets under the BOO Agreement to the YCG before June 30, 2009, any delay of which shall incur an interest of 5% per annum; the arbitration expenses in the amounts of \$14,629 thousand shall be borne by the YCG.

After obtaining the ruling permitting compulsory enforcement of the arbitration award from the Taiwan Yunlin District Court, Ta-Ho RSEA applied to the Civil Execution Department of the Taiwan Yunlin District Court for compulsory enforcement for the Phase I payment of \$1.5 billion, who received the principal and the interest in the total amount of more than \$1.7 billion (after tax). For the Phase II payment of around \$1.45 billion (including foreign currency), Ta-Ho RSEA also applied to the Civil Execution Department of Taiwan Yunlin District Court for compulsory enforcement. Despite disputes between the parties in the enforcement process, the Taiwan High Court Tainan Branch Court and the Supreme Court ruled on August 19, 2015 and October 29, 2015, respectively, confirming that Ta-Ho Onyx RSEA may proceed with the compulsory enforcement. Thus far, 20 parcels of land owned by the YCG were sold by auction in the aggregate amount of \$1.02 billion and 3 parcels of land are to be sold by auction.

The YCG filed an objection suit which was dismissed by the Taiwan Yunlin District Court on June 3, 2016 and its appeal was dismissed by the Taiwan High Court Tainan Branch Court on June 20, 2017. The YCG failed to appeal further before the deadline, and therefore, this case is closed.

The YCG appealed on March 14, 2016 for the denial made by the Taiwan Yunlin District Court to reject the petition for suspension of the compulsory enforcement, and the Taiwan High Court Tainan Branch Court dismissed the appeal on April 25, 2016. In the subsequent re-appeal of the YCG, the Supreme Court vacated the original ruling and remanded the case to the Taiwan High Court Tainan Branch Court for another ruling on August 19, 2016. Ta-Ho Onyx RSEA received the ruling made by the Taiwan High Court Tainan Branch Court on February 18, 2017 stating that the compulsory enforcement procedure shall be suspended until the final judgment of the objection suit if the YCG provided a bond of \$216,281 thousand. The YCG then provided such bond accordingly on May 11, 2017.

As the compulsory enforcement procedure was suspended since the YCG provided a bond on May 11, 2017, \$230 million out of the aggregate auction price of \$1.02 billion and 3 seized parcels of land was postponed from appropriation and auction. However, since the aforementioned objection suit is closed, the compulsory enforcement procedure against the YCG will resume.

- e. Ho-Ping Power Company received an administrative sanction from the Hualien County Government in the end of June 2012 (the “Sanction”) for its overuse of bituminous coal in 2009 and 2010 which violated the Air Pollution Control Act and the Regulations Governing Sales or Use Permits of Bituminous Coal, Petroleum Coke or Other Substances Prone to Cause Air Pollution. In this situation, the Hualien County Government imposed an enhanced fine of \$441,930 thousand pursuant to Article 18 of the Administrative Penalty Act. Although the attorney retained by Ho-Ping Power Company was of the opinion that the Sanction was controversial, Ho-Ping Power Company estimated and recorded relevant losses in 2012 and fully paid said fine by the end of 2014 based on the accounting conservatism principle.

From the attorney’s view, the aspects of the Sanction which were controversial comprised its procedures, substance and calculation amount. Ho-Ping Power Company therefore filed an administrative action with the Taipei High Administrative Court for the Sanction in December 2012, and the Taipei High Administrative Court revoked the Sanction in December 2013. The Hualien County Government then filed an appeal in January 2014, and the Supreme Administrative Court vacated the judgment made by the Taipei High Administrative Court and remanded the case to the Taipei High Administrative Court. The Taipei High Administrative Court then revoked the amount of the fine in the portion exceeding \$436,017 thousand under the Sanction and dismissed the other claims raised by Ho-Ping Power Company. Ho-Ping Power Company appealed the case to the Supreme Administrative Court in January 2016 and learned on April 22, 2016 that the appeal of the “Sanction on overuse of bituminous coal in 2009 and 2010 by Ho-Ping Power Company” was dismissed by the Supreme Administrative Court, and the amount of the fine was decided to be more than \$436,000 thousand. Ho-Ping Power Company brought a motion for a rehearing in May 2016. The Supreme Administrative Court ruled on July 25, 2016 to dismiss the rehearing motion pursuant to Item 1, Paragraph 1 of Article 273 of the Administrative Litigation Act but transferred a part of the rehearing request made pursuant to Item 14 thereof to the Taipei High Administrative Court for review. As the Taipei High Administrative Court dismissed the rehearing in June 2017, the case was affirmed.

- f. Ho-Ping Power Company received a disposition from the Fair Trade Commission (the “FTC”) stating that Ho-Ping Power Company and 8 other independent power producers (collectively, the “IPPs”) had taken concerted action to achieve a common understanding not to adjust the power purchase price rate with Taiwan Power Company (“TPC”) which violated Paragraph 1, Article 14 of the Fair Trade Act and resulted in an impact on the supply and demanded function of the electricity market. The FTC imposed an administrative fine of \$1,350,000 thousand (the “First Disposition”) on Ho-Ping Power Company pursuant to Paragraph 2, Article 41 of Fair Trade Act as amended and effective on November 23, 2011. Ho-Ping Power Company argued against the First Disposition and, after consulting with its attorney, appealed to revoke the First Disposition in accordance with relevant administrative proceedings on the following grounds:
- 1) The electricity market in Taiwan is still of vertically integrated monopoly and not liberal, with only the one exception that the IPPs are permitted to conduct power production business. However, the IPPs can only sell power to TPC at a contractual fixed price under the power purchase agreement entered into with TPC, and TPC maintains its monopoly over the power transmission and distribution market. The power purchase price between the respective IPPs and TPC is fixed, and the guaranteed power production is specified in the power purchase agreement leaving no room for competition, which is different from the FTC’s claim that the IPPs can be classified in the same power production market with TPC.
  - 2) Assuming that the IPPs are all in the same production and/or marketing stage, it does not necessarily give rise to horizontal competition for the following reasons. First, there is no price competition among the IPPs. In the power purchase agreement, the selling prices include both capacity charges and energy charges. Energy charges reflect variable costs with an adjustment formula, while capacity charges reflect fixed costs of investing in building power plants without an adjustment formula. It suggested that, when TPC drafted the agreement, it intended to have the IPPs bear all fluctuations and risks of the financing and operating costs during the 25-year term. Furthermore, the IPPs make their financial plan of amortized costs of loans based on the capacity

rate during the contract term. Hence, it is impossible to change capacity charges, and the IPPs' capacity charge prices have been fixed since the signing of the agreement. There is no competition among the IPPs. Secondly, there is no quantity competition among the IPPs. The IPPs' electricity supply during the contract term is a "guaranteed capacity" plus an "adjusted capacity as requested by TPC", which may not be increased or decreased at the IPPs' discretion but is subject to TPC's instruction. Therefore, there is no quantity competition among the IPPs.

- 3) The FTC determined that the IPPs reached a common understanding by attending a meeting and jointly refused to adjust the capacity rate under the agreement with TPC. However, the IPPs were responding to TPC's request to have a joint negotiation. In TPC's meeting notice, the IPPs were requested to attend the same meeting and were deemed as a consortium, and, in the meeting, the IPPs were to discuss TPC's proposal for amending the selling rate which shall be in conformity with the purpose of the power purchase agreement. This shall be distinguished from a concerted action restricting business activities. The FTC's decision was obviously inaccurate.
- 4) The IPPs have no obligation to adjust the capacity rate under the power purchase agreement. The IPPs explicitly expressed, at the beginning of the negotiation which was requested by TPC, that it was hard for them to agree on amending the power purchase agreement. On the contrary, TPC has a significant share of the power production market, reaching 80% or more, and has absolute dispatch power over the IPPs' power production under the power purchase agreement. As the decision-maker for the supply and demand of the electricity market, TPC would be likely to be involved in the misuse of its market power by forcing the IPPs to negotiate amending the agreement with its dominant position.
- 5) While the FTC deemed that the IPPs engaged in a concerted action in 2008, it imposed the fine on Ho-Ping Power Company pursuant to Paragraph 2, Article 41 of the Fair Trade Act as amended on November 23, 2011 and the Regulations for Calculation of Administrative Fines for Serious Violations of Articles 10 and 14 of the Fair Trade Act promulgated on April 5, 2012. This is clearly contradictory to the non-retroactive principle.

According to the attorney of Ho-Ping Power Company, the FTC had a wrong finding of facts and application of the law. That is, Ho-Ping Power Company has neither competed with nor taken concerted action with the other IPPs, and the First Disposition, which imposed a significant fine on Ho-Ping Power Company pursuant to the new Fair Trade Act, was contradictory to the non-retroactive principle. Ho-Ping Power Company appealed against the First Disposition with the Petition and Appeals Committee of the Executive Yuan (the "P&A Committee") in April 2013, who made its administrative appeal decision in September 2013 sustaining the First Disposition in part affirming Ho-Ping Power Company's violation of prohibited concerted action but in part revoking the fine. Accordingly, the FTC made a second administrative disposition in November 2013 with the fine of \$1,320,000 thousand on Ho-Ping Power Company (the "Second Disposition").

Ho-Ping Power Company filed an action with the Taipei High Administrative Court in November 2013, requesting the Court to revoke the First Disposition and the part of the administrative appeal decision unfavorable to Ho-Ping Power Company, which was granted by the Taipei High Administrative Court in November 2014. The FTC appealed this in December 2014, and in June 2015, the Supreme Administrative Court vacated the Taipei High Administrative Court's judgment and remanded the case to the Taipei High Administrative Court to render another judgment. On May 25, 2017, the Taipei High Administrative Court revoked the First Disposition and Ho-Ping Power Company won the case. However, as the FTC filed an appeal, the case is currently under review by the Supreme Administrative Court.

Ho-Ping Power Company separately appealed to the P&A Committee in December 2013 for revocation of the Second Disposition. The P&A Committee made its administrative appeal decision in May 2014, which revoked the Second Disposition, returned the fine to Ho-Ping Power Company, and requested the FTC to render another appropriate administrative disposition in two months. Nonetheless, the FTC rendered the third administrative disposition in July 2014 (the “Third Disposition”) with the same fine of \$1,320,000 thousand. Ho-Ping Power Company appealed the Third Disposition in August 2014 and received a letter from the P&A Committee in December 2014 notifying it that the administrative appeal procedures shall be suspended until the Supreme Administrative Court rendered a final and binding judgment with respect to the First Disposition and the part of the administrative appeal decisions which were unfavorable to Ho-Ping Power Company. In July 2014, Ho-Ping Power Company applied for the payment of said fine in 60 installments with the FTC.

In accordance with the accounting conservatism principle, Ho-Ping Power Company recognized relevant losses in 2012, and paid a fine of \$792,000 thousand as of June 30, 2017. The outstanding fine was recorded by Ho-Ping Power Company under (i) other payables of \$264,000 thousand and other non-current liabilities of \$264,000 thousand as of June 30, 2017, and (ii) other payables of \$264,000 thousand and other non-current liabilities of \$528,000 thousand as of June 30, 2016.

- g. In September 2015, Ho-Ping Power Company received a complaint of administrative litigation raised by TPC to the Taipei High Administrative Court, where TPC alleged that Ho-Ping Power Company and other 8 IPPs conspired to set up an association to refuse the adjustment of capacity rate for TPC who then suffered an unreasonably high electricity purchase rate for a long period of time and filed a claim against Ho-Ping Power Company for its losses of at least \$5.5 billion plus interest of 5% per annum from June 1, 2008 to the repayment date, with a reserve of its right to amend the claim scope (the “First Litigation”). In October 2015, the Taipei High Administrative Court ruled to suspend the judiciary proceedings of the First Litigation until the closure of the 104-Su-Gan-Yi-Zi-68 administrative litigation (the “First Ruling”). In June 2016, the Taipei High Administrative Court revoked the First Ruling and transferred the First Litigation to the Taiwan Taipei District Court (the “Second Ruling”). TPC raised an interlocutory appeal against both the First Ruling and the Second Ruling in July 2016, which was transferred to the Supreme Administrative Court by the Taipei High Administrative Court. As the Supreme Administrative Court dismissed the interlocutory appeal in January 2017, the Second Ruling was finalized, and the Taipei High Administrative Court then transferred the dossier of the First Litigation to the Taiwan Taipei District Court in February 2017. In May 2017, TPC expanded its claim to upwards of \$10.7 billion during the court hearing.

In November 2015, Ho-Ping Power Company received a complaint of civil litigation raised by TPC to the Taiwan Taipei District Court based on the same ground of the aforementioned administrative litigation with a claim of damage for at least \$5.2 billion plus interest of 5% per annum from June 1, 2008 to the repayment date, with a reserve of its right to amend the claim scope and request a public apology made in the newspaper (the “Second Litigation”).

Based on the opinion of the attorney of Ho-Ping Power Company, the facts of the claim under the Second Litigation are pending the review of the Taiwan Taipei District Court. TPC’s claim under the Second Litigation is pursuant to the Fair Trade Act, so the Taiwan Taipei District Court shall have jurisdiction over it, and the nature of the power purchase agreement shall be irrelevant. In addition, such claim by TPC shall be overruled due to the application of the statute of limitation. The concerted action of the IPPs as alleged by TPC is still pending the review of the Taipei High Administrative Court, and the Taipei High Administrative Court decided to suspend the judiciary proceedings of the claim of damage. Hence, it is too early for TPC to bring the Second Litigation. Given such situation, Ho-Ping Power Company considered the chance of the Second Litigation remote and therefore did not recognize relevant losses.



- h. To execute the cement barge replacement plan, Da-Ho Maritime Corporation, based on its board of directors' resolution dated December 20, 2013, entered into an agreement with Supero Seiki Co., Ltd. for the purchase of two sets of bulk cement handling equipment in the aggregate amount of US\$7,600 thousand, among which US\$2,628 thousand was paid as of the date of this report's issue.

Based on another of the board of directors' resolutions dated July 31, 2015, Da-Ho Maritime Corporation entered into an agreement with Cardinal Maritime S.A. for the purchase of two new cement barges in the aggregate amount of JPY7,036,000 thousand, among which JPY2,462,600 thousand was paid as of the date of this report's issue. The board of directors adopted another resolution dated October 15, 2015 to enter into an agreement with Sumitomo Corporation for the purchase of six bulk carriers in the aggregate amount of US\$161,520 thousand. Four bulk carrier purchase agreements have been executed and US\$43,072 thousand has been paid as of the date of this report's issue.

### 31. SIGNIFICANT SUBSEQUENT EVENTS

In July 2017, Ho-Ping Power Company was affected by Typhoon Nesat whereby one of its power transmission towers collapsed resulting in the failure of power transmission. In addition to claiming insurance proceeds for damage to power transmission equipment, Ho-Ping Power Company has continued the relevant repair work and expects to resume its power transmission within fifteen days by way of a temporary power transmission tower. The Corporation estimates that the suspension of power generation in the aforementioned period will reduce the consolidated net income in the amount of around \$0.32 billion.

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

The following information was aggregated by the foreign currencies other than functional currencies of the group entities and the exchange rates between foreign currencies and respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

June 30, 2017

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 49,160	30.420 (USD:NTD)	\$ 1,495,447
USD	88,519	6.783 (USD:RMB)	2,690,673
USD	5,965	7.800 (USD:HKD)	<u>181,319</u>
			<u>\$ 4,367,439</u>
<u>Financial liabilities</u>			
Monetary items			
USD	38,201	30.420 (USD:NTD)	\$ 1,162,064
USD	1,378,067	7.800 (USD:HKD)	41,888,552
HKD	111,307	0.870 (HKD:RMB)	<u>433,764</u>
			<u>\$ 43,484,380</u>

**APPENDIX II****FINANCIAL INFORMATION OF TCC GROUP**December 31, 2016

	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 50,436	32.250 (USD:NTD)	\$ 1,626,561
USD	71,313	6.929 (USD:RMB)	2,300,991
USD	17,682	7.760 (USD:HKD)	<u>570,529</u>
			<u>\$ 4,498,081</u>
<u>Financial liabilities</u>			
Monetary items			
USD	42,711	32.250 (USD:NTD)	\$ 1,377,441
USD	1,320,000	7.760 (USD:HKD)	42,591,226
HKD	229,815	0.893 (HKD:RMB)	<u>955,571</u>
			<u>\$ 44,924,238</u>

June 30, 2016

	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 41,477	32.275 (USD:NTD)	\$ 1,338,670
USD	42,275	6.632 (USD:RMB)	1,354,539
USD	1,380	7.760 (USD:HKD)	<u>44,212</u>
			<u>\$ 2,737,421</u>
<u>Financial liabilities</u>			
Monetary items			
USD	25,925	32.275 (USD:NTD)	\$ 836,726
USD	1,345,912	7.760 (USD:HKD)	43,124,411
HKD	134,368	0.855 (HKD:RMB)	<u>554,806</u>
			<u>\$ 44,515,943</u>

For the three months ended June 30, 2017 and 2016 and the six months ended June 30, 2017 and 2016, realized and unrealized net foreign exchange losses were \$235,956 thousand, \$528,558 thousand, \$210,786 thousand and \$520,443 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the group entities.

**33. SEPARATELY DISCLOSED ITEMS**

## a. Information about significant transactions and investees

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

## b. Information on investments in mainland China (Table 7)

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area.
- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:
  - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
  - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
  - c) The amount of property transactions and the amount of the resultant gains or losses.
  - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.

- e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.
- f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services.

### 34. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of segment. Specifically, the Group's reportable segments under IFRS 8 "Operating Segments" were as follows:

- a. Cement segment - production, processing and sale of cement goods.
- b. Chemical engineering segment - production, processing and sale of chemical raw materials.
- c. Electricity segment - thermal power generation.
- d. Other segments - land and marine transportation.  
- production and sale of refractory materials.

The Corporation uses the profit from operations as the measure for segment income and the basis of performance assessment. There was no material difference between the accounting policies of the operating segments and the accounting policies described in Note 4.

#### Segment revenue and results

	Segment Revenue		Segment Income	
	For the Six Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
Cement segment	\$ 32,739,364	\$ 29,736,585	\$ 3,669,385	\$ 842,303
Chemical engineering segment	6,713,898	4,376,414	(74,598)	(178,200)
Electricity segment	5,214,850	5,288,541	2,285,958	3,458,546
Other segments	1,225,739	1,264,719	148,440	151,416
	<u>\$ 45,893,851</u>	<u>\$ 40,666,259</u>	6,029,185	4,274,065
Share of profits of associates and joint ventures			666,243	372,932
Dividend income			295,911	246,776
Interest income			112,498	147,960
Finance costs			(943,342)	(970,881)
Foreign exchange losses, net			(210,786)	(520,443)
Administrative expenses and directors' remuneration			(26,863)	(19,513)
Other income and expenses, net			(168,516)	215,149
Income before tax			<u>\$ 5,754,330</u>	<u>\$ 3,746,045</u>

Segment profit represented profit before tax earned by each segment without an allocation of central administrative expenses, directors' remuneration, the share of profits of associates and joint ventures accounted for by using the equity method, dividend income, interest income, finance costs, foreign exchange losses, net and income tax expense.

TABLE I

TAIWAN CEMENT CORPORATION AND SUBSIDIARIES

FINANCINGS PROVIDED TO OTHERS  
FOR THE SIX MONTHS ENDED JUNE 30, 2017  
(In Thousands of New Taiwan Dollars)

No.	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate (%)	Nature of Financing	Business Transaction Amount	Reason for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 1)	Aggregate Financing Limit (Note 1)	Note
													Item	Value			
0	Taiwan Cement Corporation	Ta-Ho Onyx RSEA Environment Co., Ltd. (Note 2)	Other receivables - related parties	Yes	\$ 40,000	\$ -	\$ -	-	The need for short-term financing	\$ -	Operating capital	\$ -	\$ -	\$ -	\$ 21,234,442	\$ 42,468,884	
1	Taiwan Transport & Storage Corporation	Ta-Ho Onyx RSEA Environment Co., Ltd. (Note 2)	Other receivables - related parties	Yes	340,000	150,000	150,000	1.54	The need for short-term financing	-	Operating capital	-	-	-	799,678	799,678	
2	Ta-Ho Onyx Taichung Engineering Corporation	Ta-Ho Onyx RSEA Environment Co., Ltd. (Note 2)	Other receivables - related parties	Yes	100,000	-	-	-	The need for short-term financing	-	Operating capital	-	-	-	118,043	118,043	
3	Taiwan Cement Corporation	Ta-Ho Onyx RSEA Environment Co., Ltd. (Note 2)	Other receivables - related parties	Yes	250,000	-	-	-	The need for short-term financing	-	Operating capital	-	-	-	291,481	291,481	
4	TCCI	TCCI (Note 2)	Other receivables - related parties	Yes	3,870,000	3,650,400	3,650,400	2.60	The need for short-term financing	-	Operating capital	-	-	-	18,895,207	18,895,207	
5	TCC (Giangang) Cement Limited	TCC Huangpu Cement Company Limited (Note 2)	Other receivables - related parties	Yes	1,329,696	1,290,686	1,288,192	3.48	The need for short-term financing	-	Operating capital	-	-	-	68,933,085	137,866,170	
		TCC Huahua Cement Company Limited (Note 2)	Other receivables - related parties	Yes	923,400	896,310	782,479	3.48	The need for short-term financing	-	Operating capital	-	-	-	68,933,085	137,866,170	
		TCC Jingzhou Cement Company Limited (Note 2)	Other receivables - related parties	Yes	692,550	672,233	672,233	3.48	The need for short-term financing	-	Operating capital	-	-	-	68,933,085	137,866,170	
		Seius Luzhou Cement Co., Ltd. (Note 2)	Other receivables - related parties	Yes	1,292,760	1,254,834	201,670	3.48	The need for short-term financing	-	Operating capital	-	-	-	68,933,085	137,866,170	
		Seius Luzhou Cement Co., Ltd. (Note 2)	Other receivables - related parties	Yes	461,700	448,155	313,709	3.48	The need for short-term financing	-	Operating capital	-	-	-	68,933,085	137,866,170	
		TCC Yingde Cement Co., Ltd. (Note 2)	Other receivables - related parties	Yes	461,700	448,155	-	-	The need for short-term financing	-	Operating capital	-	-	-	68,933,085	137,866,170	
		TCC Aoshan Cement Co., Ltd. (Note 2)	Other receivables - related parties	Yes	461,700	448,155	-	-	The need for short-term financing	-	Operating capital	-	-	-	68,933,085	137,866,170	
		Guizhou Kong On Cement Co., Ltd. (Note 2)	Other receivables - related parties	Yes	291,301	291,301	291,301	3.48	The need for short-term financing	-	Operating capital	-	-	-	68,933,085	137,866,170	
		Seius Luzhou Concrete Co., Ltd. (Note 2)	Other receivables - related parties	Yes	92,340	89,631	-	-	The need for short-term financing	-	Operating capital	-	-	-	68,933,085	137,866,170	
6	Yingde Dragon Mountain Cement Co., Ltd.	TCC Liaoning Cement Co., Ltd. (Note 2)	Other receivables - related parties	Yes	1,045,608	1,021,793	1,021,793	3.05	The need for short-term financing	-	Operating capital	-	-	-	68,933,085	137,866,170	
		TCC Yingde Cement Co., Ltd. (Note 2)	Other receivables - related parties	Yes	923,400	896,310	-	-	The need for short-term financing	-	Operating capital	-	-	-	68,933,085	137,866,170	
7	TCC Yingde Cement Co., Ltd.	TCC Giangang Cement Co., Ltd. (Note 2)	Other receivables - related parties	Yes	923,400	896,310	268,893	3.48	The need for short-term financing	-	Operating capital	-	-	-	68,933,085	137,866,170	
		Seius Luzhou Cement Co., Ltd. (Note 2)	Other receivables - related parties	Yes	230,850	224,078	201,670	3.48	The need for short-term financing	-	Operating capital	-	-	-	68,933,085	137,866,170	
		Guizhou Kong On Cement Co., Ltd. (Note 2)	Other receivables - related parties	Yes	448,155	448,155	371,969	3.48	The need for short-term financing	-	Operating capital	-	-	-	68,933,085	137,866,170	
		TCC Huahua Cement Company Limited (Note 2)	Other receivables - related parties	Yes	917,200	896,310	750,660	3.48	The need for short-term financing	-	Operating capital	-	-	-	68,933,085	137,866,170	
		TCC Shaguan Cement Co., Ltd. (Note 2)	Other receivables - related parties	Yes	363,683	353,013	353,013	3.68	The need for short-term financing	-	Operating capital	-	-	-	68,933,085	137,866,170	
		TCC Jiangsu Cement Company Limited (Note 2)	Other receivables - related parties	Yes	230,850	224,078	210,633	3.48	The need for short-term financing	-	Operating capital	-	-	-	68,933,085	137,866,170	
		TCC Aoshan Cement Co., Ltd. (Note 2)	Other receivables - related parties	Yes	923,400	896,310	67,223	3.48	The need for short-term financing	-	Operating capital	-	-	-	68,933,085	137,866,170	
		TCC (Dong Guan) Cement Co., Ltd. (Note 2)	Other receivables - related parties	Yes	461,700	448,155	-	-	The need for short-term financing	-	Operating capital	-	-	-	68,933,085	137,866,170	
		TCC Chongqing Cement Co., Ltd. (Note 2)	Other receivables - related parties	Yes	461,700	448,155	403,340	3.48	The need for short-term financing	-	Operating capital	-	-	-	68,933,085	137,866,170	

(Continued)

No.	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate (%)	Nature of Financing	Business Transaction Amount	Reason for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 1)	Aggregate Financing Limit (Note 1)	Note
													Item	Value			
		Guizhou Kaiji Rui An Jian Cai Co., Ltd. (Note 2)	Other receivables - related parties	Yes	\$ 672,233	\$ 515,378		3.48	The need for short-term financing	\$ -	Operating capital	\$ -	\$ -	\$ 68,933,085	\$ 137,866,170		
		Scirus Luzhou Cement Co., Ltd. (Note 2)	Other receivables - related parties	Yes	831,060	784,271		3.48	The need for short-term financing	-	Operating capital	-	-	68,933,085	137,866,170		
8	TCC Fuzhou Cement Co., Ltd.	TCC New (Hangzhou) Management Co., Ltd. (Note 2)	Other receivables - related parties	Yes	461,700	89,631		3.48	The need for short-term financing	-	Operating capital	-	-	68,933,085	137,866,170		
		TCC Liaoning Cement Co., Ltd.	Other receivables - related parties	Yes	323,190	156,854		3.48	The need for short-term financing	-	Operating capital	-	-	68,933,085	137,866,170		
		Guizhou Kaiji Rui An Jian Cai Co., Ltd. (Note 2)	Other receivables - related parties	Yes	2,308,850	224,078		-	The need for short-term financing	-	Operating capital	-	-	68,933,085	137,866,170		
9	TCCIH	TCC Yingde Cement Co., Ltd. (Note 2)	Other receivables - related parties	Yes	241,565	234,478		-	The need for short-term financing	-	Operating capital	-	-	27,573,234	27,573,234		
10	Prime York Ltd.	Upper Value Investment Limited (Note 2)	Other receivables - related parties	Yes	212,058	198,747		-	The need for short-term financing	-	Operating capital	-	-	68,933,085	137,866,170		
11	Jiawang TCC Cement Co., Ltd.	TCC Huaihua Concrete Company Limited (Note 2)	Other receivables - related parties	Yes	138,510	134,447	49,297	3.48	The need for short-term financing	-	Operating capital	-	-	68,933,085	137,866,170		
		Dongguan Jishi Cement Company Limited	Other receivables - related parties	Yes	113,565	-	-	-	The need for short-term financing	-	Operating capital	-	-	4,000,885	4,000,885		
		TCC Liaoning Cement Co., Ltd. (Note 2)	Other receivables - related parties	Yes	323,190	313,709	291,301	3.48	The need for short-term financing	-	Operating capital	-	-	68,933,085	137,866,170		
		Scirus Luzhou Cement Co., Ltd. (Note 2)	Other receivables - related parties	Yes	692,550	672,233	134,447	3.48	The need for short-term financing	-	Operating capital	-	-	68,933,085	137,866,170		
		TCC Changgang Cement Co., Ltd. (Note 2)	Other receivables - related parties	Yes	1,154,250	1,120,388	1,120,388	3.48	The need for short-term financing	-	Operating capital	-	-	68,933,085	137,866,170		
		TCC Changgang Cement Co., Ltd. (Note 2)	Other receivables - related parties	Yes	923,400	896,310	-	-	The need for short-term financing	-	Operating capital	-	-	68,933,085	137,866,170		
		TCC Anshun Cement Co., Ltd. (Note 2)	Other receivables - related parties	Yes	923,400	896,310	-	-	The need for short-term financing	-	Operating capital	-	-	68,933,085	137,866,170		
		TCC Yingde Cement Co., Ltd. (Note 2)	Other receivables - related parties	Yes	461,700	448,155	-	-	The need for short-term financing	-	Operating capital	-	-	68,933,085	137,866,170		
		TCC Changgang Cement Co., Ltd. (Note 2)	Other receivables - related parties	Yes	461,700	448,155	-	-	The need for short-term financing	-	Operating capital	-	-	68,933,085	137,866,170		
		Guizhou Kaiji Rui An Jian Cai Co., Ltd. (Note 2)	Other receivables - related parties	Yes	323,190	313,709	-	-	The need for short-term financing	-	Operating capital	-	-	68,933,085	137,866,170		
12	TCC Anshun Cement Co., Ltd.	Anshun Xin Tai Construction Materials Company Limited (Note 2)	Other receivables - related parties	Yes	92,340	89,631	-	-	The need for short-term financing	-	Operating capital	-	-	68,933,085	137,866,170		
		Guizhou Kong On Cement Co., Ltd. (Note 2)	Other receivables - related parties	Yes	275,160	268,933	246,485	3.48	The need for short-term financing	-	Operating capital	-	-	68,933,085	137,866,170		
		Guizhou Kaiji Rui An Jian Cai Co., Ltd. (Note 2)	Other receivables - related parties	Yes	138,510	134,447	112,039	3.48	The need for short-term financing	-	Operating capital	-	-	68,933,085	137,866,170		
		Scirus Luzhou Concrete Co., Ltd. (Note 2)	Other receivables - related parties	Yes	138,510	134,447	-	-	The need for short-term financing	-	Operating capital	-	-	68,933,085	137,866,170		
		Scirus Luzhou Cement Co., Ltd. (Note 2)	Other receivables - related parties	Yes	138,510	134,447	89,631	3.48	The need for short-term financing	-	Operating capital	-	-	68,933,085	137,866,170		
		TCC Changgang Cement Co., Ltd. (Note 2)	Other receivables - related parties	Yes	461,700	448,155	224,078	3.48	The need for short-term financing	-	Operating capital	-	-	68,933,085	137,866,170		
13	TCC Guangan Cement Co., Ltd.	Guangan Xin Tai Construction Materials Company Limited (Note 2)	Other receivables - related parties	Yes	24,701	23,976	23,976	-	The need for short-term financing	-	Operating capital	-	-	1,067,813	1,067,813		
		Scirus Luzhou Cement Co., Ltd. (Note 2)	Other receivables - related parties	Yes	138,510	134,447	44,816	3.48	The need for short-term financing	-	Operating capital	-	-	68,933,085	137,866,170		
		Guizhou Kaiji Rui An Jian Cai Co., Ltd. (Note 2)	Other receivables - related parties	Yes	92,340	89,631	-	-	The need for short-term financing	-	Operating capital	-	-	68,933,085	137,866,170		
14	Wayly Holdings Ltd.	Guizhou Kaiji Rui An Jian Cai Co., Ltd. (Note 2)	Other receivables - related parties	Yes	536,056	61,113	61,113	-	The need for short-term financing	-	Operating capital	-	-	68,933,085	137,866,170		

(Continued)

No.	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate (%)	Nature of Financing	Business Transaction Amount	Reason for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 1)	Aggregate Financing Limit (Note 1)	Note
													Item	Value			
15	TCC Cheungching Cement Co., Ltd.	TCC Jingzhou Cement Company Limited (Note 2) Guizhou Kong On Cement Co., Ltd. (Note 2) Guizhou Kaili Rui An Jian Cai Co., Ltd. (Note 2) Scelus Niasi Cement Co., Ltd. (Note 2) TCC Haining Cement Company Limited (Note 2) TCC Huring Cement Company Limited (Note 2) TCC Guangang Cement Co., Ltd. (Note 2) Scelus Luzhou Cement Co., Ltd. (Note 2)	Other receivables - related parties Other receivables - related parties Other receivables - related parties Other receivables - related parties Other receivables - related parties Other receivables - related parties Other receivables - related parties Other receivables - related parties Other receivables - related parties	Yes Yes Yes Yes Yes Yes Yes Yes	\$ 92,340 137,580 230,850 138,510 692,550 115,425 461,700 230,850	\$ 89,631 134,447 224,078 134,447 672,233 112,039 448,155 224,078	\$ - 35,852 - 134,447 550,782 - - -	- 3.48 - 3.48 3.48 - - -	The need for short-term financing The need for short-term financing The need for short-term financing The need for short-term financing The need for short-term financing The need for short-term financing The need for short-term financing The need for short-term financing	\$ - - - - - - - -	Operating capital Operating capital Operating capital Operating capital Operating capital Operating capital Operating capital Operating capital	\$ - - - - - - - -	\$ 68,933,085 68,933,085 68,933,085 68,933,085 68,933,085 68,933,085 68,933,085 68,933,085	\$ 137,866,170 137,866,170 137,866,170 137,866,170 137,866,170 137,866,170 137,866,170 137,866,170			
16	TCC Nian (Hangzhou) Management Co., Ltd.	Scelus Luzhou Cement Co., Ltd. (Note 2) Scelus Niasi Cement Co., Ltd. (Note 2) Scelus Luzhou Concrete Co., Ltd. (Note 2)	Other receivables - related parties Other receivables - related parties Other receivables - related parties	Yes Yes Yes	286,254 253,935 36,936	277,856 246,485 35,852	277,856 197,188 -	3.48 3.48 -	The need for short-term financing The need for short-term financing The need for short-term financing	- - -	Operating capital Operating capital Operating capital	- - -	68,933,085 68,933,085 68,933,085	137,866,170 137,866,170 137,866,170			
17	Prosperity Minerals (China) Ltd.	TCC New (Hangzhou) Management Co., Ltd. (Note 2)	Other receivables - related parties	Yes	368,191	357,389	357,389	-	The need for short-term financing	-	Operating capital	-	68,933,085	137,866,170			
18	Da Yong (Guangang) International Logistics Co., Ltd.	Guangang Da-Ho Shipping Co., Ltd. (Note 2)	Other receivables - related parties	Yes	138,510	134,447	-	-	The need for short-term financing	-	Operating capital	-	3,199,924	6,399,848			
19	Guizhou Kaili Rui An Jian Cai Co., Ltd.	Scelus Niasi Cement Co., Ltd. (Note 2)	Other receivables - related parties	Yes	138,510	134,447	-	-	The need for short-term financing	-	Operating capital	-	68,933,085	137,866,170			
20	TCC Investment Corporation	Ta-Ho Ohyy RSEA Environment Co., Ltd. (Note 2)	Other receivables - related parties	Yes	180,000	160,000	160,000	1.61	The need for short-term financing	-	Operating capital	-	455,308	455,308			
21	TCC Huilua Cement Company Limited	TCC Jingzhou Cement Company Limited (Note 2)	Other receivables - related parties	Yes	92,340	89,631	-	-	The need for short-term financing	-	Operating capital	-	68,933,085	137,866,170			
22	Scelus Luzhou Cement Co., Ltd.	Guizhou Kaili Rui An Jian Cai Co., Ltd. (Note 2)	Other receivables - related parties	Yes	92,340	89,631	-	-	The need for short-term financing	-	Operating capital	-	68,933,085	137,866,170			
23	TCC International (Guangang) Ltd.	TCC (Guangang) Cement Limited (Note 2)	Other receivables - related parties	Yes	3,708,750	-	-	-	The need for short-term financing	-	Operating capital	-	68,933,085	137,866,170			

Note 1: "Financing Limits for Each Borrower" and "Aggregate Financing Limits":

- a. The individual and aggregate financing limits for Taiwan Cement Corporation were 20% and 40%, respectively, of its net equity or of the transaction amount with the borrower.
- b. The individual and aggregate financing limits of the foreign subsidiaries whose voting rights are 100% directly or indirectly owned by TCCIH or Ta-Ho Maritime Corporation were 100% and 200% of the net equity of TCCIH or Ta-Ho Maritime Corporation, respectively.
- c. The individual and aggregate financing limits for the other companies were 40% of the net value of each company.

Note 2: All intercompany transactions have been eliminated upon consolidation.

(Concluded)

TABLE 2

## TAIWAN CEMENT CORPORATION AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED  
FOR THE SIX MONTHS ENDED JUNE 30, 2017  
(In Thousands of New Taiwan Dollars)

No.	Endorser/Guarantor	Endorser/Guaranteee		Limits on Endorsement/Guarantee given on Behalf of Each Party (Note 1)	Maximum Amount Endorsed/Guaranteed During the Period	Outstanding Endorsement/Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/Guaranteed by Collaterals	Ratio of Accumulated Endorsement/Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/Guarantee Limit (Note 2)	Endorsement/Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/Guarantee Given on Behalf of Companies in Mainland China	Note
		Name	Relationship (Note 3)											
0	Taiwan Cement Corporation	TCCI TCC Investment Corporation TCC Chemical Corporation Jiun Cement Traders Inc. Kuan-Ho Construction & Development Corporation Jin Chang Minerals Corporation Feng Sheng Enterprise Company	b b b c b a	\$ 53,086,105 53,086,105 53,086,105 53,086,105 53,086,105 476,131	\$ 45,660,420 2,590,000 2,165,000 1,660,000 670,000 68,848 88,145	\$ 45,660,420 2,590,000 2,165,000 1,660,000 650,000 670,000 -	\$ 14,784,120 1,470,000 1,100,000 650,000 340,000 39,814 -	- - - - - 39,814 -	43.01 2.44 2.04 1.56 0.63 0.06 -	\$ 106,172,209 106,172,209 106,172,209 106,172,209 106,172,209 106,172,209 106,172,209	Y Y Y Y Y Y N	N N N N N N N	N N N N N N N	
1	TCCIH	TCC (Guigang) Cement Limited TCC Yingde Cement Co., Ltd. Jiurong TCC Cement Co., Ltd. TCC Chongqing Cement Co., Ltd. TCC Fuzhou Cement Co., Ltd. Sichuan Luzhou Cement Co., Ltd. TCC Linning Cement Co., Ltd. Ganzhou Kaiji An Jian Cai Co., Ltd. Guizhou Kong On Cement Co., Ltd. Bosstan Kuigang & K. Wah Cement Construction Materials Co., Ltd.	c c c c c c c c c c e	34,466,542 34,466,542 34,466,542 34,466,542 34,466,542 34,466,542 34,466,542 34,466,542 34,466,542 34,466,542 34,466,542	5,162,591 2,245,630 2,646,538 1,494,625 1,536,176 679,870 1,780,650 907,500 733,688 618,454	5,162,591 2,244,710 2,175,413 1,004,404 1,084,388 679,870 1,265,423 912,600 714,870 618,454	2,710,464 294,344 18,484 591,882 210,633 - - 282,338 16,488 309,227	- - - - - - - - - -	7.49 2.18 3.16 1.77 1.57 1.32 1.84 1.32 1.04 0.90	68,933,085 68,933,085 68,933,085 68,933,085 68,933,085 68,933,085 68,933,085 68,933,085 68,933,085 68,933,085	Y Y Y Y Y Y Y Y Y Y N	N N N N N N N N N N N	Y Y Y Y Y Y Y Y Y Y Y	
2	TCC (Guigang) Cement Limited	TCCI (HK)	d	6,128,443	692,550	672,233	672,233	-	-	5.48	12,256,886	N	N	
3	Ho Sheng Mining Co., Ltd.	Taiwan Cement Corporation	d	123,972	34,549	34,549	34,549	-	-	27.87	123,972	N	N	

Note 1: Limits on endorsement/guarantee given on behalf of each party were as follows:

- For Taiwan Cement Corporation, TCCIH and TCC (Guigang) Cement Limited, 50% of the net equity in the latest financial statements.
- For endorsement/guarantee given by Taiwan Cement Corporation due to business transactions, 50% of the business transaction amounts in the previous year.
- For Ho Sheng Mining Co., Ltd., 100% of its net equity in the latest financial statements.

Note 2: Aggregate endorsement/guarantee limit was the net equity in the latest financial statements.

Note 3: Relationship between the endorser/guarantor and the endorsee/guaranteee is classified as follows:

- Having a business relationship.
- The endorser/guarantor owns directly more than 50% of the ordinary shares of the endorsee/guaranteee.
- The endorser/guarantor and its subsidiaries jointly own more than 50% of the ordinary shares of the endorsee/guaranteee.
- The endorsee/guaranteee directly or indirectly owns more than 50% of the ordinary shares of the endorser/guarantor.
- Due to joint venture, each shareholder provides endorsements/guarantees to the endorsee/guaranteee in proportion to its ownership.



TABLE 3

## TAIWAN CEMENT CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD  
JUNE 30, 2017  
(In Thousands of New Taiwan Dollars)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	June 30, 2017			Note	
				Shares/Units (In Thousands)	Carrying Amount	Percentage of Ownership (%)		Fair Value
Taiwan Cement Corporation	Shares Taishin Financial Holding Co., Ltd. CTCI Corporation Chia Hsin Cement Corporation China Hi-Ment Corporation China Synthetic Rubber Corporation O-Bank Taiwan Television Enterprise, Ltd. Chien Kuo Construction Co., Ltd. Chinatrust Financial Holding Co., Ltd. IBT IV Venture Capital Corporation Rong Gong Enterprise Co. Chinatrust Investment Co., Ltd. Pan Asia Corporation Taiwan Stock Exchange Corporation E-ONE Moli Energy Corporation Excel Corporation	- - Directors The Corporation serves as director The same chairman The Corporation serves as director The Corporation serves as supervisor - - The Corporation serves as director The Corporation serves as supervisor The same chairman The Corporation serves as supervisor The Corporation serves as director The same chairman - -	Available-for-sale financial assets - current Available-for-sale financial assets - current Available-for-sale financial assets - current Available-for-sale financial assets - non-current Available-for-sale financial assets - non-current Available-for-sale financial assets - non-current Available-for-sale financial assets - non-current Available-for-sale financial assets - non-current Available-for-sale financial assets - non-current Financial assets carried at cost - non-current Financial assets carried at cost - non-current Financial assets carried at cost - non-current Financial assets carried at cost - non-current Financial assets carried at cost - non-current Financial assets carried at cost - non-current Financial assets carried at cost - non-current	56,141 9,054 27,419 27,451 52,552 29,719 13,573 9,403 3,575 71,333 2,626 3,390 27,361 6,204 44,861 983 600	\$ 777,547 469,015 297,501 1,518,044 1,702,703 275,792 98,945 86,976 71,333 20,426 33,900 12,156 8,996 8,011 1,670 -	- - - - - - - - 8.3 4.0 8.7 5.4 6.6 0.4 9.5	\$ 777,547 469,015 297,501 1,518,044 1,702,703 275,792 98,945 86,976 71,333 20,426 33,900 12,156 8,996 8,011 1,670 -	
Taiwan Transport & Storage Corporation	Shares Chia Hsin Cement Corporation	Director of parent company	Available-for-sale financial assets - current	8,632	93,652	-	93,652	
TCC Investment Corporation	Shares China Conch Venture Holdings Limited Taishin Financial Holding Co., Ltd. Chia Hsin Cement Corporation	- - Director of parent company	Available-for-sale financial assets - current Available-for-sale financial assets - current Available-for-sale financial assets - current	28,000 10,739 8,334	1,560,359 148,738 90,423	- - -	1,560,359 148,738 90,423	7,000 thousand shares were pledged
Tai-Ho Maritime Corporation	O-Bank Chinatrust Investment Co., Ltd. E-ONE Moli Energy Corporation Pan Asia Corporation	The same chairman The Corporation serves as director The same chairman The Corporation serves as supervisor	Available-for-sale financial assets - non-current Available-for-sale financial assets - non-current Financial assets carried at cost - non-current Financial assets carried at cost - non-current	11,922 21,934 10,884 15,859 1	386,263 203,547 136,378 26,961 14	- - 3.5 6.3 -	386,263 203,547 136,378 26,961 14	1,934 thousand shares were pledged 21,000 thousand shares were pledged
Taiwan Cement Engineering Corporation	Shares Chia Hsin Cement Corporation Prosperity Dielectrics Co., Ltd. Chinatrust Investment Co., Ltd. Beneficiary certificates Capital Money Market Fund	Director of parent company - The same chairman -	Available-for-sale financial assets - current Available-for-sale financial assets - non-current Financial assets carried at cost - non-current	25,761 1,024 6,612	279,510 24,620 76,034	- - 2.1	279,510 24,620 76,034	
TCC Chemical Corporation	Shares Taiwan Stock Exchange Corporation	The Corporation serves as director	Financial assets at fair value through profit or loss Financial assets carried at cost - non-current	2,930 2,562	46,903 44,820	- -	46,903 -	
TCC Information Systems Corporation	Beneficiary certificates Yuanta De-Bao Money Market Fund Fuh Hwa You Li Money Market	- - -	Financial assets at fair value through profit or loss Financial assets at fair value through profit or loss	2,575 2,288	30,709 30,615	- -	30,709 30,615	
	Shares China Synthetic Rubber Corporation	The same chairman	Available-for-sale financial assets - non-current	1,303	42,231	-	42,231	

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	June 30, 2017			Note
				Shares/Units (In Thousands)	Carrying Amount	Percentage of Ownership (%)	
Taiwan Prosperity Chemical Corporation	Shares Tanshin Financial Holding Co., Ltd.	-	Available-for-sale financial assets - current	70,568	\$ 977,367	-	\$ 977,367
Hoping Industrial Port Corporation	Shares ChinaTrust Investment Co., Ltd. E-ONE Moli Energy Corporation	The same chairman The same chairman	Financial assets carried at cost - non-current Financial assets carried at cost - non-current	10,444 5,822	120,103 9,897	3.3 3.9	-
E.G.C. Cement Corporation	Beneficiary certificates Nomura Taiwan Money Market China-US Money Market	-	Available-for-sale financial assets - current Available-for-sale financial assets - current	1,196 516	19,367 5,008	-	19,367 5,008
Union Cement Traders Inc.	Shares Der Pao Construction Co., Ltd.	-	Financial assets carried at cost - non-current	17	-	0.1	-
	Shares Tanshin Financial Holding Co., Ltd. CTCI Corporation	-	Available-for-sale financial assets - current Available-for-sale financial assets - current	24,800 13,365	343,474 692,323	-	343,474 692,323
	China Hsin Cement Corporation China Synthetic Rubber Corporation	Director of parent company	Available-for-sale financial assets - current Available-for-sale financial assets - non-current	7,441 5,742	80,735 186,054	-	80,735 186,054
	E-ONE Moli Energy Corporation Videoland Inc.	The same chairman The same chairman	Financial assets carried at cost - non-current Financial assets carried at cost - non-current	15,283 6,437	25,982 89,990	6.1 5.6	-
TCCI (Group)	Beneficiary certificates Mega Diamond Money Market Fund	-	Financial assets at fair value through profit or loss	3,130	39,446	-	39,446
	Shares Anhui Conch Cement Co., Ltd. Yargoon Co., Ltd.	-	Available-for-sale financial assets - current Financial assets carried at cost - non-current	116,568 -	12,333,308 12,035	-	12,333,308 -

Note 1: Marketable securities in the table refer to shares, bonds, beneficiary certificates and other related securities within the scope of IAS 39 "Financial Instruments: Recognition and Measurement".

Note 2: See Tables 6 and 7 for the information of investments in subsidiaries, associates and joint ventures.

(Continued)

TABLE 4

**TAIWAN CEMENT CORPORATION AND SUBSIDIARIES**

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE SHARE CAPITAL FOR THE SIX MONTHS ENDED JUNE 30, 2017  
(In Thousands of New Taiwan Dollars)

Buyer	Related Party	Relationships	Transaction Details		Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note	
			Purchases/Sales	Amount	% of Total	Payment Terms	Unit Price	Payment Terms		Ending Balance
Taiwan Cement Corporation	Chia Hsin Cement Corporation	Director of the Corporation	Sales	\$ (217,905)	(3)	65 days after the end of the day when delivery was made	\$ -	\$ 61,431	12	Note 2
	Feng Sheng Enterprise Company	Subsidiary	Sales	(160,223)	(2)	30 days	-	84,477	16	Note 2
	TCCIH	Subsidiary	Purchases	325,077	5	30 days	-	(18,417)	(5)	Note 2
	Taiwan Transport & Storage Corporation	Subsidiary	Service revenue	(245,072)	(3)	By contract	-	130,346	24	Note 2
	China Hi-Ment Corporation	Subsidiary	Purchases	292,841	4	30 days	-	(66,869)	(17)	Note 2
	Hoping Industrial Port Corporation	The Corporation serves as director	Purchases	215,496	3	60 days	-	(75,245)	(19)	Note 2
	Tai-Ho Maritime Corporation	Subsidiary	Purchases	260,569	4	20 days	-	(5,282)	(1)	Note 2
	Shin Hsin Storage & Transportation Corporation Ltd.	Subsidiary	Purchases	406,880	6	30 days	-	(115,545)	(29)	Note 2
	E.G.C. Cement Corporation	Associates	Sales	(102,286)	(1)	60 days	-	35,522	7	Note 2
	Taiwan Cement Corporation	Subsidiary	Sales	(299,042)	(4)	50 days after the end of the day when delivery was made	-	109,089	20	Note 2
E.G.C. Cement Corporation	Taiwan Cement Corporation	Parent company	Purchases	299,042	100	50 days after the end of the day when delivery was made	-	(109,089)	(100)	Note 2
Hop-Ping Power Company	Hoping Industrial Port Corporation	The same parent company	Purchases	547,624	16	20 days	-	(80,794)	(50)	Note 2
	HPC Power Service Corporation	The same parent company	Purchases	195,771	6	By contract	-	(67,669)	(42)	Note 2
Hoping Industrial Port Corporation	Taiwan Cement Corporation	Parent company	Sales	(360,569)	(32)	20 days	-	5,282	6	Note 2
	Hop-Ping Power Company	The same parent company	Sales	(547,624)	(67)	20 days	-	80,794	92	Note 2
	Taiwan Transport & Storage Corporation	The same parent company	Purchases	102,890	74	30 days	-	(17,968)	(67)	Note 2
Feng Sheng Enterprise Company	Taiwan Cement Corporation	Parent company	Sales	(325,077)	(26)	30 days	-	18,417	100	Note 2
	Taiwan Cement Corporation	Parent company	Purchases	160,223	14	30 days	-	(84,477)	(100)	Note 2
Taiwan Transport & Storage Corporation	Taiwan Cement Corporation	Parent company	Sales	(392,841)	(48)	30 days	-	66,869	64	Note 2
	Hoping Industrial Port Corporation	The same parent company	Sales	(102,890)	(17)	30 days	-	17,968	17	Note 2
HPC Power Service Corporation	Hop-Ping Power Corporation	The same parent company	Sales	(195,771)	(100)	By contract	-	67,669	100	Note 2
Tai-Ho Maritime Corporation	Taiwan Cement Corporation	Parent company	Sales	(406,880)	(41)	30 days	-	115,545	94	Note 2
Da Tong (Guigang) International Logistics Co., Ltd.	TCC (Guigang) Cement Limited	The same ultimate parent company	Freight revenue	(133,677)	(96)	By negotiation	-	12,133	22	Note 2
HKCCCL	Quon Hing Concrete Co., Ltd.	Associates	Sales	(136,911)	(23)	By negotiation	-	69,697	28	Note 2
TCC (Guigang) Cement Limited	Da Tong (Guigang) International Logistics Co., Ltd.	The same ultimate parent company	Purchases	133,677	4	By negotiation	-	(12,133)	(67)	Note 2
TCCIH	Taiwan Cement Corporation	Parent company	Service expenses	245,072	100	By contract	-	(130,346)	(97)	Note 2

Note 1: The percentage to total accounts receivable (payable) for related parties.

Note 2: All intercompany transactions have been eliminated upon consolidation.

TABLE 5

## TAIWAN CEMENT CORPORATION AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE SHARE CAPITAL

JUNE 30, 2017

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate (%)	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Action Taken		
Taiwan Cement Corporation	Hoping Industrial Port Corporation (Note 2)	Subsidiary Associates Subsidiary Subsidiary	\$ 735,977	(Note 1)	-	-	\$ -	-
	ONYX Ta-Ho Environmental Services Co., Ltd.		208,800	(Note 1)	-	-	208,800	-
	TCCIH (Note 2)		130,346	5.6	-	-	-	-
Ta-Ho Maritime Corporation Chiefolk Co., Ltd.	E.G.C. Cement Corporation (Note 2)	Parent company Associates	109,089	4.9	-	-	75,184	-
	Taiwan Cement Corporation (Note 2)		115,545	6.1	-	-	60,200	-
	Quon Hing Concrete Co., Ltd.		116,910	(Note 1)	-	-	-	-

Note 1: Dividends receivable.

Note 2: All intercompany transactions have been eliminated upon consolidation.

TABLE 6

**TAIWAN CEMENT CORPORATION AND SUBSIDIARIES**

INFORMATION ON INVESTEEES  
FOR THE SIX MONTHS ENDED JUNE 30, 2017

(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Shares/Units (In Thousands)	As of June 30, 2017		Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				June 30, 2017	December 31, 2016		%	Carrying Amount			
Taiwan Cement Corporation	TCCI	British Virgin Islands	Investment holding	\$ 18,344,635	\$ 18,344,635	600,876	100.00	\$ 52,749,404	\$ 1,153,144	\$ 1,153,144	Note
	Ho-Ping Power Company	Taiwan	Thermal power generation	6,037,720	6,037,720	602,973	59.50	17,724,590	1,481,915	881,740	Note
	Hoping Industrial Port Corporation	Taiwan	Hoping Industrial Port management	3,198,500	3,198,500	319,990	100.00	5,128,043	402,088	402,075	Note
	Ta-Ho Maritime Corporation	Taiwan	Marine transportation	528,506	528,506	18,649	64.79	1,969,806	131,060	84,911	Note
	Taiwan Prosperity Chemical Corporation	Taiwan	Processing and sale of chemical material	1,284,143	1,284,143	145,988	50.00	1,666,909	(217,003)	(108,502)	Note
	Taiwan Transport & Storage Corporation	Taiwan	Warehousing, transportation and sale of sand and gravel	90,862	90,862	32,668	83.85	1,640,374	75,186	63,040	Note
	TCC Investment Corporation	Taiwan	Investment	190,000	190,000	54,150	100.00	1,344,488	16,339	16,339	Note
	Ho Sheng Mining Co., Ltd.	Taiwan	Mining and trading	1,414,338	1,414,338	30,100	100.00	1,199,083	(25,189)	(25,189)	Note
	CCC USA Corporation	U.S.A.	Rubber raw materials	481,983	481,983	39	33.33	707,379	84,632	28,211	Note
	Taiwan Cement Engineering Corporation	Taiwan	Engineering services	319,439	319,439	59,593	99.05	699,748	(851)	(152)	Note
	Kuan-Ho Construction & Development Corporation	Taiwan	Construction and lease services	248,963	248,963	35,959	92.87	454,321	29,923	27,790	Note
	ONYX Ta-Ho Environmental Services Co., Ltd.	Taiwan	Waste collection and treatment	72,000	72,000	8,000	50.00	336,923	203,260	101,630	Note
	Kuan-Ho Refractories Industry Corporation	Taiwan	Production and sale of refractory materials	181,050	181,050	18,105	95.29	353,076	26,941	25,672	Note
	Feng Sheng Enterprise Company	Taiwan	Sale of ready-mixed concrete	250,000	250,000	27,261	45.43	344,802	23,552	10,701	Note
	TCC Chemical Corporation	Taiwan	Processing and sale of chemical material	334,350	334,350	18,393	100.00	357,704	(392,900)	6,106	Note
	Ta-Ho Ohyo Tating Environment Co., Ltd.	Taiwan	Waste collection and treatment	313,187	313,187	37,100	100.00	295,959	851	851	Note
	TCC Information Systems Corporation	Taiwan	Information software design	71,000	71,000	14,904	99.36	240,040	11,111	11,039	Note
	Ta-Ho Ohyo RSEA Environment Co., Ltd.	Taiwan	Waste collection and treatment	666,000	666,000	66,600	66.60	212,364	(9,235)	(6,150)	Note
	HKCMCI	Hong Kong	Investment holding	72,005	72,005	38	84.65	260,553	28,587	24,200	Note
	Taiwan Cement Engineering Corporation	Taiwan	Warehousing and sale of cement	59,880	59,880	75,499	100.00	135,676	7,441	7,441	Note
	Jin Cheng Materials Corporation	Taiwan	Manufacturing and sale of limestone	18,282	18,282	1,800	100.00	111,711	(7,331)	(7,331)	Note
	IPC Power Service Corporation	Taiwan	Business consulting	1,861	1,861	6	60.00	57,459	97,638	55,595	Note
	E.G.C. Cement Corporation	Taiwan	Sale of cement	184,359	184,359	8,063	50.64	98,122	4,819	2,440	Note
	Synops Ltd.	British Virgin Islands	Investment	70,367	70,367	2,700	25.00	9,389	74	19	Note
	Tung Chen Mineral Corporation	Taiwan	Manufacturing and sale of limestone	1,989	1,989	20	99.45	1,414	(21)	(21)	Note
	TMC	Philippines	Mining excavation	11,880	11,880	120	72.70	-	-	-	Note
TPMC	Philippines	Mining excavation	2,105	2,105	20	40.00	-	-	-	Note	
Taiwan Transport & Storage Corporation	Ta-Ho Maritime Corporation	Taiwan	Marine transportation	247,229	247,229	50,311	27.47	835,260	131,060	36,005	Note
	E.G.C. Cement Corporation	Taiwan	Sale of cement	126,518	126,518	7,061	44.36	115,319	4,819	2,138	Note
	Chai Huan Tung Cement Corporation	Taiwan	Manufacturing and sale of cement-related products	138,830	138,830	13,883	12.74	81,281	(12,701)	(1,619)	Note
TCC Investment Corporation	Ho Sven Construction Material Co., Ltd.	Taiwan	Sand and gravel filtering and sale	10,200	10,200	1,020	51.00	-	-	-	Note
	Union Cement Traders Inc.	Taiwan	Import and export trading	219,450	219,450	21,945	100.00	608,500	(8,057)	(8,057)	Note
	Ho-Ping Power Company	Taiwan	Thermal power generation	68,911	68,911	5,067	0.50	145,880	1,481,915	7,410	Note
	Taiwan Prosperity Chemical Corporation	Taiwan	Processing and sale of chemical material	24,000	24,000	1,500	0.51	17,127	(217,003)	(1,115)	Note
	Ta-Ho Maritime Corporation	Taiwan	Marine transportation	343	343	34	0.02	570	131,060	24	Note

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of June 30, 2017		Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				June 30, 2017	December 31, 2016	Shares/Units (In Thousands)	%			
Tai-Ho Maritime Corporation	Tai-Ho Maritime Holdings Ltd. Shih Hsin Storage & Transportation Co., Ltd. Chia Huan Tung Cement Corporation	Samoa Taiwan Taiwan	Investment Warehousing, transportation, and sale of cement Manufacturing and sale of cement-related products	\$ 325,995 49,689 12,608	\$ 325,995 49,689 12,608	10,300 4,449 1,261	100.00 3.34 1.16	\$ 42,458 (48,789) (12,701)	\$ 42,458 (1,630) (147)	Note Note Note
Taiwan Cement Engineering Corporation	TCEC Corporation	Brunei Darussalam	Investment	16,295	16,295	-	100.00	(836)	(836)	Note
TCC Information Systems Corporation	Taicem Information (Samoa) Pte. Ltd.	Samoa	Investment	3,042	3,042	2,128	100.00	910	910	Note
Hoping Industrial Port Corporation	Taiwan Prosperity Chemical Corporation	Taiwan	Processing and sale of chemical material	104,929	104,929	6,675	2.29	(217,003)	(4,961)	Note
E.G.C. Cement Corporation	Shih Hsin Storage & Transportation Co., Ltd.	Taiwan	Warehousing, transportation, and sale of cement	176,786	176,786	15,831	11.87	(48,789)	(5,781)	Note
Feng Sheng Enterprise Company	Ho Swen Construction Material Co., Ltd.	Taiwan	Sand and gravel filtering and sale	1,800	1,800	180	9.00	-	-	Note
Union Cement Traders Inc.	Shih Hsin Storage & Transportation Co., Ltd. Taiwan Transport & Storage Corporation Chia Huan Tung Cement Corporation	Taiwan Taiwan Taiwan	Warehousing, transportation, and sale of cement Warehousing, transportation, and sale of sand and gravel Manufacturing and sale of cement-related products	54,901 2,612 4,050	54,901 2,612 4,050	4,917 261 405	3.69 0.67 0.37	(48,789) 75,186 (12,701)	(1,799) 504 (47)	Note Note Note
Tai-Ho Maritime Holdings Ltd.	THC International S.A. Sheng Ho Maritime S.A. Tai-Ho Maritime (Hong Kong) Limited Chi Ho Maritime S.A. Tai-Ho Maritime (Singapore) Pte. Ltd.	Panama Panama Hong Kong Panama Singapore	Marine transportation Marine transportation Marine transportation Marine transportation Marine transportation	61,144 61,144 155,142 209,948 3,042	64,823 64,823 164,475 209,948 3,225	2 2 5,100 7 100	100.00 100.00 100.00 100.00 100.00	1,871 3,497 41,043 (3,558) (399)	1,871 3,497 41,043 (3,558) (399)	Note Note Note Note Note
TCC International Ltd. (Group)	Quon Hing Concrete Co., Ltd. Chia Huan Tung Cement Corporation Hong Kong Concrete Co., Ltd.	Hong Kong Taiwan Hong Kong	Investment holding Manufacturing and sale of cement-related products Cement processing services	173,381 212,220 26,585	184,994 212,220 28,366	100 21,222 129	50.00 19.48 31.50	100,657 (12,701) 145,964	50,328 (2,474) 45,979	Note Note Note

Note: All intercompany transactions have been eliminated upon consolidation.

(Continued)

TABLE 7

## TAIWAN CEMENT CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENT IN MAINLAND CHINA  
FOR THE SIX MONTHS ENDED JUNE 30, 2017  
(In Thousands of New Taiwan Dollars)

Investee Company	Main Businesses and Products	Share Capital	Method of Investment (Note 1)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2017 (Note 2)	Investment Flow (Note 2)		Accumulated Outward Remittance for Investment from Taiwan as of June 30, 2017 (Note 2)	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 3)	Carrying Amount June 30, 2017 (Note 3)	Accumulated Repatriation of Investment Income as of June 30, 2017	Note
					Outflow	Inflow							
Anhui King Bridge Cement Co., Ltd.	Manufacturing and sale of cement	\$ 456,300	(a)	\$ 155,142	-	\$ -	\$ 155,142	\$ (15,064)	38.00	\$ (5,724)	\$ 163,812	\$ -	Note 7
TCC Huzhou Cement Co., Ltd.	Manufacturing and sale of cement	494,325	(a)	279,294	-	-	279,294	(42,587)	63.05	(26,851)	580,697	-	Note 7
TCC Huzhou Yanggu Port Co., Ltd.	Port for cement transportation	152,100	(a)	85,937	-	-	85,937	(951)	63.05	(600)	179,620	-	Note 7
TCC Linzhou Construction Materials Co., Ltd.	Sale of building material	410,670	(a)	98,561	-	-	98,561	49,889	26.00	12,971	242,622	-	Note 7
TCC Yingde Cement Co., Ltd.	Manufacturing and sale of cement	7,738,848	(a)	4,835,594	-	-	4,835,594	573,054	63.05	361,311	10,734,768	-	Note 7
Jiangxi TCC Cement Co., Ltd.	Manufacturing and sale of cement	7,087,860	(a)	4,136,968	-	-	4,136,968	45,948	63.05	28,970	6,512,030	-	Note 7
TCC (Guangxi) Cement Limited	Manufacturing and sale of cement	10,126,085	(a)	3,744,698	-	3,498,300	7,242,998	1,100,331	63.05	693,758	10,797,522	-	Note 7
Jiangsu TCC Investment Co., Ltd.	Investment	1,521,000	(a)	859,365	-	-	859,365	34,850	63.05	21,973	1,528,396	-	Note 7
Yingde Dragon Mountain Cement Co., Ltd.	Manufacturing and sale of cement	1,920,501	(a)	3,304,619	-	-	3,304,619	504,688	63.05	318,206	6,494,139	-	Note 7
TCC Liaoning Cement Co., Ltd.	Manufacturing and sale of cement	1,664,306	(a)	1,356,169	-	-	1,356,169	(114,185)	63.05	(71,953)	1,173,710	-	Note 7
TCC Anshun Cement Co., Ltd.	Manufacturing and sale of cement	4,669,166	(a)	3,401,746	-	-	3,401,746	174,479	63.05	110,009	3,765,396	-	Note 7
TCC Chongqing Cement Co., Ltd.	Manufacturing and sale of cement	3,589,560	(a)	2,595,476	-	-	2,595,476	112,605	63.05	70,997	3,122,720	-	Note 7
TCC Guangnan Cement Co., Ltd.	Manufacturing and sale of cement	2,242,056	(a)	1,700,337	-	-	1,700,337	35,507	63.05	22,387	1,750,585	-	Note 7
TCC (Dong Guan) Cement Co., Ltd.	Warehousing and cement technical consulting	608,400	(a)	343,746	-	-	343,746	(15,996)	63.05	(10,085)	333,849	-	Note 7
Guizhou Kong On Cement Co., Ltd.	Manufacturing and sale of cement	617,526	(a)	278,348	-	-	278,348	33,017	41.00	13,537	242,332	-	Note 7
TCC New (Hangzhou) Management Co., Ltd.	Operation management	243,360	(a)	137,498	-	-	137,498	10,157	63.05	6,404	94,254	-	Note 7
Guizhou Kai Rui An Jian Cai Co., Ltd.	Manufacturing and sale of cement	1,748,017	(a)	1,088,257	-	-	1,088,257	154,055	63.05	97,132	1,604,795	-	Note 7
TCC Shaoguan Cement Co., Ltd.	Manufacturing and sale of cement	1,216,800	(a)	1,084,473	-	-	1,084,473	(12,304)	63.05	(7,758)	742,386	-	Note 7
TCC Huaying Cement Company Limited	Manufacturing and sale of cement	4,261,162	(a)	3,120,109	-	-	3,120,109	114,336	63.05	72,089	1,330,927	-	Note 7
TCC Huahua Cement Company Limited (Note 4)	Manufacturing and sale of cement	417,198	(a)	5,711,647	-	-	5,711,647	(93,383)	63.05	(58,878)	1,164,684	-	Note 7
TCC Jingzhou Cement Company Limited (Note 4)	Manufacturing and sale of cement	44,860	(a)	-	-	-	-	(22,153)	63.05	(13,968)	642,286	-	Note 7
TCC Huahua Concrete Company Limited (Note 4)	Manufacturing and sale of cement	44,860	(a)	-	-	-	-	(5,116)	63.05	(3,226)	44,084	-	Note 7
TCC Jiangsu Mining Industrial Company Limited	Mining of limestone	121,680	(a)	380,460	-	-	380,460	(5,127)	63.05	(3,233)	189,162	-	Note 7
TCC Yingde Mining Industrial Company Limited	Mining of limestone	349,830	(a)	275,230	-	-	275,230	1,111	63.05	700	274,731	-	Note 7
TCC Guigang Mining Industrial Company Limited	Mining of limestone	152,100	(a)	131,373	-	-	131,373	13,392	63.05	8,444	219,127	-	Note 7
Scius Nexi Cement Co., Ltd. (Note 5)	Manufacturing and sale of cement	657,244	(a)	-	-	-	-	(2,122)	63.05	(1,388)	69,097	-	Note 7
Scius Luzhou Cement Co., Ltd. (Note 5)	Manufacturing and sale of cement	1,771,970	(a)	-	-	-	-	64,329	63.05	40,559	1,158,120	-	Note 7
Scius Hejiang Cement Co., Ltd. (Note 5)	Manufacturing and sale of cement	104,300	(a)	-	-	-	-	(1,163)	63.05	(733)	8,957	-	Note 7

(Continued)

Investee Company	Main Businesses and Products	Share Capital	Method of Investment (Note 1)	Investment Flow (Note 2)		Accumulated Outward Remittance for Investment from Taiwan as of June 30, 2017 (Note 2)	Net Income (Loss) of the Investee	% Ownership of the Investee	Investment Gain (Loss) (Note 3)	Carrying Amount of Investment as of June 30, 2017 (Note 3)	Accumulated Repatriation of Investment Income as of June 30, 2017	Note
				Outflow	Inflow							
Scius Luzhou Concrete Co., Ltd. (Note 5)	Manufacturing and sale of cement	\$ 112,150	(a)	\$ -	\$ -	\$ -	\$ 2,079	63.05	\$ 1,311	\$ 79,437	\$ -	Note 7
Anshun Xin Tai Construction Materials Company Limited	Manufacturing and sale of concrete aggregate	67,290	(a)	-	-	92,866	385	63.05	242	39,534	-	Note 7
TCEC (Yingde) Machine Co., Ltd. (Note 6)	Production and sale of cement machinery and assembly work	16,295	(b)	-	-	16,295	(836)	100.00	(836)	112,621	-	Note 7
Fuzhou TCC Information Technology Co., Ltd. (Note 6)	Software product and equipment maintenance	3,042	(c)	-	-	3,042	1,184	100.00	1,184	38,250	-	Note 7
Da Tong (Guangxi) International Logistics Co., Ltd. (Note 6)	Logistics and transportation	152,100	(d)	-	-	152,100	41,657	100.00	41,657	506,493	-	Note 7
Da Tong (Ying De) Logistics Co., Ltd. (Note 6)	Logistics and transportation	22,430	(d)	-	-	22,430	6,853	100.00	6,853	77,105	-	Note 7
Guangxi Da-Ho Shipping Co., Ltd. (Note 6)	Marine transportation	17,944	(d)	-	-	17,944	30,865	100.00	30,865	243,841	-	Note 7
Prosperity Conch Cement Co., Ltd. (Note 6)	Manufacturing and sale of cement	2,601,880	(a)	-	-	2,224,746	1,061,037	25.00	265,259	3,242,483	-	
Yunnan Kunming & K. Wah Cement Construction Materials Co., Ltd. (Note 6)	Manufacturing and sale of cement	3,700,950	(a)	-	-	1,450,437	381,643	30.00	114,493	1,554,215	-	
Baoshan Kunming & K. Wah Cement Construction Materials Co., Ltd. (Note 6)	Manufacturing and sale of cement	1,850,834	(a)	-	-	702,368	246,070	30.00	73,821	794,135	-	
Sichuan Taichang Building Material Group Company Limited (Note 6)	Manufacturing and sale of cement	897,200	(a)	-	-	351,107	28,270	30.00	-	-	-	
Guangxi Xin Tai Construction Materials Company Limited (Note 6)	Manufacturing and sale of concrete aggregate	69,533	(a)	-	-	47,933	-	50.00	-	-	-	

Accumulated Investment in Mainland China as of June 30, 2017	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
\$45,179,530	\$76,498,817	(Note 8)

Note 1: All investments in mainland China companies were through a company invested and established in a third region. The method of investments were as follows:

- Investment through TCCI
- Investment through TCC Corporation (Borneo)
- Investment through TCC Corporation (Sarawak) Pre. Ltd.
- Investment through TCC Maritime (Hong Kong) Limited.

Note 2: Including outward remittance from offshore subsidiaries.

Note 3: For TCC Yingde Cement Co., Ltd., TCC (Gai Gang) Cement Ltd., TCC Anshun Cement Company Limited, TCC Chongqing Cement Company Limited, Jiroing TCC Cement Co., Ltd. and Yingde Dragon Mountain Cement Co., Ltd. the carrying amounts and investment gains or losses are based on the reviewed audited financial statements, and those for all other entities are not.

Note 4: As of June 30, 2017, the accumulated outward remittances for investments was a total of those from TCC Huahua Cement Company Limited, TCC Jingzhou Cement Company Limited and TCC Huahua Concrete Company Limited.

Note 5: As of June 30, 2017, accumulated outward remittance for investments was a total of \$2,950,506 thousand from 10 companies, including Zunyi Scius Cement Co., Ltd., Scius Bihe Cement Co., Ltd., Scius Nasit Cement Co., Ltd., Scius Luzhou Cement Co., Ltd., Scius Xishui Cement Co., Ltd., Scius Hejiang Cement Co., Ltd., Guizhou Zunyi Ken On Concrete Co., Ltd., Scius Bijie Concrete Co., Ltd., Scius Luzhou Concrete Co., Ltd. and Scius Cement (Guizhou) Operating Company Limited. Except Scius Nasit Cement Co., Ltd., Scius Luzhou Cement Co., Ltd. and Scius Hejiang Cement Co., Ltd. while the other companies were disposed of in March 2013. The investment amounts authorized to be withdrawn are currently being processed by the Investment Commission, MOEA.

Note 6: Including the amounts attributable to non-controlling interests.

Note 7: All intercompany transactions have been eliminated upon consolidation.

Note 8: The Corporation received a confirmation letter of Operation Headquarter from the Industrial Development Bureau of the MOEA in October 2016 stating that the Corporation is not limited by the restriction on the accumulated percentage or amount of investment in mainland China.

B. See Tables 1.2 and 4 for the information about significant transactions with investees in the mainland China either directly or indirectly through a third area.

(Concluded)



TABLE 8

**TAIWAN CEMENT CORPORATION AND SUBSIDIARIES**  
**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2017**  
(In Thousands of New Taiwan Dollars)

No.	Investee Company	Counterparty	Relationship (Note 1)	Transactions Details			% of Total Sales or Assets
				Financial Statement Account	Amount	Payment Terms	
0	Taiwan Cement Corporation	Feng Sheng Enterprise Company	1	Operating revenue	\$ 160,223	30 days	0.3
		Taiwan Transport & Storage Corporation	1	Operating costs and expenses	325,077	30 days	0.7
		Hoping Industrial Port Corporation	1	Operating costs and expenses	292,841	30 days	0.6
		TCCIH	1	Operating costs and expenses	260,569	20 days	0.6
		Ta-Ho Maritime Corporation	1	Other receivables from related parties	735,977	By contract	0.3
1	Ho-Ping Power Company	Hoping Industrial Port Corporation HPC Power Service Corporation	3	Operating revenue	245,072	By contract	0.5
				Receivables from related parties	130,346	By contract	-
				Operating costs and expenses	406,880	30 days	0.9
				Payables to related parties	115,545	30 days	-
				Receivables from related parties	299,042	50 days after the day delivery was made	0.7
2	TCC Chemical Corporation	Taiwan Prosperity Chemical Corporation	3	Operating costs and expenses	547,624	20 days	1.2
				Operating costs and expenses	195,771	By contract	0.4
3	Ta-Ho Onyx RSEA Environment Co., Ltd.	TCC Investment Corporation	3	Finance lease receivables	149,187	By contract	0.1
				Long-term finance lease receivables	1,473,175	By contract	0.6
4	Taiwan Transport & Storage Corporation	Hoping Industrial Port Corporation	3	Other payables to related parties	150,000	By contract	0.1
				Other payables to related parties	160,000	By contract	0.1
5	Da Tong (Guigang) International Logistics Co., Ltd.	TCC (Guigang) Cement Limited	3	Operating revenue	102,890	30 days	0.2
				Operating revenue	133,677	By negotiation	0.3

Note 1: All intercompany transactions have been eliminated upon consolidation. The directional flow of the investment relationship is represented by the following numerals:

- a. From parent to subsidiary: 1
- b. From subsidiary to parent: 2
- c. Between subsidiaries: 3

Note 2: This table includes transactions for amounts over \$100 million.

## 3. AUDITED CONSOLIDATED FINANCIAL STATEMENTS

The following is the full text of the audited consolidated financial statements of TCC Group for the year ended December 31, 2016 as extracted from the financial report of TCC for the year ended December 31, 2016.

## TAIWAN CEMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS  
DECEMBER 31, 2016 AND 2015  
(In Thousands of New Taiwan Dollars)

ASSETS	2016		2015	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 28,179,758	11	\$ 38,977,360	13
Financial assets at fair value through profit or loss (Notes 4 and 7)	148,488	-	147,113	-
Available-for-sale financial assets (Notes 4, 8 and 31)	15,536,693	6	15,227,906	5
Notes receivable (Notes 4 and 10)	12,600,411	5	12,377,095	4
Accounts receivable (Notes 4, 10, 11 and 31)	6,782,292	3	6,850,598	3
Notes and accounts receivable from related parties (Notes 4 and 30)	546,984	-	985,259	1
Other receivables (Notes 4 and 24)	770,838	-	663,601	-
Other receivables from related parties (Notes 4 and 30)	181,997	-	668,842	-
Inventories (Notes 4, 12 and 32)	8,893,965	3	8,941,127	3
Prepayments (Notes 18 and 31)	2,955,246	1	3,286,150	1
Other financial assets (Notes 4, 6 and 31)	812,127	-	2,043,253	1
Other current assets (Notes 4 and 9)	475,213	-	425,072	-
Total current assets	77,884,012	29	90,593,376	31
<b>NON-CURRENT ASSETS</b>				
Available-for-sale financial assets (Notes 4, 8 and 31)	4,190,855	2	3,990,535	1
Financial assets carried at cost (Note 4)	589,736	-	822,609	-
Investments accounted for using equity method (Notes 4 and 14)	7,444,947	3	8,013,265	3
Property, plant and equipment (Notes 4, 15 and 31)	101,799,766	38	113,310,134	39
Investment properties (Notes 4, 16 and 31)	6,073,056	2	5,996,536	2
Intangible assets (Notes 4, 17 and 26)	21,175,282	8	22,607,552	8
Prepayments for property, plant and equipment	2,740,525	1	1,992,037	1
Long-term finance lease receivables (Notes 4, 11 and 31)	33,666,040	13	34,335,409	12
Net defined benefit asset (Notes 4 and 21)	827,402	-	451,548	-
Long-term prepayments for leases (Notes 18 and 31)	6,934,059	3	7,698,950	2
Other non-current assets (Notes 4, 24 and 31)	3,663,016	1	3,254,404	1
Total non-current assets	189,104,684	71	202,472,979	69
<b>TOTAL</b>	<b>\$ 266,988,696</b>	<b>100</b>	<b>\$ 293,066,355</b>	<b>100</b>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term loans (Notes 19 and 31)	\$ 20,635,324	8	\$ 22,325,389	8
Short-term bills payable (Note 19)	5,921,518	2	6,159,780	2
Notes and accounts payable (Note 30)	7,671,640	3	7,081,053	2
Other payables (Notes 20 and 32)	7,960,894	3	8,935,660	3
Current income tax liabilities (Notes 4 and 24)	1,324,329	1	1,214,642	-
Advance receipts	3,352,902	1	3,119,316	1
Long-term loans - current portion (Notes 19 and 31)	8,163,950	3	19,133,616	7
Other current liabilities	74,362	-	114,376	-
Total current liabilities	55,104,919	21	68,083,832	23
<b>NON-CURRENT LIABILITIES</b>				
Long-term loans (Notes 19 and 31)	53,342,059	20	57,986,194	20
Deferred income tax liabilities (Notes 4 and 24)	10,213,967	4	10,268,560	4
Net defined benefit liability (Notes 4 and 21)	184,115	-	287,238	-
Other non-current liabilities (Notes 4 and 32)	746,965	-	956,279	-
Total non-current liabilities	64,487,106	24	69,498,271	24
Total liabilities	119,592,025	45	137,582,103	47
<b>EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT (Notes 22 and 24)</b>				
Share capital	36,921,759	14	36,921,759	13
Capital surplus	13,534,162	5	12,309,615	4
Retained earnings	47,337,524	18	45,573,057	16
Others	8,974,606	3	13,238,554	4
Equity attributable to shareholders of the parent	106,768,051	40	108,042,985	37
<b>NON-CONTROLLING INTERESTS (Note 22)</b>	<b>40,628,620</b>	<b>15</b>	<b>47,441,267</b>	<b>16</b>
Total equity	147,396,671	55	155,484,252	53
<b>TOTAL</b>	<b>\$ 266,988,696</b>	<b>100</b>	<b>\$ 293,066,355</b>	<b>100</b>

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

## TAIWAN CEMENT CORPORATION AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2016		2015	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 9 and 30)	\$ 89,564,306	100	\$ 93,679,076	100
OPERATING COSTS (Notes 4, 9, 12, 23 and 30)	<u>71,583,302</u>	<u>80</u>	<u>79,151,059</u>	<u>85</u>
GROSS PROFIT	<u>17,981,004</u>	<u>20</u>	<u>14,528,017</u>	<u>15</u>
OPERATING EXPENSES (Notes 23 and 30)				
Marketing	733,021	1	859,723	1
General and administrative	4,193,229	4	3,987,700	4
Research and development	<u>20,618</u>	<u>-</u>	<u>6,895</u>	<u>-</u>
Total operating expenses	<u>4,946,868</u>	<u>5</u>	<u>4,854,318</u>	<u>5</u>
INCOME FROM OPERATIONS	<u>13,034,136</u>	<u>15</u>	<u>9,673,699</u>	<u>10</u>
NON-OPERATING INCOME AND EXPENSES				
Share of profit of associates and joint ventures (Notes 4 and 14)	979,609	1	737,161	1
Interest income (Notes 4 and 30)	267,182	-	430,757	-
Dividend income (Note 4)	808,767	1	958,117	1
Other income (Note 11)	928,426	1	822,162	1
Finance costs (Notes 4 and 23)	(1,916,837)	(2)	(1,873,739)	(2)
Other expenses (Note 23)	(473,231)	-	(447,715)	-
Foreign exchange losses, net	(985,562)	(1)	(1,570,026)	(2)
Impairment loss recognized on financial assets	(619,013)	(1)	(51,296)	-
Impairment loss recognized on property, plant and equipment (Note 15)	<u>(508,142)</u>	<u>(1)</u>	<u>(13,105)</u>	<u>-</u>
Total non-operating income and expenses	<u>(1,518,801)</u>	<u>(2)</u>	<u>(1,007,684)</u>	<u>(1)</u>
INCOME BEFORE INCOME TAX	11,515,335	13	8,666,015	9
INCOME TAX EXPENSE (Notes 4 and 24)	<u>2,673,260</u>	<u>3</u>	<u>1,740,389</u>	<u>2</u>
NET INCOME	<u>8,842,075</u>	<u>10</u>	<u>6,925,626</u>	<u>7</u>

(Continued)

## TAIWAN CEMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

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

	2016		2015	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
(Note 4)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plan (Notes 21 and 22)	\$ 385,369	-	\$ (652,832)	(1)
Share of other comprehensive loss of associates and joint ventures (Note 22)	(6,193)	-	(1,476)	-
Income tax benefit (expense) related to items that will not be reclassified subsequently to profit or loss (Note 24)	(65,512)	-	110,938	-
	<u>313,664</u>	<u>-</u>	<u>(543,370)</u>	<u>(1)</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations (Note 22)	(7,055,040)	(8)	(1,828,277)	(2)
Unrealized gain (loss) on available-for-sale financial assets (Note 22)	243,381	-	(5,141,341)	(5)
Cash flow hedges (Notes 9 and 22)	4,022	-	(11,071)	-
Share of other comprehensive income (loss) of associates and joint ventures (Note 22)	(493,741)	-	6,015	-
	<u>(7,301,378)</u>	<u>(8)</u>	<u>(6,974,674)</u>	<u>(7)</u>
Other comprehensive loss for the year, net of income tax	<u>(6,987,714)</u>	<u>(8)</u>	<u>(7,518,044)</u>	<u>(8)</u>
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	<u>\$ 1,854,361</u>	<u>2</u>	<u>\$ (592,418)</u>	<u>(1)</u>
NET INCOME ATTRIBUTABLE TO:				
Shareholders of the parent	\$ 6,358,452	7	\$ 5,775,989	6
Non-controlling interests	<u>2,483,623</u>	<u>3</u>	<u>1,149,637</u>	<u>1</u>
	<u>\$ 8,842,075</u>	<u>10</u>	<u>\$ 6,925,626</u>	<u>7</u>
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Shareholders of the parent	\$ 2,411,113	3	\$ (806,454)	(1)
Non-controlling interests	<u>(556,752)</u>	<u>(1)</u>	<u>214,036</u>	<u>-</u>
	<u>\$ 1,854,361</u>	<u>2</u>	<u>\$ (592,418)</u>	<u>(1)</u>

(Continued)

## TAIWAN CEMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

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

	<u>2016</u>	<u>2015</u>
	Income Attributable to Shareholders of the Parent	Income Attributable to Shareholders of the Parent
EARNINGS PER SHARE (NT\$, Note 25)		
Basic earnings per share	<u>\$1.72</u>	<u>\$1.56</u>
Diluted earnings per share	<u>\$1.72</u>	<u>\$1.56</u>

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

(Concluded)

## TAIWAN CEMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2016, AND 2015  
(In Thousands of New Taiwan Dollars, Except Cash Dividends Per Share)

	Equity Attributable to Shareholders of the Parent													
	Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Retained Earnings		Unappropriated Earnings	Total	Exchange Differences on Translating Foreign Operations	Unrealized Gain/Loss on Available-for-sale Financial Assets	Cash Flow Hedges	Total	Non-controlling Interests	Total Equity
					Legal Reserve	Special Reserve								
BALANCE, JANUARY 1, 2015	\$ 36,921,759	\$ 12,224,528	\$ 11,728,278	\$ 13,050,654	\$ 24,750,795	\$ 49,530,227	\$ 3,226,509	\$ 16,042,717	\$ 12,130	\$ 117,958,870	\$ 44,088,811	\$ 162,017,681		
Appropriation of prior year's earnings	-	-	1,082,887	-	(1,082,887)	-	-	-	-	-	-	-	-	
Legal reserve	-	-	-	-	(9,193,518)	(9,193,518)	-	-	-	-	-	(9,193,518)	-	
Cash dividends to shareholders	-	-	-	-	-	-	-	-	-	-	-	(2,769,710)	-	
Cash dividends distributed by subsidiaries	-	-	-	-	5,775,989	5,775,989	-	-	-	-	-	1,149,637	-	
Net income in 2015	-	-	-	-	(539,641)	(539,641)	(987,416)	(5,048,743)	(6,643)	-	-	(935,601)	-	
Other comprehensive loss in 2015, net of income tax	-	-	-	-	5,236,348	5,236,348	(987,416)	(5,048,743)	(6,643)	-	-	214,036	-	
Total comprehensive income (loss) in 2015	-	-	-	-	-	-	-	-	-	-	-	80	(586)	
Adjustments to share of changes in equity of associates	-	80	-	-	-	-	-	-	-	-	-	80	(586)	
Changes in ownership interests of subsidiaries	-	84,007	-	-	-	-	-	-	-	-	-	84,007	(84,007)	
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	6,022,723	6,022,723	
Reversal of special reserve recognized from asset disposals	-	-	-	(159)	159	-	-	-	-	-	-	-	-	
BALANCE, DECEMBER 31, 2015	\$ 36,921,759	\$ 12,309,615	\$ 12,811,665	\$ 13,050,495	\$ 19,710,897	\$ 45,573,057	\$ 2,239,093	\$ 10,993,974	\$ 5,487	\$ 108,042,985	\$ 47,441,367	\$ 155,484,252		
Appropriation of prior year's earnings	-	-	577,599	-	(577,599)	-	-	-	-	-	-	-	-	
Legal reserve	-	-	-	-	(4,910,594)	(4,910,594)	-	-	-	-	-	(4,910,594)	-	
Cash dividends to shareholders	-	-	-	-	-	-	-	-	-	-	-	(2,299,291)	-	
Cash dividends distributed by subsidiaries	-	-	-	-	6,358,452	6,358,452	-	-	-	-	-	2,483,623	-	
Net income in 2016	-	-	-	-	316,609	316,609	(4,472,710)	206,349	2,413	-	-	(3,840,375)	-	
Other comprehensive income (loss) in 2016, net of income tax	-	-	-	-	6,675,061	6,675,061	(4,472,710)	206,349	2,413	-	-	(556,752)	-	
Total comprehensive income (loss) in 2016	-	-	-	-	-	-	-	-	-	-	-	2,411,113	-	
Difference between consideration received and the carrying amount of subsidiaries' net assets during actual acquisitions	-	1,224,547	-	-	-	-	-	-	-	-	-	1,224,547	-	
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(2,732,057)	(2,732,057)	
Reversal of special reserve recognized from asset disposals	-	-	-	(11)	11	-	-	-	-	-	-	-	-	
BALANCE, DECEMBER 31, 2016	\$ 36,921,759	\$ 13,534,162	\$ 13,389,264	\$ 13,050,484	\$ 20,897,776	\$ 47,337,524	\$ (2,233,617)	\$ 11,200,323	\$ 7,900	\$ 106,768,051	\$ 40,628,620	\$ 147,396,671		

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

## TAIWAN CEMENT CORPORATION AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**  
**(In Thousands of New Taiwan Dollars)**

	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 11,515,335	\$ 8,666,015
Adjustments for:		
Depreciation expense	6,587,626	7,021,678
Amortization expense	402,921	397,480
Net loss (gain) on financial assets and liabilities at fair value through profit or loss	(367,641)	1,114
Finance costs	1,916,837	1,873,739
Interest income	(267,182)	(430,757)
Dividend income	(808,767)	(958,117)
Share of profits of associates and joint ventures	(979,609)	(737,161)
Loss (gain) on disposal of property, plant and equipment, net	(3,245)	34,307
Gain on disposal of investments, net	(402)	(499)
Impairment loss on financial assets	619,013	51,296
Reversal of impairment of financial assets	-	(186,035)
Impairment loss on non-financial assets	508,142	13,105
Inventory write-down (reversal)	17,956	(87,164)
Unrealized loss on foreign exchange, net	11,880	994,811
Others	235,962	240,781
Changes in operating assets and liabilities:		
Financial assets held for trading	365,551	30,438
Notes receivable	(421,615)	5,888,746
Accounts receivable	62,927	1,884,936
Notes and accounts receivable from related parties	426,650	(643,176)
Other receivables	(205,146)	630,897
Other receivables from related parties	76,503	846,460
Inventories	(53,965)	2,495,379
Prepayments	269,215	1,028,566
Other current assets	(52,334)	122,942
Notes and accounts payable	662,309	(2,701,077)
Other payables	557,958	(1,415,824)
Advance receipts	257,740	70,644
Other current liabilities	(40,014)	(105,817)
Net defined benefit liability	(93,608)	(36,776)
Cash generated from operations	21,200,997	24,990,931
Income tax paid	(2,450,842)	(3,227,539)
Net cash generated from operating activities	<u>18,750,155</u>	<u>21,763,392</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of available-for-sale financial assets	(366,113)	(10,087)
Proceeds from sale of available-for-sale financial assets	69,708	14,842
Purchase of financial assets carried at cost	(1)	(1)
Proceeds from the return of capital upon investees' capital reduction on financial assets carried at cost	11,584	9,461

(Continued)

## TAIWAN CEMENT CORPORATION AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**  
**(In Thousands of New Taiwan Dollars)**

	2016	2015
Net cash outflow on acquisition of subsidiaries	\$ -	\$ (6,721,329)
Payments for property, plant and equipment	(2,995,914)	(2,726,976)
Proceeds from disposal of property, plant and equipment	41,826	98,761
Payments for intangible assets	(79,398)	(379,647)
Payments for investment properties	(568)	-
Decrease in long-term finance lease receivables	669,369	726,368
Decrease (increase) in other financial assets	1,225,039	(691,123)
Decrease (increase) in other non-current assets	(593,738)	208,091
Increase in prepayments for leases	(72,594)	(125,947)
Interest received	288,807	406,803
Dividends received	<u>1,856,760</u>	<u>1,357,381</u>
Net cash generated from (used in) investing activities	<u>54,767</u>	<u>(7,833,403)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Decrease in short-term loans	(1,480,747)	(3,539,971)
Increase in long-term loans	19,433,699	29,252,473
Repayment of long-term loans	(34,738,309)	(22,574,692)
Decrease in short-term bills payable	(238,262)	(210,728)
Decrease in other non-current liabilities	(209,314)	(324,608)
Cash dividends paid	(7,209,885)	(11,963,228)
Acquisition of additional interest in subsidiaries	(2,732,057)	-
Interest paid	(1,721,077)	(1,708,559)
Changes in non-controlling interests	<u>-</u>	<u>6,022,723</u>
Net cash used in financing activities	<u>(28,895,952)</u>	<u>(5,046,590)</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>		
	<u>(706,572)</u>	<u>(420,081)</u>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	(10,797,602)	8,463,318
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<u>38,977,360</u>	<u>30,514,042</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u>\$ 28,179,758</u>	<u>\$ 38,977,360</u>

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

(Concluded)



## TAIWAN CEMENT CORPORATION AND SUBSIDIARIES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

**1. GENERAL INFORMATION**

Taiwan Cement Corporation (the “Corporation”) was incorporated in 1946 and restructured as a corporation in 1951, which was jointly operated by the Ministry of Economics Resource Committee and the Taiwan Provincial Government. In 1954, the Corporation privatized as a result of the Taiwan government’s land reform program, land-to-the-tiller policy. The Corporation engages in the manufacture and marketing of cement, cement-related products and ready-mixed concrete. The Corporation’s shares have been listed on the Taiwan Stock Exchange since February 1962.

The consolidated financial statements of the Corporation and its subsidiaries, collectively referred to as the “Group”, are presented in New Taiwan dollars, the functional currency of the Corporation.

**2. APPROVAL OF FINANCIAL STATEMENTS**

The consolidated financial statements were approved by the Corporation’s board of directors on March 27, 2017.

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

- a. Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) endorsed by the Financial Supervisory Commission (FSC) for application starting from 2017

Rule No. 1050050021 and Rule No. 1050026834 issued by the FSC stipulated that, starting from January 1, 2017, the Group should apply the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRS, IAS, IFRIC and SIC (collectively, the “IFRSs”) issued by the IASB and endorsed by the FSC for application starting from 2017.

<b>New, Amended or Revised Standards and Interpretations (the “New IFRSs”)</b>	<b>Effective Date Announced by IASB (Note 1)</b>
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016 (Note 3)
Amendments to IFRS 10, IFRS 12 and IAS 28 “Investment Entities: Applying the Consolidation Exception”	January 1, 2016
Amendment to IFRS 11 “Accounting for Acquisitions of Interests in Joint Operations”	January 1, 2016
IFRS 14 “Regulatory Deferral Accounts”	January 1, 2016
Amendment to IAS 1 “Disclosure Initiative”	January 1, 2016
Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”	January 1, 2016
Amendments to IAS 16 and IAS 41 “Agriculture: Bearer Plants”	January 1, 2016

(Continued)

<b>New, Amended or Revised Standards and Interpretations (the “New IFRSs”)</b>	<b>Effective Date Announced by IASB (Note 1)</b>
Amendment to IAS 19 “Defined Benefit Plans: Employee Contributions”	July 1, 2014
Amendment to IAS 36 “Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets”	January 1, 2014
Amendment to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”	January 1, 2014
IFRIC 21 “Levies”	January 1, 2014

(Concluded)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The amendment to IFRS 2 applies to share-based payment transactions with grant dates on or after July 1, 2014; the amendment to IFRS 3 applies to business combinations with acquisition dates on or after July 1, 2014; the amendment to IFRS 13 is effective immediately; the remaining amendments are effective for annual periods beginning on or after July 1, 2014.

Note 3: The amendment to IFRS 5 is applied prospectively to changes in methods of disposal that occur in annual periods beginning on or after January 1, 2016; the remaining amendments are effective for annual periods beginning on or after January 1, 2016.

The initial application in 2017 of the above New IFRSs and related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers would not have any material impact on the Group’s accounting policies, except for the following:

Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers

The amendments include additions of several accounting items and requirements for disclosures of impairment of non-financial assets as a consequence of the IFRSs endorsed by the FSC for application starting from 2017. In addition, as a result of the post implementation review of IFRSs in Taiwan, the amendments also include an emphasis on certain recognition and measurement considerations and add requirements for disclosures of related-party transactions and goodwill.

The amendments stipulate that other companies or institutions of which the chairman of the board of directors or president serves as the chairman of the board of directors or the president of the Group or is the spouse or second immediate family of the chairman of the board of directors or president of the Group are deemed to have a substantive related-party relationship, unless it can be demonstrated that no control, joint control, or significant influence exists. Furthermore, the amendments require the disclosure of the names of the related parties and the relationships with whom the Group has significant transactions. If the transactions or balance with a specific related party is 10% or more of the Group’s respective total transactions or balance, such transactions should be separately disclosed by the name of each related party.

The amendments also require additional disclosure if there is a significant difference between the actual operations after a business combination and the expected benefits on the acquisition date.

The disclosures of related-party transactions and impairment of goodwill will be enhanced when the above amendments are retrospectively applied in 2017.

Except for the above impacts, as of the date the consolidated financial statements were authorized for issue, the Group continues assessing other possible impacts that the application of the aforementioned amendments and the related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers will have on the Group's financial position and financial performance and will disclose these other impacts when the assessment is completed.

b. New IFRSs in issue but not yet endorsed by the FSC

The Group has not applied the following New IFRSs issued by the IASB but not yet endorsed by the FSC.

The FSC announced that IFRS 9 and IFRS 15 will take effect starting from January 1, 2018. As of the date the consolidated financial statements were authorized for issue, the FSC has not announced the effective dates of other New IFRSs.

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2014-2016 Cycle	Note 2
Amendment to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of IFRS 9 and Transition Disclosures"	January 1, 2018
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendments to IFRS 15 "Clarifications to IFRS 15 Revenue from Contracts with Customers"	January 1, 2018
IFRS 16 "Leases"	January 1, 2019
Amendment to IAS 7 "Disclosure Initiative"	January 1, 2017
Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of Investment Property"	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The amendment to IFRS 12 is retrospectively applied for annual periods beginning on or after January 1, 2017; the amendment to IAS 28 is retrospectively applied for annual periods beginning on or after January 1, 2018.

## 1) IFRS 9 “Financial Instruments”

Recognition and measurement of financial assets

With regard to financial assets, all recognized financial assets that are within the scope of IAS 39 “Financial Instruments: Recognition and Measurement” are subsequently measured at amortized cost or fair value. Under IFRS 9, the requirement for the classification of financial assets is stated below.

For the Group’s debt instruments that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, their classification and measurement are as follows:

- a) For debt instruments, if they are held within a business model whose objective is to collect contractual cash flows, the financial assets are measured at amortized cost and are assessed for impairment continuously with impairment loss recognized in profit or loss, if any. Interest revenue is recognized in profit or loss by using the effective interest method;
- b) For debt instruments, if they are held within a business model whose objective is achieved by both the collection of contractual cash flows and the sale of financial assets, the financial assets are measured at fair value through other comprehensive income (FVTOCI) and are assessed for impairment. Interest revenue is recognized in profit or loss by using the effective interest method, and other gains or losses shall be recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses. When the debt instruments are derecognized or reclassified, the cumulative gains or losses previously recognized in other comprehensive income is reclassified from equity to profit or loss.

Except for the above, all other financial assets are measured at fair value through profit or loss. However, the Group may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss. No subsequent impairment assessment is required, and the cumulative gains or losses previously recognized in other comprehensive income cannot be reclassified from equity to profit or loss.

Impairment of financial assets

IFRS 9 requires that impairment loss on financial assets be recognized by using the expected credit loss model. A credit loss allowance is required for financial assets measured at amortized cost. A loss allowance for 12-month expected credit losses is required for a financial asset if its credit risk has not increased significantly since its initial recognition. A loss allowance for full lifetime expected credit losses is required for a financial asset if its credit risk has increased significantly since its initial recognition and is not low. However, a loss allowance for full lifetime expected credit losses is required for trade receivables that do not constitute a financing transaction.

For purchased or originated credit-impaired financial assets, the Group takes into account the expected credit losses on initial recognition in calculating the credit-adjusted effective interest rate. Subsequently, any changes in expected losses are recognized as a loss allowance with a corresponding gain or loss recognized in profit or loss.

Hedge accounting

The main changes in hedge accounting amended the application requirements for hedge accounting to better reflect the entity’s risk management activities. Compared with IAS 39, the main changes include: (1) enhancing types of transactions eligible for hedge accounting, specifically broadening the risks eligible for hedge accounting of non-financial items; (2) changing the way hedging derivative instruments are accounted for to reduce profit or loss volatility; and (3) replacing the

retrospective effectiveness assessment with the principle of an economic relationship between the hedging instrument and the hedged item.

#### Transition

Financial instruments that have been derecognized prior to the effective date of IFRS 9 cannot be reversed to apply IFRS 9 when it becomes effective. Under IFRS 9, the requirements for classification, measurement and impairment of financial assets are applied retrospectively with the difference between the previous carrying amount and the carrying amount at the date of initial application recognized in the current period, and the restatement of prior periods is not required. The requirements for general hedge accounting shall be applied prospectively, and the accounting for hedging options shall be applied retrospectively.

#### 2) IFRS 16 “Leases”

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

Under IFRS 16, if the Group is a lessee, it shall recognize right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for low-value and short-term leases. The Group may elect to apply the accounting method similar to the accounting for operating leases under IAS 17 to the low-value and short-term leases. On the consolidated statements of comprehensive income, the Group should present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed by using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities and cash payments for the relevant interest are classified within financing activities.

The application of IFRS 16 is not expected to have a material impact on the accounting of the Group as lessor.

When IFRS 16 becomes effective, the Group may elect to apply this standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of the initial application of this standard recognized at the date of initial application.

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

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### a. Statement of compliance

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

##### b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value.

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

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

Current assets include:

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

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period; and
- 3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

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

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

- d. Basis of consolidation

Principles for preparing consolidated financial statements

The consolidated financial statements incorporate the financial statements of the Corporation and the entities controlled by the Corporation.

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

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

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

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

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

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

See Note 13 for more information on subsidiaries (including the percentages of ownership and main businesses).

e. Business combinations

Acquisitions of businesses are accounted for by using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as they are incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interests in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

For each business combination, the Corporation measures the non-controlling interests at either fair value or the share in the recognized amounts of the acquiree's identifiable net assets. Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets, in the event of liquidation, may be initially measured at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of the measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value.

When a business combination is achieved in stages, the Group's previously held equity interest in an acquiree is remeasured to fair value at the acquisition date, and the resulting gain or loss is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are recognized on the same basis as would be required if those interests were directly disposed of by the Group.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period or additional assets or liabilities are recognized to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized as of that date.

## f. Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (i.e. foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period except for exchange differences on transactions entered into in order to hedge certain foreign currency risks.

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

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

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

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

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

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising from the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognized in other comprehensive income.

## g. Inventories

Inventories consist of raw materials, supplies, finished goods and work in process and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at the weighted-average cost on the end of reporting period.



h. Investments in associates and joint ventures

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

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

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

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

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

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

The entire carrying amount of an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date on which its investment ceases to be an associate and a joint venture. Any retained investment is measured at fair value at that date, and the fair value is regarded as the investment's fair value on its initial recognition as a financial asset. The difference between the previous carrying amount of the associate and joint venture attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate and the joint venture. The Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate and joint venture on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Group continues to apply the equity method and does not remeasure the retained interest.

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

i. Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and subsequent accumulated impairment loss.

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

Freehold land is not depreciated.

Depreciation on property, plant and equipment (including assets held under finance leases) is recognized using the straight-line method. Each significant part is depreciated separately. If a lease term is shorter than the assets' useful lives, such assets are depreciated over the lease term. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis.

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

j. Investment properties

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

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

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

k. Goodwill

Goodwill arising from the acquisition of a business is carried at cost as established at the date of the acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units or groups of cash-generating units (referred to as "cash-generating units") that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit or groups of cash-generating units was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit or groups of cash-generating units is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying

amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

If goodwill has been allocated to a cash-generating unit and the entity disposes of an operation within that unit, the goodwill associated with the operation that is disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal and is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

l. Intangible assets

1) Intangible assets acquired separately

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

When the Group has a right to charge for usage of concession infrastructure (as a consideration for providing construction services in a service concession arrangement), it recognizes this as an intangible asset at fair value upon initial recognition. The intangible asset is subsequently measured at cost less accumulated amortization and any accumulated impairment loss.

2) Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date. Subsequent to initial recognition, they are measured on the same basis as intangible assets that are acquired separately.

3) Derecognition of intangible assets

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

m. Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the smallest group of cash-generating units on a reasonable and consistent basis of allocation.

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

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

## n. Non-current assets held for sale

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

When a sale plan would result in a loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale, regardless of whether the Group will retain a non-controlling interest in that subsidiary after the sale.

When the Group is committed to a sale plan involving the disposal of an investment or a portion of an investment in an associate or a joint venture, only the investment or the portion of the investment that will be disposed of is classified as held for sale when the classification criteria are met, and the Group discontinues the use of the equity method in relation to the portion that is classified as held for sale. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale continues to be accounted for by using the equity method. If the Group ceases to have significant influence or joint control over the investment after the disposal takes place, the Group accounts for any retained interest that has not been classified as held for sale in accordance with the accounting policies for financial instruments.

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

When a subsidiary, joint venture, associate, or a portion of an interest in a joint venture or an associate previously classified as held for sale no longer meets the criteria to be so classified, it is measured at the carrying amount that would have been recognized had such interests not been classified as held for sale. Financial statements for the periods since classification as held for sale are amended accordingly.

## o. Financial instruments

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

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

## 1) Financial assets

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

## a) Measurement category

Financial assets are classified into the following categories: Financial assets at fair value through profit or loss, available-for-sale financial assets, and loans and receivables.

i. Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss when a financial asset is held for trading.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on their remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 29.

ii. Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Available-for-sale financial assets are measured at fair value. Changes in the carrying amounts of available-for-sale monetary financial assets (relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and dividends on available-for-sale equity investments) are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of or is determined to be impaired.

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment loss at the end of each reporting period and are presented in a separate line item as financial assets carried at cost. If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between carrying amount and fair value is recognized in other comprehensive income on financial assets. Any impairment losses are recognized in profit and loss.

iii. Loans and receivables

Loans and receivables (including cash equivalents) are measured at amortized cost using the effective interest method less any impairment, except for short-term receivables when the effect of discounting is immaterial.

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

b) Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Financial assets carried at amortized cost are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio, as well as observable changes in national or local economic conditions that correlate with defaults on receivables.

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

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

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

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

In respect of available-for-sale equity securities, impairment loss previously recognized in profit or loss is not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income. In respect of available-for-sale debt securities, impairment loss is subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

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

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

c) Derecognition of financial assets

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

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

**2) Equity instruments**

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by a group entity are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Corporation's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Corporation's own equity instruments.

**3) Financial liabilities****a) Subsequent measurement**

Except for financial liabilities at fair value through profit or loss, all financial liabilities are carried at amortized cost using the effective interest method.

Financial liabilities are classified as at fair value through profit or loss when any such financial liability is either held for trading or is designated as at fair value through profit or loss.

Financial liabilities at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 29.

A financial liability may be designated as at fair value through profit or loss upon initial recognition when doing so results in more relevant information and if:

- i. Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- ii. The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and has performance evaluated on a fair value basis, in accordance with the Corporation's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- iii. The contract contains one or more embedded derivatives so that the entire combined contract (asset or liability) can be designated as at fair value through profit or loss.

For a financial liability designated as at fair value through profit or loss, the amount of changes in fair value attributable to changes in the credit risk of the liability is presented in other comprehensive income and will not be subsequently reclassified to profit or loss. The remaining amount of changes in the fair value of that liability is presented in profit or loss. The gain or loss accumulated in other comprehensive income will be transferred to retained earnings when the financial liabilities are derecognized. If this accounting treatment related to credit risk would create or enlarge an accounting mismatch, all changes in fair value of the liability are presented in profit or loss.

**b) Derecognition of financial liabilities**

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

## 4) Derivative financial instruments

The Group enters into derivative financial instruments to manage its exposure to foreign exchange rate risks, including foreign exchange forward contracts.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, and in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative; their risks and characteristics are not closely related to those of the host contracts; and the contracts are not measured at fair value through profit or loss.

## p. Hedge accounting

The effects of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in other comprehensive income. The gains or losses relating to the ineffective portion is recognized immediately in profit or loss.

The associated gains or losses that were recognized in other comprehensive income are reclassified from equity to profit or loss as a reclassification adjustment in the line item relating to the hedged item in the same period when the hedged item affects profit or loss. If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, the associated gains and losses that were recognized in other comprehensive income are removed from equity and are included in the initial cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued prospectively when the Group revokes the designated hedging relationship, or when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer meets the criteria for hedge accounting. The cumulative gains or losses on the hedging instrument that has been previously recognized in other comprehensive income from the period when the hedge was effective remains separately in equity until the forecasted transaction occurs. When a forecasted transaction is no longer expected to occur, the gains or losses accumulated in equity are recognized immediately in profit or loss.

## q. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Allowances for sales returns and liabilities for returns are recognized at the time of sale based on the seller's reliable estimate of future returns and based on past experience and other relevant factors.

## 1) Sale of goods

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

- a) The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- b) The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- c) The amount of revenue can be measured reliably;



d) It is probable that the economic benefits associated with the transaction will flow to the Group; and

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

Revenue from the sale of property in the course of ordinary activities is recognized when the construction is completed and the property is transferred to the buyer. Until such revenue is recognized, deposits and installment payments received from sales of properties are carried in the consolidated balance sheets under current liabilities.

2) Rendering of services

Service income including that from operating services provided under service concession arrangements is recognized when services are provided.

Freight revenue is recognized by reference to the proportion of the voyage period.

Revenue from a contract to provide services is recognized by reference to the stage of completion of the contract or when services are provided.

3) Sale of electric power

Revenue from electric power is calculated according to the volume of electric power sold and the energy rate.

4) Dividend and interest income

Dividend income from investments is recognized when a shareholder's right to receive payment has been established provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the applicable effective interest rate.

r. Leasing

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. The lease component of all electric power selling contracts identified in accordance with IFRIC 4 "Determining Whether an Arrangement Contains a Lease" is classified as a finance lease.

1) The Group as lessor

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

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

## 2) The Group as lessee

Assets held under finance leases are initially recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated balance sheet as a finance lease obligation.

Finance expenses implicit in lease payments for each period are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, and in which case they are capitalized.

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

## s. Borrowing costs

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

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

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

## t. Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable. Relevant grants of an asset are recognized as deferred revenue or a reduction of the asset's cost on a straight-line basis.

## u. Employee benefits

## 1) Short-term employee benefits

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

## 2) Retirement benefits

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

Defined benefit costs (including service costs, net interest and rereasurement) under the defined contribution retirement benefit plans are determined using the projected unit credit method. Service costs and net interest on the net defined benefit liability (asset) are recognized as an employee benefits expense in the period in which they occur. Rereasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Rereasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

The net defined benefit liability (asset) represents the actual deficit (surplus) in the Group's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plan or reductions in future contributions to the plan.

3) Other long-term employee benefits

Other long-term employee benefits are accounted for in the same way as the accounting required for a defined benefit plan except that rereasurement is recognized in profit or loss.

v. Taxation

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

1) Current tax

According to the Income Tax Law of the Republic of China, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain earnings.

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

2) Deferred tax

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

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

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

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

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

## 3) Current and deferred taxes for the year

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, and in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

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

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

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

## a. Impairment loss of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The calculation of the value in use requires management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

## b. Impairment loss of property, plant and equipment

The impairment loss of property, plant and equipment in relation to production was based on the recoverable amounts of those assets, which is the higher of their fair value less costs of disposal and their value in use. Any changes in the market prices or future cash flows will affect the recoverable amounts of those assets and may lead to the recognition of additional impairment losses or the reversal of impairment losses.

## 6. CASH AND CASH EQUIVALENTS

	<b>December 31</b>	
	<b>2016</b>	<b>2015</b>
Cash on hand	\$ 9,245	\$ 9,726
Checking accounts and demand deposits	17,730,116	29,098,037
Cash equivalents		
Time deposits with original maturities of less than 3 months	9,634,877	9,099,749
Bonds with repurchase agreements	<u>805,520</u>	<u>769,848</u>
	<u>\$ 28,179,758</u>	<u>\$ 38,977,360</u>

The market rate intervals of cash in the bank and bonds with repurchase agreements at the end of the reporting period were as follows:

	<u>December 31</u>	
	2016	2015
Cash in bank	0.01%-2.60%	0.01%-2.73%
Bonds with repurchase agreements	0.30%-1.08%	0.37%-0.58%

As of December 31, 2016 and 2015, time deposits with original maturities of more than 3 months were \$411,478 thousand and \$1,638,054 thousand, respectively, which were classified to other financial assets.

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

	<u>December 31</u>	
	2016	2015
<u>Financial assets held for trading</u>		
Derivative financial assets (not under hedge accounting)		
Foreign exchange forward contracts	\$ 1,647	\$ -
Non-derivative financial assets		
Mutual funds	<u>146,841</u>	<u>147,113</u>
	<u>\$ 148,488</u>	<u>\$ 147,113</u>

At the end of the reporting period, outstanding foreign exchange forward contracts not under hedge accounting were as follows:

	Currency	Maturity Date	Notional Amount (In Thousands)
<u>December 31, 2016</u>			
Buy	USD/RMB	2017.1	USD115,000/RMB808,098

The Group entered into foreign exchange forward contracts to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities.

#### 8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<u>December 31</u>	
	2016	2015
Domestic investments		
Listed shares	\$ 7,338,337	\$ 6,460,049
Emerging market shares	536,211	546,719
Mutual funds	<u>19,395</u>	<u>14,353</u>
	7,893,943	7,021,121
Foreign investments		
Listed shares	<u>11,833,605</u>	<u>12,197,320</u>
	<u>\$ 19,727,548</u>	<u>\$ 19,218,441</u>

(Continued)

	<u>December 31</u>	
	2016	2015
Current	\$ 15,536,693	\$ 15,227,906
Non-current	<u>4,190,855</u>	<u>3,990,535</u>
	<u>\$ 19,727,548</u>	<u>\$ 19,218,441</u> (Concluded)

Refer to Note 31 for information relating to available-for-sale financial assets pledged as collateral for credit accommodations.

## 9. DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGING

	<u>December 31</u>	
	2016	2015
<u>Derivative financial assets under hedge accounting</u>		
Cash flow hedges - foreign exchange forward contracts (included in other current assets)	<u>\$ 13,167</u>	<u>\$ 9,145</u>

The terms of the foreign exchange forward contracts were negotiated to match the terms of the respective designated hedged items. The Group has entered into raw material purchase contracts with foreign coal suppliers and entered into foreign exchange forward contracts to avoid exchange rate exposure to its forecasted purchases. These foreign exchange forward contracts were designated as cash flow hedges. When forecasted purchases actually take place, the carrying amounts of the non-financial hedged items will be adjusted accordingly.

The outstanding foreign exchange forward contracts at the end of the reporting period were as follows:

	Currency	Maturity Date	Notional Amount (In Thousands)
<u>December 31, 2016</u>			
Buy	NTD/USD	2017.1-2017.2	NTD527,666/USD16,800
<u>December 31, 2015</u>			
Buy	NTD/USD	2016.1-2016.4	NTD697,319/USD21,500

Gains and losses of hedging instruments reclassified from equity to profit or loss were included in the following line items in the consolidated statements of comprehensive income:

	<u>For the Year Ended December 31</u>	
	2016	2015
Operating revenue	\$ 2,533	\$ 433
Operating costs	<u>13,937</u>	<u>2,826</u>
	<u>\$ 16,470</u>	<u>\$ 3,259</u>

## 10. NOTES AND ACCOUNTS RECEIVABLE

	<u>December 31</u>	
	<u>2016</u>	<u>2015</u>
Notes receivable	\$ 12,612,965	\$ 12,388,583
Accounts receivable	6,905,743	7,062,444
Less: Allowance for impairment loss	<u>(136,005)</u>	<u>(223,334)</u>
	<u>\$ 19,382,703</u>	<u>\$ 19,227,693</u>
Receivables past due but not impaired	<u>\$ 76,558</u>	<u>\$ 71,632</u>

In determining the recoverability of notes and accounts receivable, the Group considered any change in the credit quality of the notes and accounts receivable since the date credit was initially granted to the end of the reporting period. The Group recognized an allowance for impairment loss of 100% against receivables when there was indication that the receivable was impaired, and the allowance for impairment loss was recognized against the rest of the past due receivables based on the estimated irrecoverable amounts determined by reference to the past default experience with the counterparties and an analysis of their current financial positions.

For the accounts receivable balances that were past due at the end of the reporting period, the Group did not recognize an allowance for impairment loss, because there was no significant change in the credit quality, and the amounts were still considered recoverable.

The Group had a wide range of unrelated customers, hence the concentration in credit risk is relatively limited.

The aging analysis of receivables was as follows:

	<u>December 31</u>	
	<u>2016</u>	<u>2015</u>
Up to 90 days	\$ 13,460,527	\$ 14,479,679
91-180 days	5,801,948	4,647,089
181-365 days	64,135	27,440
Over 365 days	<u>56,093</u>	<u>73,485</u>
	<u>\$ 19,382,703</u>	<u>\$ 19,227,693</u>

The above aging schedule was based on the number of days past due from the invoice date.

The movements of the allowance for doubtful notes and accounts receivable were as follows:

	<b>Individually Assessed for Impairment</b>	<b>Collectively Assessed for Impairment</b>	<b>Total</b>
Balance at January 1, 2015	\$ 191,133	\$ 33,957	\$ 225,090
(Reversals of) provisions	(47)	3,856	3,809
Write-offs	(2,977)	-	(2,977)
Effects of exchange rate changes	<u>(2,588)</u>	<u>-</u>	<u>(2,588)</u>
Balance at December 31, 2015	<u>\$ 185,521</u>	<u>\$ 37,813</u>	<u>\$ 223,334</u>

(Continued)

	<b>Individually Assessed for Impairment</b>	<b>Collectively Assessed for Impairment</b>	<b>Total</b>
Balance at January 1, 2016	\$ 185,521	\$ 37,813	\$ 223,334
(Reversals of) provisions	(59,435)	5,754	(53,681)
Write-offs	(5,997)	(6,818)	(12,815)
Effects of exchange rate changes	<u>(20,833)</u>	<u>-</u>	<u>(20,833)</u>
Balance at December 31, 2016	<u>\$ 99,256</u>	<u>\$ 36,749</u>	<u>\$ 136,005</u> (Concluded)

#### 11. FINANCE LEASE RECEIVABLES

	<b>December 31</b>	
	<b>2016</b>	<b>2015</b>
Not later than 1 year	\$ 4,479,022	\$ 4,600,806
Later than 1 year and not later than 5 years	20,559,413	19,581,183
Later than 5 years	<u>38,552,728</u>	<u>44,066,915</u>
	63,591,163	68,248,904
Less: Unearned finance income	29,225,002	33,155,937
Less: Accumulated impairment	<u>47,878</u>	<u>47,878</u>
Present value of minimum lease payments	<u>\$ 34,318,283</u>	<u>\$ 35,045,089</u>
Current (included in accounts receivable)	\$ 652,243	\$ 709,680
Non-current	<u>33,666,040</u>	<u>34,335,409</u>
	<u>\$ 34,318,283</u>	<u>\$ 35,045,089</u>

After transitioning to IFRSs, the Group's electric power selling contracts with guaranteed power generation periods fall under IFRIC 4 "Determining Whether an Arrangement Contains a Lease" and IAS 17 "Leases". The lease was denominated in New Taiwan dollars, and the term entered into was 25 years.

The interest rate inherent in the lease was fixed at the contract date for the entire lease term. The interest rate inherent in the finance lease was approximately 11.18%.

When the Group evaluated finance lease receivables and recognized related revenue in 2015, the present value of future cash flows was recalculated based on a modified assumption, and there was a reversal of impairment of \$186,035 thousand recognized (included in other income under non-operating income and expenses).

Refer to Note 31 for information relating to financial lease receivables pledged as collateral for bank borrowings, which were recorded under property, plant and equipment before transitioning to IFRSs.



## 12. INVENTORIES

	<b>December 31</b>	
	<b>2016</b>	<b>2015</b>
Finished goods	\$ 1,984,216	\$ 2,163,043
Work in process	1,474,511	1,605,119
Raw materials	5,290,667	5,028,394
Buildings and land held for sale	<u>144,571</u>	<u>144,571</u>
	<u>\$ 8,893,965</u>	<u>\$ 8,941,127</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2016 and 2015 was \$66,801,553 thousand and \$73,322,098 thousand, respectively.

The cost of goods sold included inventory write-downs (reversals of inventory write-downs) which were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2016</b>	<b>2015</b>
Inventory write-downs (reversals of inventory write-downs)	<u>\$ 17,956</u>	<u>\$ (87,164)</u>

The recovery of net realizable values was mainly due to the sales of inventories.

Refer to Note 32 for information relating to bills of lading pledged as collateral for bank borrowings.

## 13. SUBSIDIARIES

## a. Subsidiaries included in consolidated financial statements

The consolidated financial statements include subsidiaries which are as follows:

Investor	Investee	Main Business	Proportion of Ownership		Remark
			(%)		
			December 31		
			2016	2015	
Taiwan Cement Corporation	Taiwan Transport & Storage Corporation	Warehousing, transportation, and sale of sand and gravel	83.9	83.9	
	TCC Investment Corporation	Investment	100.0	100.0	
	Kuan-Ho Refractories Industry Corporation	Production and sale of refractory materials	95.3	95.3	
	Kuan-Ho Construction & Development Corporation	Construction and lease services	92.9	92.9	
	Hong Kong Cement Manufacturing Co., Ltd. ("HKCMCL")	Investment holding	84.7	84.7	
	Ta-Ho Maritime Corporation	Marine transportation	64.8	64.8	
	Taiwan Cement Engineering Corporation	Engineering services	99.0	99.0	
	Tunwoo Company Limited	Warehousing and sale of cement	100.0	100.0	
	TCC Chemical Corporation	Processing and sale of chemical material	100.0	100.0	
	TCC Information Systems Corporation	Information software design	99.4	99.4	
	Taiwan Prosperity Chemical Corporation	Processing and sale of chemical material	50.0	50.0	
	Tung Chen Mineral Corporation	Afforestation and sale of limestone	99.5	99.5	
	Jin Chang Minerals Corporation	Afforestation and sale of limestone	100.0	100.0	

(Continued)

**APPENDIX II**

**FINANCIAL INFORMATION OF TCC GROUP**

Investor	Investee	Main Business	Proportion of Ownership (%)		Remark
			December 31		
			2016	2015	
	Hoping Industrial Port Corporation	Hoping Industrial Port management	100.0	100.0	
	TCC International Ltd. (“TCCT”)	Investment holding	100.0	100.0	
	Ho-Ping Power Company	Thermal power generation	59.5	59.5	
	Ta-Ho Onyx Taitung Environment Co., Ltd.	Waste collection and treatment	100.0	100.0	
	HPC Power Service Corporation	Business consulting	60.0	60.0	
	E.G.C. Cement Corporation	Sale of cement	50.6	50.6	
	Feng Sheng Enterprise Company	Sale of ready-mixed concrete	45.4	45.4	
	Trans Philippines Mineral Corporation	Mining excavation	40.0	40.0	
	Taicorn Minerals Corporation	Mining excavation	72.7	72.7	
	Ta-Ho Onyx RSEA Environment Co., Ltd.	Waste collection and treatment	66.6	66.6	
	Ho Sheng Mining Co., Ltd.	Mining excavation	100.0	100.0	
Taiwan Transport & Storage Corporation	E.G.C. Cement Corporation	Sale of cement	44.4	44.4	
	Ho Swen Construction Material Co., Ltd.	Sand and gravel filtering and sale	51.0	51.0	
	Ta-Ho Maritime Corporation	Marine transportation	27.5	27.5	
TCC Investment Corporation	Union Cement Traders Inc.	Import and export trading	100.0	100.0	
	Ho-Ping Power Company	Thermal power generation	0.5	0.5	
	Taiwan Prosperity Chemical Corporation	Processing and sale of chemical material	0.5	0.5	
	Ta-Ho Maritime Corporation	Marine transportation	-	-	
HKCMCL	TCC Development Ltd.	Property leasing	100.0	100.0	
Ta-Ho Maritime Corporation	Ta-Ho Maritime Holdings Ltd.	Investment	100.0	100.0	
Taiwan Cement Engineering Corporation	TCEC Corporation	Investment	100.0	100.0	
TCC Information Systems Corporation	Taicem Information (Samoa) Pte., Ltd.	Investment	100.0	100.0	
Hoping Industrial Port Corporation	Taiwan Prosperity Chemical Corporation	Processing and sale of chemical material	2.3	2.3	
TCCI	TCC International Holdings Ltd. (“TCCIH”)	Investment holding	63.1	56.9	3)
Feng Sheng Enterprise Company	Ho Swen Construction Material Co., Ltd.	Sand and gravel filtering and sale	9.0	9.0	
TPMC	TMC	Mining excavation	18.2	18.2	
Union Cement Traders Inc.	Taiwan Transport & Storage Corporation	Warehousing, transportation, and sale of sand and gravel	0.7	0.7	
Ta-Ho Maritime Holdings Ltd.	Ta-Ho Maritime (Hong Kong) Limited.	Marine transportation	100.0	100.0	
	THC International S.A.	Marine transportation	100.0	100.0	
	Chi Ho Maritime S.A.	Marine transportation	100.0	100.0	
	Sheng Ho Maritime S.A.	Marine transportation	100.0	100.0	
	Ta-Ho Maritime (Singapore) Pte. Ltd.	Marine transportation	100.0	100.0	
TCEC Corporation	TCEC (Yingde) Machine Co., Ltd.	Production and sale of cement machinery and assembly work	100.0	100.0	
Taicem Information (Samoa) Pte., Ltd.	Fuzhou TCC Information Technology Co., Ltd.	Software product and equipment maintenance	100.0	100.0	
Ta-Ho Maritime (Hong Kong) Limited	Da Tong (Guigang) International Logistics Co., Ltd.	Logistics and transportation	100.0	100.0	
Da Tong (Guigang) International Logistics Co., Ltd.	Da Tong (Ying De) Logistics Co., Ltd.	Logistics and transportation	100.0	100.0	
	Guigang Da-Ho Shipping Co., Ltd.	Marine transportation	100.0	100.0	
TCCIH	Chia Hsin Cement Greater China Holding Corporation	Investment holding	100.0	100.0	
	Upper Value Investment Limited	Investment holding	100.0	100.0	
	Upper Value Investments Ltd. (“UPPV”)	Investment holding	100.0	100.0	
	TCC Hong Kong Cement (BVI) Holdings Ltd.	Investment holding	100.0	100.0	
	Ulexite Investments Ltd.	Investment holding	100.0	100.0	

(Continued)

**APPENDIX II**

**FINANCIAL INFORMATION OF TCC GROUP**

Investor	Investee	Main Business	Proportion of Ownership (%)		Remark
			December 31		
			2016	2015	
Upper Value Investment Limited	Prime York Ltd.	Investment holding	100.0	100.0	
	Prosperity Minerals (International) Ltd.	Investment holding	100.0	100.0	
TCC Hong Kong Cement (BVI) Holdings Ltd.	TCC Hong Kong Cement Development Limited	Investment holding	100.0	100.0	
	TCC Hong Kong Cement (QHC) Ltd.	Investment holding	100.0	100.0	
	TCC Hong Kong Cement (Yargoan) Ltd.	Investment holding	100.0	100.0	
	TCC Hong Kong Cement (HKC) Ltd.	Investment holding	100.0	100.0	
	TCC Hong Kong Cement Trading Ltd.	Investment holding	-	100.0	1)
	TCC Hong Kong Cement (Philippines) Ltd.	Investment holding	100.0	100.0	
	TCC Hong Kong Cement (International) Ltd.	Investment holding	100.0	100.0	
	Hong Kong Cement Company Limited ("HKCCL")	Sale of cement	100.0	100.0	
TCC Hong Kong Cement (QHC) Ltd.	Chiefolk Co., Ltd.	Investment holding	70.0	70.0	
Chiefolk Co., Ltd.	TCC International (Liuzhou) Ltd.	Investment holding	100.0	100.0	
TCC International (Liuzhou) Ltd.	TCC Liuzhou Co., Ltd.	Investment holding	100.0	100.0	
TCC Liuzhou Co., Ltd.	TCC Liuzhou Construction Materials Company Limited	Manufacturing and sale of slag powder	60.0	60.0	
TCC Hong Kong Cement (HKC) Ltd.	Koning Concrete Ltd.	Investment holding	100.0	100.0	
TCC Hong Kong Cement (Philippines) Ltd.	TCC Cement Corporation	Cement processing services	100.0	100.0	
TCC Hong Kong Cement (International) Ltd.	TCC International (Hong Kong) Co., Ltd. ("TCCI (HK)")	Investment holding	100.0	100.0	
TCCI (HK)	TCC Guigang Mining Industrial Company Limited	Mining excavation	52.5	52.5	
	Jiangsu TCC Investment Co., Ltd.	Investment holding	100.0	100.0	
	Jingyang Industrial Limited	Investment holding	100.0	100.0	
	TCC International (Guangxi) Ltd.	Investment holding	100.0	100.0	
	TCC Shaoguan Cement Co., Ltd.	Manufacturing and sale of cement	100.0	100.0	
	TCC Yingde Mining Industrial Company Limited	Mining excavation	48.9	48.9	
	TCC Yingde Cement Co., Ltd.	Manufacturing and sale of cement	100.0	100.0	
	TCC Jiangsu Mining Industrial Company Limited	Mining excavation	100.0	100.0	
	TCC Fuzhou Yangyu Port Co., Ltd.	Service of port facility	100.0	100.0	
	TCC (Dong Guan) Cement Co., Ltd.	Manufacturing and sale of cement	100.0	100.0	
	TCC Fuzhou Cement Co., Ltd.	Manufacturing and sale of cement	100.0	100.0	
	TCC Huaihua Cement Company Limited	Manufacturing and sale of cement	100.0	100.0	2)
	Anhui King Bridge Cement Co., Ltd.	Manufacturing and sale of cement	60.0	60.0	
Jiangsu TCC Investment Co., Ltd.	Jurong TCC Cement Co., Ltd.	Manufacturing and sale of cement	22.4	22.4	
Jingyang Industrial Limited	Jurong TCC Cement Co., Ltd.	Manufacturing and sale of cement	77.6	77.6	
TCC International (Guangxi) Ltd.	TCC (Gui Gang) Cement Ltd.	Manufacturing and sale of cement	100.0	100.0	
TCC (Gui Gang) Cement Ltd.	TCC Huaying Cement Company Limited	Manufacturing and sale of cement	100.0	100.0	2)
	TCC Guigang Mining Industrial Company Limited	Mining excavation	47.5	47.5	

(Continued)

**APPENDIX II**
**FINANCIAL INFORMATION OF TCC GROUP**

Investor	Investee	Main Business	Proportion of Ownership (%)		Remark	
			December 31			
			2016	2015		
TCC Yingde Cement Co., Ltd.	TCC Yingde Mining Industrial Company Limited	Mining excavation	34.8	34.8		
	Scitus Luzhou Concrete Co., Ltd.	Sale of ready-mixed concrete	25.0	25.0		
	Scitus Luzhou Cement Co., Ltd.	Manufacturing and sale of cement	10.0	10.0		
	Scitus Naxi Cement Co., Ltd.	Manufacturing and sale of cement	10.0	10.0		
	Scitus Hejiang Cement Co., Ltd.	Manufacturing and sale of cement	10.0	10.0		
TCC Jiangsu Mining Industrial Company Limited	TCC Yingde Mining Industrial Company Limited	Mining excavation	16.3	16.3		
TCC Huaihua Cement Company Limited	TCC Jingzhou Cement Company Limited	Manufacturing and sale of cement	100.0	100.0	2)	
	TCC Huaihua Concrete Company Limited	Sale of ready-mixed concrete	100.0	100.0	2)	
Ulexite Investments Ltd.	HKC Investments Limited	Investment holding	100.0	100.0		
UPPV	Wayly Holdings Ltd.	Investment holding	100.0	100.0		
	TCC International (China) Co., Ltd.	Investment holding	100.0	100.0		
	Kong On Cement Holdings Ltd.	Investment holding	65.0	65.0		
	Mega East Ltd.	Investment holding	100.0	100.0		
	Prosperity Minerals (China) Ltd.	Investment holding	100.0	100.0		
	Sure Kit Ltd.	Investment holding	100.0	100.0		
	Hensford Ltd.	Investment holding	100.0	100.0		
	Kiton Ltd.	Investment holding	100.0	100.0		
	Prosperity Cement Investment Ltd.	Investment holding	100.0	100.0		
	Scitus Cement (China) Holdings Ltd. ("Scitus Holdings")	Investment holding	100.0	100.0		
	Wayly Holdings Ltd.	Guizhou Kaili Rui An Jian Cai Co., Ltd.	Manufacturing and sale of cement	100.0	100.0	
TCC International (China) Co., Ltd.	TCC New (Hangzhou) Management Company Limited	Operation management	100.0	100.0		
Kong On Cement Holdings Ltd.	Guizhou Kong On Cement Company Limited	Manufacturing and sale of cement	100.0	100.0		
Mega East Ltd.	TCC Guangan Cement Company Limited	Manufacturing and sale of cement	100.0	100.0		
Sure Kit Ltd.	TCC Chongqing Cement Company Limited	Manufacturing and sale of cement	100.0	100.0		
Hensford Ltd.	TCC Anshun Cement Company Limited	Manufacturing and sale of cement	100.0	100.0		
Kiton Ltd.	TCC Liaoning Cement Company Limited	Manufacturing and sale of cement	100.0	100.0		
Prosperity Cement Investment Ltd.	Yingde Dragon Mountain Cement Co, Ltd.	Manufacturing and sale of cement	100.0	100.0		
TCC Anshun Cement Company Limited	Anshun Xin Tai Construction Materials Company Limited	Filtering of sand and gravel and sale of ready-mixed concrete	100.0	100.0		
Scitus Holdings	Scitus Cement (China) Operating Co., Ltd.	Investment holding	100.0	100.0		
	Hexagon XIV Holdings Ltd.	Investment holding	100.0	100.0		
	Hexagon XIII Holdings Ltd.	Investment holding	100.0	100.0		
	Hexagon IX Holdings Ltd.	Investment holding	100.0	100.0		
	Hexagon VIII Holdings Ltd.	Investment holding	100.0	100.0		
	Hexagon V Holdings Ltd.	Investment holding	100.0	100.0		
	Hexagon IV Holdings Ltd.	Investment holding	100.0	100.0		
	Hexagon III Holdings Ltd.	Investment holding	100.0	100.0		
	Hexagon II Holdings Ltd.	Investment holding	100.0	100.0		
	Hexagon Holdings Ltd.	Investment holding	100.0	100.0		
	Hexagon IX Holdings Ltd.	Scitus Hejiang Cement Co., Ltd.	Manufacturing and sale of cement	90.0	90.0	
	Hexagon IV Holdings Ltd.	Scitus Luzhou Cement Co., Ltd.	Manufacturing and sale of cement	90.0	90.0	
	Hexagon III Holdings Ltd.	Scitus Naxi Cement Co., Ltd.	Manufacturing and sale of cement	90.0	90.0	
	Hexagon XIV Holdings Ltd.	Scitus Luzhou Concrete Co., Ltd.	Sales of ready-mixed concrete	75.0	75.0	

(Concluded)

Remarks:

- 1) For the purpose of streamlining investment structure, TCC Hong Kong Cement Trading Ltd. decided to dissolve itself in 2016.
- 2) The acquisition processes on interests in TCC Huaying Cement Company Limited and TCC Huaihua Cement Company Limited and its subsidiaries were completed in January and May 2015, respectively. See Note 26 for the information on the acquisitions.
- 3) In September 2016, TCCI acquired interests in TCCIH from Chia Hsin Cement Corporation and its subsidiary, Chia Hsin Pacific Limited, resulting in an increase in its proportion of ownership of TCCIH. See Note 27 for the information on the acquisition.

b. Details of subsidiaries with material non-controlling interests

Name of Subsidiary	Proportion of Ownership and Voting Rights Held by Non-controlling Interests	
	December 31	
	2016	2015
TCCIH	36.9%	43.1%
Taiwan Prosperity Chemical Corporation	47.2%	47.2%
Ho-Ping Power Company	40.0%	40.0%

See Table 7 following the Notes to Consolidated Financial Statements for the information on the places of incorporation and principal businesses.

The summarized financial information below represents amounts before intragroup eliminations.

TCCIH and TCCIH's subsidiaries

	December 31	
	2016	2015
Current assets	\$ 38,257,168	\$ 45,131,475
Non-current assets	90,416,308	102,351,224
Current liabilities	(20,655,454)	(36,253,694)
Non-current liabilities	<u>(33,476,383)</u>	<u>(29,580,393)</u>
Equity	<u>\$ 74,541,639</u>	<u>\$ 81,648,612</u>
Equity attributable to:		
Owners of TCCIH	\$ 50,106,259	\$ 50,294,953
Non-controlling interests of TCCIH	23,459,020	30,310,451
Non-controlling interests of TCCIH's subsidiaries	<u>976,360</u>	<u>1,043,208</u>
	<u>\$ 74,541,639</u>	<u>\$ 81,648,612</u>

**APPENDIX II**
**FINANCIAL INFORMATION OF TCC GROUP**

	<b>For the Year Ended December 31</b>	
	<b>2016</b>	<b>2015</b>
Operating revenue	\$ 47,431,654	\$ 44,669,914
Profit (loss) for the year	\$ 960,897	\$ (955,013)
Other comprehensive loss for the year	<u>(7,468,674)</u>	<u>(1,601,697)</u>
Total comprehensive loss for the year	<u>\$ (6,507,777)</u>	<u>\$ (2,556,710)</u>
Profit (loss) attributable to:		
Owners of TCCIH	\$ 632,717	\$ (394,939)
Non-controlling interests of TCCIH	230,133	(573,295)
Non-controlling interests of TCCIH's subsidiaries	<u>98,047</u>	<u>13,221</u>
	<u>\$ 960,897</u>	<u>\$ (955,013)</u>
Total comprehensive loss attributable to:		
Owners of TCCIH	\$ (3,773,888)	\$ (1,123,386)
Non-controlling interests of TCCIH	(2,717,811)	(1,422,641)
Non-controlling interests of TCCIH's subsidiaries	<u>(16,078)</u>	<u>(10,683)</u>
	<u>\$ (6,507,777)</u>	<u>\$ (2,556,710)</u>
Net cash inflow (outflow) from:		
Operating activities	\$ 7,257,589	\$ 6,146,402
Investing activities	392,538	(7,081,079)
Financing activities	<u>(12,463,447)</u>	<u>3,824,717</u>
Net cash inflow (outflow)	<u>\$ (4,813,320)</u>	<u>\$ 2,890,040</u>
Dividends paid to non-controlling interests of:		
TCCIH	<u>\$ 177,016</u>	<u>\$ 763,119</u>
TCCIH's subsidiaries	<u>\$ 50,770</u>	<u>\$ 67,232</u>

Taiwan Prosperity Chemical Corporation

	<b>December 31</b>	
	<b>2016</b>	<b>2015</b>
Current assets	\$ 3,216,697	\$ 3,098,972
Non-current assets	8,005,327	8,553,906
Current liabilities	(4,118,013)	(3,359,246)
Non-current liabilities	<u>(3,697,865)</u>	<u>(4,553,571)</u>
Equity	<u>\$ 3,406,146</u>	<u>\$ 3,740,061</u>
Equity attributable to:		
Owners of Taiwan Prosperity Chemical Corporation	\$ 1,798,448	\$ 1,974,658
Non-controlling interests of Taiwan Prosperity Chemical Corporation	<u>1,607,698</u>	<u>1,765,403</u>
	<u>\$ 3,406,146</u>	<u>\$ 3,740,061</u>

**APPENDIX II**
**FINANCIAL INFORMATION OF TCC GROUP**

	<b>For the Year Ended December 31</b>	
	<b>2016</b>	<b>2015</b>
Operating revenue	\$ 9,786,811	\$ 11,741,599
Loss for the year	\$ (416,245)	\$ (1,862,972)
Other comprehensive income (loss) for the year	<u>82,330</u>	<u>(110,326)</u>
Total comprehensive loss for the year	<u>\$ (333,915)</u>	<u>\$ (1,973,298)</u>
Loss attributable to:		
Owners of Taiwan Prosperity Chemical Corporation	\$ (219,777)	\$ (983,642)
Non-controlling interests of Taiwan Prosperity Chemical Corporation	<u>(196,468)</u>	<u>(879,330)</u>
	<u>\$ (416,245)</u>	<u>\$ (1,862,972)</u>
Total comprehensive loss attributable to:		
Owners of Taiwan Prosperity Chemical Corporation	\$ (176,307)	\$ (1,041,893)
Non-controlling interests of Taiwan Prosperity Chemical Corporation	<u>(157,608)</u>	<u>(931,405)</u>
	<u>\$ (333,915)</u>	<u>\$ (1,973,298)</u>
Net cash inflow (outflow) from:		
Operating activities	\$ 614,910	\$ 676,252
Investing activities	(116,626)	(369,752)
Financing activities	<u>(458,650)</u>	<u>(130,538)</u>
Net cash inflow	<u>\$ 39,634</u>	<u>\$ 175,962</u>

Ho-Ping Power Company

	<b>December 31</b>	
	<b>2016</b>	<b>2015</b>
Current assets	\$ 9,145,127	\$ 9,775,108
Non-current assets	34,029,740	34,605,610
Current liabilities	(3,975,527)	(3,830,137)
Non-current liabilities	<u>(5,880,207)</u>	<u>(7,905,824)</u>
Equity	<u>\$ 33,319,133</u>	<u>\$ 32,644,757</u>
Equity attributable to:		
Owners of Ho-Ping Power Company	\$ 19,988,013	\$ 19,583,389
Non-controlling interests of Ho-Ping Power Company	<u>13,331,120</u>	<u>13,061,368</u>
	<u>\$ 33,319,133</u>	<u>\$ 32,644,757</u>

	<b>For the Year Ended December 31</b>	
	<b>2016</b>	<b>2015</b>
Operating revenue	\$ <u>11,752,037</u>	\$ <u>12,645,730</u>
Profit for the year	\$ 5,553,536	\$ 6,147,579
Other comprehensive income (loss) for the year	<u>4,493</u>	<u>(11,594)</u>
Total comprehensive income for the year	<u>\$ 5,558,029</u>	<u>\$ 6,135,985</u>
Profit attributable to:		
Owners of Ho-Ping Power Company	\$ 3,332,122	\$ 3,688,549
Non-controlling interests of Ho-Ping Power Company	<u>2,221,414</u>	<u>2,459,030</u>
	<u>\$ 5,553,536</u>	<u>\$ 6,147,579</u>
Total comprehensive income attributable to:		
Owners of Ho-Ping Power Company	\$ 3,334,817	\$ 3,681,592
Non-controlling interests of Ho-Ping Power Company	<u>2,223,212</u>	<u>2,454,393</u>
	<u>\$ 5,558,029</u>	<u>\$ 6,135,985</u>
Net cash inflow (outflow) from:		
Operating activities	\$ 6,130,880	\$ 6,809,480
Investing activities	(86,523)	7,980
Financing activities	<u>(6,828,999)</u>	<u>(6,419,908)</u>
Net cash inflow (outflow)	<u>\$ (784,642)</u>	<u>\$ 397,552</u>
Dividends paid to non-controlling interests of Ho-Ping Power Company	<u>\$ 1,953,460</u>	<u>\$ 1,774,472</u>

**14. INVESTMENTS ACCOUNTED FOR BY USING EQUITY METHOD**

	<b>December 31</b>	
	<b>2016</b>	<b>2015</b>
Investments in associates	\$ 7,444,947	\$ 7,968,261
Investments in joint ventures	<u>-</u>	<u>45,004</u>
	<u>\$ 7,444,947</u>	<u>\$ 8,013,265</u>



## a. Investments in associates

	<b>December 31</b>	
	<b>2016</b>	<b>2015</b>
Material associates		
Prosperity Conch Cement Company Limited	\$ 3,103,826	\$ 3,489,126
Individually immaterial associates		
Yunnan Kungang & K. Wah Cement Construction Materials Co., Ltd.	1,529,975	1,639,841
Baoshan Kungang & K. Wah Cement Construction Materials Co., Ltd.	752,278	763,876
CCC USA Corporation	720,290	693,430
ONYX Ta-Ho Environmental Services Co., Ltd.	444,093	430,104
Quon Hing Concrete Co., Ltd.	292,066	367,114
Chia Huan Tung Cement Corporation	219,588	233,457
Hong Kong Concrete Co., Ltd.	211,779	162,077
Shih Hsin S&T Co., Ltd.	161,118	179,120
Synpac Ltd.	9,934	10,116
Sichuan Taichang Building Material Group Company Limited	-	-
	<u>\$ 7,444,947</u>	<u>\$ 7,968,261</u>

## 1) Material associates

	<b>Proportion of Ownership</b>	
	<b>December 31</b>	
	<b>2016</b>	<b>2015</b>
Prosperity Conch Cement Company Limited	25.0%	25.0%

Refer to Table 8 “Information on Investments in Mainland China” following the Notes to Consolidated Financial Statements for the nature of activities, principal place of business and country of incorporation of Prosperity Conch Cement Company Limited. The investment accounted for by using the equity method and the share of profit or loss and other comprehensive income of the investment for the years ended December 31, 2016 and 2015 was based on the associate’s financial statements audited by the auditors for the same years.

Summarized financial information in respect of Prosperity Conch Cement Company Limited were as follows:

	<b>December 31</b>	
	<b>2016</b>	<b>2015</b>
Current assets	\$ 6,876,835	\$ 7,889,163
Non-current assets	7,823,814	8,228,713
Current liabilities	(1,586,799)	(1,405,425)
Non-current liabilities	<u>(698,544)</u>	<u>(755,948)</u>
Equity	<u>\$ 12,415,306</u>	<u>\$ 13,956,503</u>
Proportion of the Group’s ownership	25.0%	25.0%
Carrying amount	<u>\$ 3,103,826</u>	<u>\$ 3,489,126</u>

	<b>For the Year Ended December 31</b>	
	<b>2016</b>	<b>2015</b>
Operating revenue	<u>\$ 7,608,795</u>	<u>\$ 6,112,815</u>
Net income for the year	\$ 1,333,137	\$ 948,705
Other comprehensive loss	<u>(941,864)</u>	<u>(68,096)</u>
Total comprehensive income for the year	<u>\$ 391,273</u>	<u>\$ 880,609</u>
2) Aggregate information of individually immaterial associates		
	<b>Proportion of Ownership</b>	
	<b>December 31</b>	
	<b>2016</b>	<b>2015</b>
Yunnan Kungang & K. Wah Cement Construction Materials Co., Ltd.	30.0%	30.0%
Baoshan Kungang & K. Wah Cement Construction Materials Co., Ltd.	30.0%	30.0%
CCC USA Corporation	33.3%	33.3%
ONYX Ta-Ho Environmental Services Co., Ltd.	50.0%	50.0%
Quon Hing Concrete Co., Ltd.	50.0%	50.0%
Chia Huan Tung Cement Corporation	33.8%	33.8%
Hong Kong Concrete Co., Ltd.	31.5%	31.5%
Shih Hsin S&T Co., Ltd.	18.9%	18.9%
Synpac Ltd.	25.0%	25.0%
Sichuan Taichang Building Material Group Company Limited	30.0%	30.0%
	<b>For the Year Ended December 31</b>	
	<b>2016</b>	<b>2015</b>
The Group's share of:		
Net income for the year	\$ 689,837	\$ 505,403
Other comprehensive income (loss)	<u>(262,976)</u>	<u>22,141</u>
Total comprehensive income for the year	<u>\$ 426,861</u>	<u>\$ 527,544</u>

The Group's percentage of ownership in Shih Hsin S&T Co., Ltd. is less than 20%, but the Group has significant influence and accounts for the investment by using the equity method.

The investments accounted for by using the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2016 and 2015 were based on the associates' audited financial statements for the same years except Yunnan Kungang & K. Wah Cement Construction Materials Co., Ltd. and Baoshan Kungang & K. Wah Cement Construction Materials Co., Ltd. The Group considered that there would be no significant adjustments if such financial statements were to be audited.

## b. Investments in joint ventures

Investment in joint ventures of the Group were as follows:

	<b>December 31</b>	
	<b>2016</b>	<b>2015</b>
Unlisted shares		
Guangan Xin Tai Construction Materials Company Limited	<u>\$ -</u>	<u>\$ 45,004</u>

The Group holds 50% of the issued share capital of Guangan Xin Tai Construction Materials Company Limited and the voting rights.

	<b>For the Year Ended December 31</b>	
	<b>2016</b>	<b>2015</b>
The Group's share of:		
Net loss for the year	\$ (43,512)	\$ (5,418)
Other comprehensive loss	<u>(1,492)</u>	<u>(578)</u>
Total comprehensive loss for the year	<u>\$ (45,004)</u>	<u>\$ (5,996)</u>

The investment accounted for by using the equity method and the share of profit or loss and other comprehensive income of the investment for the years ended December 31, 2016 and 2015 were based on the joint ventures audited financial statements for the same years.

## 15. PROPERTY, PLANT AND EQUIPMENT

	<b>Land</b>	<b>Buildings</b>	<b>Machinery and Equipment</b>	<b>Miscellaneous Equipment</b>	<b>Property in Construction</b>	<b>Total</b>
<b>Cost</b>						
Balance at January 1, 2015	\$ 20,792,683	\$ 48,354,354	\$ 99,250,242	\$ 11,982,639	\$ 4,953,142	\$ 185,333,060
Additions	-	21,033	211,168	376,508	1,417,295	2,026,004
Disposals	(26,309)	(30,352)	(844,170)	(98,659)	(668)	(1,000,158)
Acquisitions through business combinations	-	5,545,981	4,560,306	192,994	319,168	10,618,449
Reclassification	-	683,862	1,422,358	(270,462)	(1,814,237)	21,521
Effects of exchange rate changes	-	(383,289)	(694,133)	74,472	(25,213)	(1,028,163)
Balance at December 31, 2015	<u>\$ 20,766,374</u>	<u>\$ 54,191,589</u>	<u>\$ 103,905,771</u>	<u>\$ 12,257,492</u>	<u>\$ 4,849,487</u>	<u>\$ 195,970,713</u>
<b>Accumulated depreciation and impairment</b>						
Balance at January 1, 2015	\$ 279,917	\$ 12,062,053	\$ 55,237,193	\$ 9,308,334	\$ -	\$ 76,887,497
Disposals	(5,729)	(9,212)	(759,073)	(93,076)	-	(867,090)
Depreciation expenses	-	1,494,052	4,816,175	685,908	-	6,996,135
Impairment losses	-	-	13,105	-	-	13,105
Reclassification	-	(134)	128,995	(128,861)	-	-
Effects of exchange rate changes	-	(106,108)	(308,092)	45,132	-	(369,068)
Balance at December 31, 2015	<u>\$ 274,188</u>	<u>\$ 13,440,651</u>	<u>\$ 59,128,303</u>	<u>\$ 9,817,437</u>	<u>\$ -</u>	<u>\$ 82,660,579</u>
Carrying amounts at December 31, 2015	<u>\$ 20,492,186</u>	<u>\$ 40,750,938</u>	<u>\$ 44,777,468</u>	<u>\$ 2,440,055</u>	<u>\$ 4,849,487</u>	<u>\$ 113,310,134</u>
<b>Cost</b>						
Balance at January 1, 2016	\$ 20,766,374	\$ 54,191,589	\$ 103,905,771	\$ 12,257,492	\$ 4,849,487	\$ 195,970,713
Additions	6,129	87,729	271,032	114,960	462,473	942,323
Disposals	-	(7,483)	(496,037)	(185,919)	-	(689,439)
Reclassification	(93,551)	138,676	51,412	13,276	(551,045)	(441,232)
Effects of exchange rate changes	-	(2,876,305)	(4,339,023)	(160,719)	(171,368)	(7,547,415)
Balance at December 31, 2016	<u>\$ 20,678,952</u>	<u>\$ 51,534,206</u>	<u>\$ 99,393,155</u>	<u>\$ 12,039,090</u>	<u>\$ 4,589,547</u>	<u>\$ 188,234,950</u>

(Continued)

**APPENDIX II**
**FINANCIAL INFORMATION OF TCC GROUP**

	Land	Buildings	Machinery and Equipment	Miscellaneous Equipment	Property in Construction	Total
<u>Accumulated depreciation and impairment</u>						
Balance at January 1, 2016	\$ 274,188	\$ 13,440,651	\$ 59,128,303	\$ 9,817,437	\$ -	\$ 82,660,579
Disposals	-	(7,483)	(462,272)	(181,103)	-	(650,858)
Depreciation expenses	-	1,504,445	4,488,513	569,262	-	6,562,220
Impairment losses	-	293,586	180,622	1,983	31,951	508,142
Reclassification	-	(11,752)	-	-	-	(11,752)
Effects of exchange rate changes	-	(553,352)	(1,941,142)	(138,668)	15	(2,633,147)
Balance at December 31, 2016	<u>\$ 274,188</u>	<u>\$ 14,666,095</u>	<u>\$ 61,394,024</u>	<u>\$ 10,068,911</u>	<u>\$ 31,966</u>	<u>\$ 86,435,184</u>
Carrying amounts at December 31, 2016	<u>\$ 20,404,764</u>	<u>\$ 36,868,111</u>	<u>\$ 37,999,131</u>	<u>\$ 1,970,179</u>	<u>\$ 4,557,581</u>	<u>\$ 101,799,766</u>

(Concluded)

For the years ended December 31, 2016 and 2015, the Group recognized impairment losses of \$508,142 thousand and \$13,105 thousand, respectively, based on the future recoverable amounts of property, plant and equipment.

The above items of property, plant and equipment were depreciated on a straight-line basis over the estimated useful life of the asset:

Buildings	
Main buildings	30-60 years
Main plants	16-50 years
Storage units	10-50 years
Others	20-50 years
Machinery and equipment	2-28 years
Miscellaneous equipment	2-20 years

Property, plant and equipment pledged as collateral for bank borrowings are set out in Note 31.

Acquisitions of property, plant and equipment included non-cash items and were reconciled as follows:

	<b>For the Year Ended December 31</b>	
	<b>2016</b>	<b>2015</b>
Acquisitions of property, plant and equipment	\$ 942,323	\$ 2,026,004
Increase in prepayments for equipment	425,001	1,490,333
Decrease (increase) in payables for equipment	<u>1,628,590</u>	<u>(789,361)</u>
	<u>\$ 2,995,914</u>	<u>\$ 2,726,976</u>

**16. INVESTMENT PROPERTIES**

	Land	Buildings	Total
<u>Cost</u>			
Balance at January 1, 2015	\$ 6,362,434	\$ 1,399,067	\$ 7,761,501
Reclassification	(25,478)	-	(25,478)
Effects of exchange rate changes	<u>-</u>	<u>1,057</u>	<u>1,057</u>
Balance at December 31, 2015	<u>\$ 6,336,956</u>	<u>\$ 1,400,124</u>	<u>\$ 7,737,080</u>

(Continued)

	Land	Buildings	Total
<u>Accumulated depreciation and impairment</u>			
Balance at January 1, 2015	\$ 1,066,380	\$ 673,825	\$ 1,740,205
Depreciation expenses	-	25,543	25,543
Reclassification	(25,478)	-	(25,478)
Effects of exchange rate changes	<u>-</u>	<u>274</u>	<u>274</u>
Balance at December 31, 2015	<u>\$ 1,040,902</u>	<u>\$ 699,642</u>	<u>\$ 1,740,544</u>
Carrying amounts at December 31, 2015	<u>\$ 5,296,054</u>	<u>\$ 700,482</u>	<u>\$ 5,996,536</u>
<u>Cost</u>			
Balance at January 1, 2016	\$ 6,336,956	\$ 1,400,124	\$ 7,737,080
Additions	-	568	568
Reclassification	93,551	19,948	113,499
Effects of exchange rate changes	<u>-</u>	<u>(525)</u>	<u>(525)</u>
Balance at December 31, 2016	<u>\$ 6,430,507</u>	<u>\$ 1,420,115</u>	<u>\$ 7,850,622</u>
<u>Accumulated depreciation and impairment</u>			
Balance at January 1, 2016	\$ 1,040,902	\$ 699,642	\$ 1,740,544
Depreciation expenses	-	25,406	25,406
Reclassification	-	11,752	11,752
Effects of exchange rate changes	<u>-</u>	<u>(136)</u>	<u>(136)</u>
Balance at December 31, 2016	<u>\$ 1,040,902</u>	<u>\$ 736,664</u>	<u>\$ 1,777,566</u>
Carrying amounts at December 31, 2016	<u>\$ 5,389,605</u>	<u>\$ 683,451</u>	<u>\$ 6,073,056</u> (Concluded)

The buildings of the investment properties were depreciated over their estimated useful lives of 50 years, using the straight-line method.

As of December 31, 2016 and 2015, the fair values of the investment properties owned by the Group were \$10,901,414 thousand and \$11,157,619 thousand, respectively. Except for the fair values determined by independent qualified professional valuers, the remaining fair values were determined by the Group's management using market prices of similar properties.

The investment properties pledged as collateral for bank borrowings are set out in Note 31.

## 17. INTANGIBLE ASSETS

	Goodwill	Operational Concession	Mining Rights	Others	Total
<u>Cost</u>					
Balance at January 1, 2015	\$ 10,533,126	\$ 7,683,851	\$ 2,433,336	\$ 876,463	\$ 21,526,776
Additions	-	-	375,872	3,775	379,647
Acquisitions through business combinations	2,705,060	-	39,033	335,472	3,079,565
Reclassification	-	-	171,856	-	171,856
Effects of exchange rate changes	(103,250)	-	(28,095)	14,294	(117,051)
Balance at December 31, 2015	<u>\$ 13,134,936</u>	<u>\$ 7,683,851</u>	<u>\$ 2,992,002</u>	<u>\$ 1,230,004</u>	<u>\$ 25,040,793</u>
<u>Accumulated amortization and impairment</u>					
Balance at January 1, 2015	\$ -	\$ 453,474	\$ 786,387	\$ 744,278	\$ 1,984,139
Amortization expenses	-	151,157	168,875	77,448	397,480
Reclassification	-	-	51,645	-	51,645
Effects of exchange rate changes	-	-	(7,910)	7,887	(23)
Balance at December 31, 2015	<u>\$ -</u>	<u>\$ 604,631</u>	<u>\$ 998,997</u>	<u>\$ 829,613</u>	<u>\$ 2,433,241</u>
Carrying amounts at December 31, 2015	<u>\$ 13,134,936</u>	<u>\$ 7,079,220</u>	<u>\$ 1,993,005</u>	<u>\$ 400,391</u>	<u>\$ 22,607,552</u>
<u>Cost</u>					
Balance at January 1, 2016	\$ 13,134,936	\$ 7,683,851	\$ 2,992,002	\$ 1,230,004	\$ 25,040,793
Additions	-	-	75,680	3,718	79,398
Decreases	-	(2,375)	-	-	(2,375)
Effects of exchange rate changes	(943,003)	-	(208,631)	(30,003)	(1,181,637)
Balance at December 31, 2016	<u>\$ 12,191,933</u>	<u>\$ 7,681,476</u>	<u>\$ 2,859,051</u>	<u>\$ 1,203,719</u>	<u>\$ 23,936,179</u>
<u>Accumulated amortization and impairment</u>					
Balance at January 1, 2016	\$ -	\$ 604,631	\$ 998,997	\$ 829,613	\$ 2,433,241
Amortization expenses	-	151,145	153,150	98,626	402,921
Decreases	-	(221)	-	-	(221)
Effects of exchange rate changes	-	-	(66,012)	(9,032)	(75,044)
Balance at December 31, 2016	<u>\$ -</u>	<u>\$ 755,555</u>	<u>\$ 1,086,135</u>	<u>\$ 919,207</u>	<u>\$ 2,760,897</u>
Carrying amounts at December 31, 2016	<u>\$ 12,191,933</u>	<u>\$ 6,925,921</u>	<u>\$ 1,772,916</u>	<u>\$ 284,512</u>	<u>\$ 21,175,282</u>

The above items of intangible assets with finite useful lives are amortized on a straight-line basis over their useful lives as follows:

Operational concession	50 years
Mining rights	30-50 years
Others	3-17 years

Intangible assets pledged as collaterals for bank borrowings are set out in Note 31.

## 18. PREPAYMENTS FOR LEASES

	<u>December 31</u>	
	<u>2016</u>	<u>2015</u>
Current (included in prepayments)	\$ 217,214	\$ 238,871
Non-current	<u>6,934,059</u>	<u>7,698,950</u>
	<u>\$ 7,151,273</u>	<u>\$ 7,937,821</u>

The above prepayments for leases are land use rights in China. Prepayments for leases pledged as collateral for bank borrowings are set out in Note 31.

## 19. BORROWINGS

### a. Short-term loans

	<u>December 31</u>	
	<u>2016</u>	<u>2015</u>
Secured borrowings		
Bank loans	\$ 8,326,464	\$ 12,295,167
Unsecured borrowings		
Bank loans - unsecured	12,069,303	9,897,573
Bank loans - letters of credit	<u>239,557</u>	<u>132,649</u>
	<u>12,308,860</u>	<u>10,030,222</u>
	<u>\$ 20,635,324</u>	<u>\$ 22,325,389</u>
Interest rate	0.82%-4.35%	0.74%-8.10%

### b. Short-term bills payable

	<u>December 31</u>	
	<u>2016</u>	<u>2015</u>
Commercial paper	\$ 5,930,000	\$ 6,167,000
Less: Unamortized discount on bills payable	<u>8,482</u>	<u>7,220</u>
	<u>\$ 5,921,518</u>	<u>\$ 6,159,780</u>
Interest rate	0.63%-1.27%	1.06%-1.50%

### c. Long-term loans

	<u>December 31</u>	
	<u>2016</u>	<u>2015</u>
Secured borrowings	\$ 32,068,202	\$ 59,604,442
Unsecured borrowings	<u>29,437,807</u>	<u>17,515,368</u>
	61,506,009	77,119,810
Less: Current portions	<u>8,163,950</u>	<u>19,133,616</u>
	<u>\$ 53,342,059</u>	<u>\$ 57,986,194</u>
Interest rate	1.18%-2.90%	1.23%-2.71%

Long-term loans consist of unsecured borrowings, secured borrowings and earmarked loans. The principals of long-term unsecured and secured borrowings are due in June 2020, and the interests are paid monthly. The principals of earmarked loans are due in February 2019, and the interests are paid monthly, quarterly, or semiannually.

## 20. OTHER PAYABLES

	<u>December 31</u>	
	<u>2016</u>	<u>2015</u>
Payables for equipment	\$ 1,432,129	\$ 3,105,593
Salaries and bonuses payable	1,134,697	1,096,562
Taxes payable	748,023	450,604
Deposits and retention money	745,642	742,946
Payables for electricity	374,268	381,238
Fines payable	264,000	264,000
Freight payables	195,128	324,360
Others	<u>3,067,007</u>	<u>2,570,357</u>
	<u>\$ 7,960,894</u>	<u>\$ 8,935,660</u>

## 21. RETIREMENT BENEFIT PLANS

## a. Defined contribution plans

The Corporation and its subsidiaries in the Republic of China adopted a pension plan under the Labor Pension Act (the “LPA”), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees’ individual pension accounts at 6% of monthly salaries and wages.

The employees of the Corporation’s subsidiaries in China are members of a state-managed retirement benefit plan operated by the government of China. These subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

## b. Defined benefit plan

The defined benefit plan adopted by the Corporation and its subsidiaries in the Republic of China, which is in accordance with the Labor Standards Law, is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Group contributes amounts equal to a specified percentage of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee’s name. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (“the Bureau”); the Group has no right to influence the investment policy and strategy.

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

	<u>December 31</u>	
	<u>2016</u>	<u>2015</u>
Present value of defined benefit obligation	\$ (1,229,261)	\$ (1,383,405)
Fair value of plan assets	<u>1,872,548</u>	<u>1,547,715</u>
	<u>\$ 643,287</u>	<u>\$ 164,310</u>
Net defined benefit asset	<u>\$ 827,402</u>	<u>\$ 451,548</u>
Net defined benefit liability	<u>\$ 184,115</u>	<u>\$ 287,238</u>



Movements in net defined benefit asset were as follows:

	<b>Present Value of Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Asset</b>
Balance at January 1, 2015	<u>\$ (1,487,223)</u>	<u>\$ 2,267,589</u>	<u>\$ 780,366</u>
Service costs			
Current service costs	(17,091)	-	(17,091)
Net interest income (expense)	<u>(26,301)</u>	<u>40,347</u>	<u>14,046</u>
Recognized in profit or loss	<u>(43,392)</u>	<u>40,347</u>	<u>(3,045)</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(588,635)	(588,635)
Actuarial loss - changes in demographic assumptions	(11,635)	-	(11,635)
Actuarial loss - changes in financial assumptions	(42,337)	-	(42,337)
Actuarial loss - experience adjustments	<u>(10,225)</u>	<u>-</u>	<u>(10,225)</u>
Recognized in other comprehensive income	<u>(64,197)</u>	<u>(588,635)</u>	<u>(652,832)</u>
Contributions from the employer	-	30,034	30,034
Benefits paid	<u>211,407</u>	<u>(201,620)</u>	<u>9,787</u>
Balance at December 31, 2015	<u>(1,383,405)</u>	<u>1,547,715</u>	<u>164,310</u>
Service costs			
Current service costs	(14,824)	-	(14,824)
Net interest income (expense)	<u>(19,416)</u>	<u>21,463</u>	<u>2,047</u>
Recognized in profit or loss	<u>(34,240)</u>	<u>21,463</u>	<u>(12,777)</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	373,790	373,790
Actuarial loss - changes in demographic assumptions	(3,181)	-	(3,181)
Actuarial loss - changes in financial assumptions	(17,691)	-	(17,691)
Actuarial gain - experience adjustments	<u>32,451</u>	<u>-</u>	<u>32,451</u>
Recognized in other comprehensive income	<u>11,579</u>	<u>373,790</u>	<u>385,369</u>
Contributions from the employer	-	100,550	100,550
Benefits paid	<u>176,805</u>	<u>(170,970)</u>	<u>5,835</u>
Balance at December 31, 2016	<u>\$ (1,229,261)</u>	<u>\$ 1,872,548</u>	<u>\$ 643,287</u>

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

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

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

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

	<u>December 31</u>	
	2016	2015
Discount rates	1.13%-1.38%	1.25%-2.00%
Long-term average rates of salary increase	1.50%-2.25%	1.50%-2.25%

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

	<u>December 31</u>	
	2016	2015
Discount rates		
0.25% increase	<u>\$ (26,836)</u>	<u>\$ (28,946)</u>
0.25% decrease	<u>\$ 27,754</u>	<u>\$ 30,007</u>
Expected rates of salary increase		
0.25% increase	<u>\$ 26,738</u>	<u>\$ 29,229</u>
0.25% decrease	<u>\$ (25,988)</u>	<u>\$ (28,340)</u>

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

	<u>December 31</u>	
	2016	2015
The expected contributions to the plan for the next year	<u>\$ 46,345</u>	<u>\$ 19,090</u>
The average duration of the defined benefit obligation	7-18 years	7.2-18 years

## 22. EQUITY

- a. Ordinary shares

	<u>December 31</u>	
	2016	2015
Number of shares authorized (in thousands)	<u>6,000,000</u>	<u>6,000,000</u>
Shares authorized	<u>\$ 60,000,000</u>	<u>\$ 60,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>3,692,176</u>	<u>3,692,176</u>
Shares issued	<u>\$ 36,921,759</u>	<u>\$ 36,921,759</u>

A holder of issued ordinary shares with par value of NT\$10 is entitled to the proportional rights to vote and to dividends.

## b. Capital surplus

	<u>December 31</u>	
	2016	2015
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)</u>		
Issuance of shares	\$ 10,435,775	\$ 10,435,775
Conversion of bonds	1,520,632	1,520,632
Difference between consideration received and the carrying amount of subsidiaries' net assets during actual acquisitions	1,224,547	-
Treasury share transactions	194,598	194,598
Donations	31,537	31,537
<u>May only be used to offset a deficit (2)</u>		
Changes in percentage of ownership interests in subsidiaries	116,238	116,238
Forfeited share options	10,315	10,315
<u>May not be used for any purpose</u>		
Changes in interests in associates accounted for by using the equity method	<u>520</u>	<u>520</u>
	<u>\$ 13,534,162</u>	<u>\$ 12,309,615</u>

- 1) Such capital surplus may be used to offset a deficit; in addition, when the Corporation has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Corporation's capital surplus and once a year).
- 2) Such capital surplus arises from the effect of changes in ownership interest in a subsidiary resulting from equity transactions, other than actual disposals or acquisitions, or from changes in capital surplus of subsidiaries accounted for by using the equity method.

## c. Retained earnings and dividend policy

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees. The shareholders held their general meeting in June 2016 and, in that meeting, resolved amendments to the Corporation's Articles of Incorporation (the "Articles"), particularly the amendment to the policy on dividend distribution and the addition of the policy on the distribution of employees' compensation.

Under the dividend policy as set forth in the amended Articles, where the Corporation made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Corporation's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' general meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors before and after amendment, refer to "Employee benefits expense" in Note 23b.

In addition to the capital-intensive, mature and stable production and marketing of cement and cement-related products, the Corporation aggressively pursues diversification. For the development of diversified investments or other important capital budgeting plans, the Corporation decided that the payout ratio of cash dividend is to be at least 20% of the total dividends to be distributed to ordinary shareholders; the rest will be paid in share dividends.

Items referred to under Rule No. 1010012865, Rule No. 1010047490 and Rule No. 1030006415 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Corporation.

An appropriation of earnings to the legal reserve shall be made until the legal reserve equals the Corporation's share capital. The legal reserve may be used to offset deficits. If the Corporation has no deficit and the legal reserve has exceeded 25% of the Corporation's share capital, the excess may be transferred to capital or distributed in cash.

Except for non-ROC resident shareholders, all shareholders receiving dividends are allowed a tax credit equal to their proportionate share of the income tax paid by the Corporation.

The appropriations of earnings for 2015 and 2014 approved in the shareholders' general meetings in June 2016 and June 2015, respectively, were as follows:

	<b>Appropriation of Earnings</b>		<b>Dividends Per Share</b>	
	<b>For the Year Ended</b>		<b>(NT\$)</b>	
	<b>December 31</b>		<b>For the Year Ended</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Legal reserve	\$ 577,599	\$ 1,082,887		
Cash dividends	4,910,594	9,193,518	<u>\$ 1.33</u>	<u>\$ 2.49</u>

The appropriation of earnings for 2016 were proposed by the Corporation's board of directors on March 27, 2017. The appropriations and dividends per share were as follows:

	<b>Appropriation</b>	<b>Dividends Per</b>
	<b>of Earnings</b>	<b>Share (NT\$)</b>
Legal reserve	\$ 635,845	
Cash dividends	5,353,655	<u>\$1.45</u>

The appropriation of earnings for 2016 is subject to the resolution of the shareholders' general meeting to be held in June 2017.

d. Special reserve

The Corporation appropriated to special reserve the amounts that were the same as the unrealized revaluation increment and cumulative translation adjustments transferred to retained earnings at the first-time adoption of IFRSs, which were \$10,454,422 thousand and \$2,709,369 thousand, respectively.

The special reserve appropriated at the first-time adoption of IFRSs relating to investment in properties other than land may be reversed according to the period of use. The special reserve relating to land may be reversed upon disposal or reclassification, and such special reserve of \$11 thousand and \$159 thousand were reversed for the years ended December 31, 2016 and 2015, respectively. The special reserve appropriated, due to currency translation adjustments for financial statements of foreign operations (including subsidiaries), shall be reversed based on the Corporation's disposal percentage, and all of the special reserve shall be reversed when the Corporation loses significant influence. There was no such reversal during the years ended December 31, 2016 and 2015.

e. Other equity items

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

	<b>For the Year Ended December 31</b>	
	<b>2016</b>	<b>2015</b>
Balance at January 1	\$ 2,239,093	\$ 3,226,509
Exchange differences on translating foreign operations	(4,177,791)	(1,002,059)
Share of exchange differences of associates and joint ventures accounted for by using the equity method	<u>(294,919)</u>	<u>14,643</u>
Balance at December 31	<u>\$ (2,233,617)</u>	<u>\$ 2,239,093</u>

2) Unrealized gain (loss) on available-for-sale financial assets

	<b>For the Year Ended December 31</b>	
	<b>2016</b>	<b>2015</b>
Balance at January 1	\$ 10,993,974	\$ 16,042,717
Unrealized gain (loss) arising on revaluation of available-for-sale financial assets	206,776	(5,099,994)
Reclassification of impairment arising from available-for-sale financial assets	-	51,296
Cumulative gain reclassified to profit on disposal of available-for-sale financial assets	(382)	(137)
Share of unrealized gain (loss) on revaluation of available-for-sale financial assets of associates accounted for by using the equity method	<u>(45)</u>	<u>92</u>
Balance at December 31	<u>\$ 11,200,323</u>	<u>\$ 10,993,974</u>

3) Cash flow hedges

	<b>For the Year Ended December 31</b>	
	<b>2016</b>	<b>2015</b>
Balance at January 1	\$ 5,487	\$ 12,130
Changes in fair value of hedging instruments - foreign exchange forward contracts	(7,469)	(8,598)
Reclassified loss from expiration of hedging instruments - foreign exchange forward contracts	<u>9,882</u>	<u>1,955</u>
Balance at December 31	<u>\$ 7,900</u>	<u>\$ 5,487</u>

## f. Non-controlling interests

	<b>For the Year Ended December 31</b>	
	<b>2016</b>	<b>2015</b>
Balance at January 1	\$ 47,441,267	\$ 44,058,811
Attributable to non-controlling interests:		
Share of profit for the year	2,483,623	1,149,637
Exchange differences arising on translation of foreign operations	(2,877,249)	(826,218)
Unrealized gain (loss) on available-for-sale financial assets	37,007	(92,506)
Changes in cash flow hedges	1,609	(4,428)
Share of other comprehensive loss of associates and joint ventures accounted for by using the equity method	(198,777)	(8,720)
Adjustments relating to changes in capital surplus of associates and joint ventures accounted for by using the equity method	-	(586)
Cumulative gain reclassified to profit or loss on disposal of available-for-sale financial assets	(20)	-
Remeasurement of defined benefit plan	(2,945)	(3,729)
Acquisition of non-controlling interests in subsidiaries	(2,732,057)	-
Dividends paid by subsidiaries	(2,299,291)	(2,769,710)
Capital increase in cash to subsidiaries	-	6,022,723
Changes in proportionate ownership in subsidiaries	(1,224,547)	(84,007)
Balance at December 31	<u>\$ 40,628,620</u>	<u>\$ 47,441,267</u>

## 23. NET INCOME

Net income includes the following items:

## a. Depreciation and amortization

	<b>For the Year Ended December 31</b>	
	<b>2016</b>	<b>2015</b>
Property, plant and equipment	\$ 6,562,220	\$ 6,996,135
Investment properties	25,406	25,543
Intangible assets	<u>402,921</u>	<u>397,480</u>
	<u>\$ 6,990,547</u>	<u>\$ 7,419,158</u>
An analysis of depreciation by function		
Operating costs	\$ 6,161,338	\$ 6,610,339
Operating expenses	422,373	405,207
Non-operating expenses	<u>3,915</u>	<u>6,132</u>
	<u>\$ 6,587,626</u>	<u>\$ 7,021,678</u>
An analysis of amortization by function		
Operating costs	\$ 347,442	\$ 363,831
Operating expenses	<u>55,479</u>	<u>33,649</u>
	<u>\$ 402,921</u>	<u>\$ 397,480</u>

## b. Employee benefits expense

	<b>For the Year Ended December 31</b>	
	<b>2016</b>	<b>2015</b>
Retirement benefit plans		
Defined contribution plans	\$ 397,109	\$ 368,117
Defined benefit plan	<u>12,777</u>	<u>3,045</u>
	409,886	371,162
Other employee benefits	<u>4,840,105</u>	<u>4,861,982</u>
	<u>\$ 5,249,991</u>	<u>\$ 5,233,144</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 3,669,757	\$ 3,629,326
Operating expenses	<u>1,580,234</u>	<u>1,603,818</u>
	<u>\$ 5,249,991</u>	<u>\$ 5,233,144</u>

## 1) Employees' compensation and remuneration of directors for 2016 and 2015

In compliance with the Company Act as amended in May 2015 and the proposed amended Articles of Incorporation of the Corporation, which was approved by the shareholders in their meeting in June 2016, the Corporation accrued employees' compensation and remuneration of directors at the rates of 0.01%-3% and no higher than 1%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. The employees' compensation and remuneration of directors for the years ended December 31, 2016 and 2015, which have been approved by the Corporation's board of directors in March 2017 and in March 2016 respectively, were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2016</b>	<b>2015</b>
Employees' compensation	\$ 37,114	\$ 28,834
Remuneration of directors	55,680	50,517

If there is a change in the amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

There was no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the year ended December 31, 2015.

Information on the employees' compensation and remuneration of directors resolved by the Corporation's board of directors in 2017 and 2016 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

## 2) Bonus to employees and remuneration of directors and supervisors for 2014

The bonus to employees and remuneration of directors and supervisors for 2014, which have been approved in the shareholders' general meeting in June 2015, were as follows:

	<b>For the Year Ended December 31, 2014</b>
Bonus to employees	\$ 58,612
Remuneration of directors and supervisors	93,456

There was no difference between the amounts of the bonus to employees and the remuneration of directors and supervisors approved in the shareholders' meeting in June 2015 and the amounts recognized in the consolidated financial statements for the year ended December 31, 2014.

## c. Finance costs

	<b>For the Year Ended December 31</b>	
	<b>2016</b>	<b>2015</b>
Interest on bank borrowings	\$ 1,749,047	\$ 1,710,690
Other finance costs	<u>167,790</u>	<u>163,049</u>
	<u>\$ 1,916,837</u>	<u>\$ 1,873,739</u>

Information about capitalized interest was as follows:

	<b>For the Year Ended December 31</b>	
	<b>2016</b>	<b>2015</b>
Capitalization amount of interest	<u>\$ 7,543</u>	<u>\$ 12,255</u>
Capitalization rate of interest	1.58%-1.66%	1.58%-1.97%

## d. Other income

	<b>For the Year Ended December 31</b>	
	<b>2016</b>	<b>2015</b>
Net gain of financial asset or financial liability at fair value through profit or loss	\$ 367,641	\$ -
Government grants	217,788	233,545
Reversal of impairment loss on financial assets	-	186,035
Others	<u>342,997</u>	<u>402,582</u>
	<u>\$ 928,426</u>	<u>\$ 822,162</u>



## 24. INCOME TAX

- a. Major components of tax expense recognized in profit or loss

	<b>For the Year Ended December 31</b>	
	<b>2016</b>	<b>2015</b>
Current tax		
In respect of the current year	\$ 2,513,061	\$ 2,150,308
Income tax on unappropriated earnings	4,138	52,956
Adjustments for prior years	<u>(21,198)</u>	<u>(186,367)</u>
	2,496,001	2,016,897
Deferred tax	<u>177,259</u>	<u>(276,508)</u>
Income tax expense recognized in profit or loss	<u>\$ 2,673,260</u>	<u>\$ 1,740,389</u>

A reconciliation of income before income tax and income tax expense recognized in profit or loss was as follows:

	<b>For the Year Ended December 31</b>	
	<b>2016</b>	<b>2015</b>
Income before tax	<u>\$ 11,515,335</u>	<u>\$ 8,666,015</u>
Income tax expense at the statutory rate	\$ 1,957,607	\$ 1,473,222
Non-deductible expenses in determining taxable income	555,512	239,538
Tax-exempt income	(550,505)	(523,097)
Unrecognized loss carryforwards and deductible temporary differences	444,695	508,821
Loss carryforwards utilized in the current year	(6,139)	(28,203)
Effects of different tax rate of subsidiaries operating in other jurisdictions	18,404	31,785
Land value increment tax	-	(118,566)
Income tax on unappropriated earnings	4,138	52,956
Adjustments for prior years	(21,198)	(186,367)
Others	<u>270,746</u>	<u>290,300</u>
Income tax expense recognized in profit or loss	<u>\$ 2,673,260</u>	<u>\$ 1,740,389</u>

- b. Income tax recognized in other comprehensive income

	<b>For the Year Ended December 31</b>	
	<b>2016</b>	<b>2015</b>
Deferred tax in the current year		
Remeasurement on defined benefit plan	<u>\$ 65,512</u>	<u>\$ (110,938)</u>

- c. Current tax assets and liabilities

	<b>December 31</b>	
	<b>2016</b>	<b>2015</b>
Current tax assets		
Tax refund receivable (included in other receivables)	<u>\$ 97,822</u>	<u>\$ 235,090</u>
Current tax liabilities		
Current income tax liabilities	<u>\$ 1,324,329</u>	<u>\$ 1,214,642</u>

## d. Deferred income tax assets and liabilities

The movements of deferred income tax assets (included in other non-current assets) and deferred income tax liabilities were as follows:

For the year ended December 31, 2016

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Others	Exchange Differences	Closing Balance
<u>Deferred income tax assets</u>						
Loss carryforwards	\$ 696,684	\$ (114,624)	\$ -	\$ -	\$ (26,426)	\$ 555,634
Allowance for impaired receivables	168,058	8,622	-	-	(13,127)	163,553
Defined benefit plan	63,195	(28,850)	(943)	-	-	33,402
Inventories	67,721	(450)	-	-	-	67,271
Others	88,116	10,129	-	-	(2,603)	95,642
	<u>\$ 1,083,774</u>	<u>\$ (125,173)</u>	<u>\$ (943)</u>	<u>\$ -</u>	<u>\$ (42,156)</u>	<u>\$ 915,502</u>
<u>Deferred income tax liabilities</u>						
Land value increment tax	\$ 5,092,973	\$ -	\$ -	\$ -	\$ -	\$ 5,092,973
Finance leases	2,565,657	93,732	-	-	-	2,659,389
Property, plant and equipment	1,559,111	(143,181)	-	-	(90,189)	1,325,741
Retained earnings from foreign subsidiaries	983,557	104,453	-	(76,559)	(4,499)	1,006,952
Defined benefit plan	57,256	(1,050)	64,569	-	-	120,775
Others	10,006	(1,868)	-	-	(1)	8,137
	<u>\$ 10,268,560</u>	<u>\$ 52,086</u>	<u>\$ 64,569</u>	<u>\$ (76,559)</u>	<u>\$ (94,689)</u>	<u>\$ 10,213,967</u>

For the year ended December 31, 2015

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Others	Exchange Differences	Closing Balance
<u>Deferred income tax assets</u>						
Loss carryforwards	\$ 301,878	\$ 396,776	\$ -	\$ -	\$ (1,970)	\$ 696,684
Allowance for impaired receivables	153,579	(13,017)	-	28,807	(1,311)	168,058
Defined benefit plan	63,081	(3,476)	3,590	-	-	63,195
Inventories	36,801	30,920	-	-	-	67,721
Others	140,997	(52,435)	-	-	(446)	88,116
	<u>\$ 696,336</u>	<u>\$ 358,768</u>	<u>\$ 3,590</u>	<u>\$ 28,807</u>	<u>\$ (3,727)</u>	<u>\$ 1,083,774</u>
<u>Deferred income tax liabilities</u>						
Land value increment tax	\$ 5,223,856	\$ (118,566)	\$ -	\$ (12,317)	\$ -	\$ 5,092,973
Finance leases	2,418,074	147,583	-	-	-	2,565,657
Property, plant and equipment	1,226,835	(34,555)	-	364,713	2,118	1,559,111
Retained earnings from foreign subsidiaries	1,037,543	85,441	-	(139,604)	177	983,557
Defined benefit plan	163,221	1,383	(107,348)	-	-	57,256
Others	9,116	974	-	-	(84)	10,006
	<u>\$ 10,078,645</u>	<u>\$ 82,260</u>	<u>\$ (107,348)</u>	<u>\$ 212,792</u>	<u>\$ 2,211</u>	<u>\$ 10,268,560</u>

e. Unrecognized deferred income tax assets in respect of loss carryforwards

	<b>December 31</b>	
	<b>2016</b>	<b>2015</b>
Loss carryforwards		
Expire in 2016	\$ -	\$ 110,010
Expire in 2017	211,686	212,143
Expire in 2018	625,564	621,564
Expire in 2019	1,531,826	1,642,094
Expire in 2020	3,041,368	2,875,648
Expire in 2021	1,315,285	253,691
Expire in 2022	720,688	720,345
Expire in 2023	914,780	915,452
Expire in 2024	567,440	567,441
Expire in 2025	1,047,558	613,229
Expire in 2026	<u>71,572</u>	<u>-</u>
	<u>\$ 10,047,767</u>	<u>\$ 8,531,617</u>

f. Unused loss carryforwards information

Loss carryforwards as of December 31, 2016 were comprised of:

<b>Unused Amount</b>	<b>Expiry Year</b>
\$ 211,686	2017
741,518	2018
1,578,512	2019
4,276,632	2020
1,342,928	2021
733,137	2022
914,780	2023
567,440	2024
2,023,187	2025
<u>464,332</u>	2026
<u>\$ 12,854,152</u>	

g. Unrecognized deferred income tax liabilities in respect of investments

As of December 31, 2016 and 2015, the taxable temporary differences in respect of investments in subsidiaries and associates for which no deferred income tax liabilities have been recognized were \$50,296,499 thousand and \$48,943,047 thousand, respectively.

## h. Integrated income tax information

	<b>December 31</b>	
	<b>2016</b>	<b>2015</b>
Unappropriated earnings		
Generated before January 1, 1998	\$ 38,366	\$ 38,366
Generated on and after January 1, 1998	<u>20,859,410</u>	<u>19,672,531</u>
	<u>\$ 20,897,776</u>	<u>\$ 19,710,897</u>
Shareholder-imputed credit accounts	<u>\$ 1,702,678</u>	<u>\$ 1,396,681</u>

The estimated and actual creditable ratio for the distributions of 2016 and 2015 were 8.16% and 10.57%, respectively.

## i. Income tax assessments

The information of income tax assessments for the Group is as follows:

<b>Year</b>	<b>Name of Group Entity</b>
2015	Kuan-Ho Construction & Development Corporation, Ta-Ho Onyx RSEA Environment Co., Ltd., Union Cement Traders Inc., TCC Investment Corporation
2014	Taiwan Cement Corporation, Ho Sheng Mining Co., Ltd., Taiwan Transport & Storage Corporation, Ho Swen Construction Material Co., Ltd., Ta-Ho Maritime Corporation, Taiwan Cement Engineering Corporation, TCC Chemical Corporation, TCC Information Systems Corporation, Taiwan Prosperity Chemical Corporation, Tung Chen Mineral Corporation, Jin Chang Minerals Corporation, Hoping Industrial Port Corporation, Ho-Ping Power Company, Ta-Ho Onyx Taitung Environment Co., Ltd., HPC Power Service Corporation, Tunwoo Company Limited, E.G.C. Cement Corporation, Feng Sheng Enterprise Company, Kuan-Ho Refractories Industry Corporation

## 25. EARNINGS PER SHARE

Unit: NT\$ Per Share

	<b>For the Year Ended December 31</b>	
	<b>2016</b>	<b>2015</b>
Basic earnings per share	<u>\$ 1.72</u>	<u>\$ 1.56</u>
Diluted earnings per share	<u>\$ 1.72</u>	<u>\$ 1.56</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2016</b>	<b>2015</b>
Profit for the period attributable to owners of the Corporation	<u>\$ 6,358,452</u>	<u>\$ 5,775,989</u>
<b><u>Number of shares (in thousands)</u></b>		
Weighted average number of ordinary shares in computation of basic earnings per share	3,692,176	3,692,176
Effect of potentially dilutive ordinary shares:		
Employees' compensation	<u>1,291</u>	<u>1,829</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>3,693,467</u>	<u>3,694,005</u>

If the Corporation offered to settle compensation paid to employees in cash or shares, the Corporation assumed the entire amount of the compensation or bonus will be settled in shares, and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

## 26. BUSINESS COMBINATIONS

### a. Subsidiaries acquired

	<b>Principle Activity</b>	<b>Date of Acquisition</b>	<b>Proportion of Interest Acquired (%)</b>	<b>Consideration Transferred</b>
TCC Huaying Cement Company Limited	Cement manufacture and sale	2015.1	100	\$ 3,266,627
TCC Huaihua Cement Company Limited and its subsidiaries	Cement manufacture and sale of ready-mixed concrete	2015.5	100	5,801,051
				<u>\$ 9,067,678</u>

In order to expand the cement and clinker business in China, the Group acquired the interests of TCC Huaying Cement Company Limited and TCC Huaihua Cement Company Limited and its subsidiaries (TCC Jingzhou Cement Company Limited and TCC Huaihua Concrete Company Limited) and completed the acquisition in January and May 2015, respectively.

**APPENDIX II**
**FINANCIAL INFORMATION OF TCC GROUP**

## b. Consideration transferred

	<b>TCC Huaying Cement Company Limited</b>	<b>TCC Huaihua Cement Company Limited and Subsidiaries</b>	<b>Total</b>
Cash	<u>\$ 3,266,627</u>	<u>\$ 5,801,051</u>	<u>\$ 9,067,678</u>

## c. Assets acquired and liabilities assumed at the dates of acquisitions

	<b>TCC Huaying Cement Company Limited</b>	<b>TCC Huaihua Cement Company Limited and Subsidiaries</b>	<b>Total</b>
Current assets			
Cash and cash equivalents	\$ 69,289	\$ 178,019	\$ 247,308
Inventories	171,582	536,445	708,027
Accounts and other receivables	112,099	284,995	397,094
Prepayments	194,773	196,066	390,839
Other financial assets	-	544,777	544,777
Non-current assets			
Property, plant and equipment	3,981,022	6,637,427	10,618,449
Mining rights	5,122	33,911	39,033
Intangible assets	-	335,472	335,472
Long-term prepayments for leases	236,762	822,094	1,058,856
Deferred income tax assets	-	28,807	28,807
Other non-current assets	1,774	8,186	9,960
Current liabilities			
Bank borrowings	(1,453,397)	(984,058)	(2,437,455)
Accounts payable	(131,785)	(2,241,335)	(2,373,120)
Other payables	(119,344)	(2,356,686)	(2,476,030)
Other current liabilities	(22,699)	(159,824)	(182,523)
Non-current liabilities			
Long-term loans	-	(98,950)	(98,950)
Deferred income tax liabilities	(44,501)	(320,212)	(364,713)
Other non-current liabilities	-	(83,213)	(83,213)
	<u>\$ 3,000,697</u>	<u>\$ 3,361,921</u>	<u>\$ 6,362,618</u>

## d. Goodwill arising on acquisitions

	<b>TCC Huaying Cement Company Limited</b>	<b>TCC Huaihua Cement Company Limited and Subsidiaries</b>	<b>Total</b>
Consideration transferred	\$ 3,266,627	\$ 5,801,051	\$ 9,067,678
Less: Fair value of identifiable net assets acquired	<u>(3,000,697)</u>	<u>(3,361,921)</u>	<u>(6,362,618)</u>
Goodwill recognized on acquisition	<u>\$ 265,930</u>	<u>\$ 2,439,130</u>	<u>\$ 2,705,060</u>

Goodwill arose on the acquisition of the aforementioned entities because the cost of the combinations included a control premium. In addition, the consideration paid for the combinations effectively included amounts in relation to the benefits of expected synergies, revenue growth and future market development. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. The total amount of acquisition goodwill was not deductible for tax purposes.

e. Net cash outflow on acquisitions of subsidiaries

	<b>TCC Huaying Cement Company Limited</b>	<b>TCC Huaihua Cement Company Limited and Subsidiaries</b>	<b>Total</b>
Cash consideration	\$ 3,266,627	\$ 5,801,051	\$ 9,067,678
Less: Cash and cash equivalent balances acquired	(69,289)	(178,019)	(247,308)
Prepayments for investments	(1,406,757)	(713,623)	(2,120,380)
Add: Effects of exchange rate changes	<u>-</u>	<u>21,339</u>	<u>21,339</u>
	<u>\$ 1,790,581</u>	<u>\$ 4,930,748</u>	<u>\$ 6,721,329</u>

f. Impact of acquisitions on the results of the Group

The results of the acquirees since the acquisition dates included in the consolidated statements of comprehensive income were as follows:

	<b>TCC Huaying Cement Company Limited</b>	<b>TCC Huaihua Cement Company Limited and Subsidiaries</b>	<b>Total</b>
Operating revenue	<u>\$ 1,226,741</u>	<u>\$ 1,923,767</u>	<u>\$ 3,150,508</u>
Loss for the period	<u>\$ (251,951)</u>	<u>\$ (183,386)</u>	<u>\$ (435,337)</u>

## 27. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

In September 2016, the Group acquired shares of TCCIH with an increase in its proportionate interest from 56.9% to 63.1%.

The transaction was accounted for as an equity transaction, since the Group did not lose control over this subsidiary.

	<b>TCCIH</b>
Cash consideration	\$ (2,732,057)
The proportionate share of the subsidiary's net assets' carrying amount transferred from non-controlling interests	<u>3,956,604</u>
Differences arising from equity transaction	<u>\$ 1,224,547</u>

(Continued)

TCCIH

Line items adjusted for equity transactions

Difference between consideration received and the carrying amount of subsidiaries' net assets during actual acquisitions

\$ 1,224,547  
(Concluded)

**28. CAPITAL MANAGEMENT**

The Group needs to maintain sufficient capital to fulfill the Group's requirements of business expansion and construction. Therefore, the capital management of the Group shall focus on a comprehensive operational plan to ensure sound profitability and financial structure so as to fulfill the mid- and long-term demand of working capital, capital expenditures, debts repayment and dividend distributions.

**29. FINANCIAL INSTRUMENTS**

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

The consolidated financial statements included holdings in unlisted shares. The fair values of those unlisted shares estimated through valuation techniques would fluctuate with high volatility, and the management believes that their fair values cannot be reliably measured. Therefore, such investments were measured at cost less accumulated impairment.

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

## 1) Fair value hierarchy

December 31, 2016

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Mutual funds	\$ 146,841	\$ -	\$ -	\$ 146,841
Derivative instrument - foreign exchange forward contracts	<u>-</u>	<u>1,647</u>	<u>-</u>	<u>1,647</u>
	<u>\$ 146,841</u>	<u>\$ 1,647</u>	<u>\$ -</u>	<u>\$ 148,488</u>
Available-for-sale financial assets				
Domestic listed shares	\$ 7,338,337	\$ -	\$ -	\$ 7,338,337
Foreign listed shares	11,833,605	-	-	11,833,605
Domestic emerging market shares	536,211	-	-	536,211
Mutual funds	<u>19,395</u>	<u>-</u>	<u>-</u>	<u>19,395</u>
	<u>\$ 19,277,548</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,727,548</u>
Derivative financial assets for hedging				
Foreign exchange forward contracts	<u>\$ -</u>	<u>\$ 13,167</u>	<u>\$ -</u>	<u>\$ 13,167</u>



December 31, 2015

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Mutual funds	\$ 147,113	\$ -	\$ -	\$ 147,113
Available-for-sale financial assets				
Domestic listed shares	\$ 6,460,049	\$ -	\$ -	\$ 6,460,049
Foreign listed shares	12,197,320	-	-	12,197,320
Domestic emerging market shares	546,719	-	-	546,719
Mutual funds	14,353	-	-	14,353
	<u>\$ 19,218,441</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,218,441</u>
Derivative financial assets for hedging				
Foreign exchange forward contracts	\$ -	\$ 9,145	\$ -	\$ 9,145

There were no transfers between Levels 1 and 2 in the current and prior periods.

2) Valuation techniques and inputs applied for the purpose of Level 2 fair value measurement

Financial Instruments	Valuation Techniques and Inputs
Derivatives - foreign currency forward contracts	Discounted cash flow.  Future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates discounted at a rate that reflects the credit risk of various counterparties.

c. Categories of financial instruments

	December 31	
	2016	2015
<u>Financial assets</u>		
FVTPL	\$ 148,488	\$ 147,113
Derivative financial instruments in designated hedge accounting relationships	13,167	9,145
Loans and receivables (1)	83,540,447	96,901,417
Available-for-sale (2)	20,317,284	20,041,050
<u>Financial liabilities</u>		
Amortized cost (3)	103,695,385	121,621,692

1) The balances include loans and receivables measured at amortized cost, which comprise cash and cash equivalents, notes and accounts receivables, other receivables, other financial assets and long-term finance lease receivables.

2) The balances include the carrying amount of available-for-sale financial assets measured at cost.

- 3) The balances include financial liabilities measured at amortized cost, which comprise short-term loans, short-term bills payable, notes and accounts payables, other payables and long-term loans (including current portion).

d. Financial risk management objectives and policies

The risk control and hedging strategy performed by the Group were affected by operation environments, and the Group adopted appropriate risk controls and hedging strategies according to its nature of business and risk diversification principles. These risks include market risk, credit risk and liquidity risk.

The Group sought to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The Group did not enter into or trade financial instruments for speculation.

1) Market risk

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

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

a) Foreign currency risk

The foreign financial assets and liabilities were exposed to risk of foreign currency fluctuations. To lower foreign currency risk, the Group has established control mechanisms to immediately monitor its foreign currency position and exchange rate fluctuations.

To maximize the hedging effectiveness, the Group matched up the conditions of derivative instruments with those in the contracts of hedged items.

The carrying amounts of the significant monetary assets and liabilities not denominated in functional currency (including those eliminated on consolidation) at the end of the reporting period are set out in Note 33.

The Group was mainly exposed to the USD.

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

	<b>USD Impact</b>		<b>HKD Impact</b>	
	<b>For the Year Ended December 31</b>		<b>For the Year Ended December 31</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
NTD	\$ (2,068)	\$ (3,106)	\$ -	\$ -
RMB	\$ (19,098)	\$ 204,774	\$ 7,931	\$ 5,708
HKD	\$ 348,772	\$ 204,754		

## b) Interest rate risk

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

	<b>December 31</b>	
	<b>2016</b>	<b>2015</b>
Cash flow interest rate risk		
Financial assets	\$ 17,730,116	\$ 29,098,037
Financial liabilities	82,141,333	99,445,199

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

For the Group's position of floating interest rate financial assets, if interest rates had been 50 basis points higher/lower, the cash inflows from floating interest rate financial assets for the years ended December 31, 2016 and 2015 would increase/decrease by \$73,580 thousand and \$120,757 thousand, respectively.

For the Group's position of floating interest rate financial liabilities, if interest rates had been 50 basis points higher/lower, the cash outflows from floating interest rate financial liabilities for the years ended December 31, 2016 and 2015 would increase/decrease by \$340,887 thousand and \$412,698 thousand, respectively.

## c) Other price risk

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

The sensitivity analyses were based on the exposure of listed shares and emerging market shares at the end of the reporting period. If equity prices had been 5% higher/lower, other comprehensive income for the years ended December 31, 2016 and 2015 would increase/decrease by \$985,408 thousand and \$960,204 thousand, respectively.

## 2) Credit risk

Potential impacts on financial assets would occur if the Group's counterparties breach financial instrument contracts, including impacts to the concentration of credit risk, components contractual amounts and other receivables.

As at the end of the reporting period, the Group's maximum exposure to credit risk, which would cause a financial loss to the Group due to the failure of counterparties to discharge an obligation, could arise from the carrying amounts of the respective recognized financial assets as stated in the balance sheets.

The Group transacted with a large number of customers from various industries and geographical locations.

The Group continuously assesses the operations and financial positions of customers and monitors the collectability of accounts receivable. The Group also required credit enhancements by bank guarantees or collateral for certain customers or in certain geographical locations.

The credit risk on liquid funds and derivatives was limited because the counterparties are banks with high credit ratings which were assigned by international credit-rating agencies.

### 3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank facilities and ensures compliance with loan covenants. As of December 31, 2016 and 2015, the amount of unused financing facilities was \$66,943,374 thousand and \$71,492,660 thousand, respectively.

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

#### December 31, 2016

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
<u>Non-derivative financial liabilities</u>					
Non-interest bearing	\$ 1,063,710	\$ 14,197,236	\$ 2,739,247	\$ 439,094	\$ 40,402
Variable interest rate liabilities	1,788,269	18,116,475	10,646,457	55,516,565	-
Fixed interest rate liabilities	<u>705,000</u>	<u>5,225,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 3,556,979</u>	<u>\$ 37,538,711</u>	<u>\$ 13,385,704</u>	<u>\$ 55,955,659</u>	<u>\$ 40,402</u>

#### December 31, 2015

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
<u>Non-derivative financial liabilities</u>					
Non-interest bearing	\$ 361,770	\$ 13,983,943	\$ 4,250,939	\$ 698,348	\$ 41,141
Variable interest rate liabilities	2,472,751	15,344,623	24,947,039	59,954,978	-
Fixed interest rate liabilities	<u>100,000</u>	<u>5,887,000</u>	<u>180,000</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,934,521</u>	<u>\$ 35,215,566</u>	<u>\$ 29,377,978</u>	<u>\$ 60,653,326</u>	<u>\$ 41,141</u>

## 30. TRANSACTIONS WITH RELATED PARTIES

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

## a. Operating transactions

	<b>For the Year Ended December 31</b>	
	<b>2016</b>	<b>2015</b>
<u>Sales</u>		
Associates	\$ 683,613	\$ 710,313
Management personnel in substance	575,606	1,332,490
Investors with significant influence over the Group	282,017	309,909
Entities over which the Group has significant influence	186,206	176,066
Entities with same key management personnel	<u>157,774</u>	<u>165,842</u>
	<u>\$ 1,885,216</u>	<u>\$ 2,694,620</u>
<u>Purchases of goods and operating expenses</u>		
Entities over which the Group has significant influence	\$ 476,049	\$ 703,366
Entities with same key management personnel	107,514	184,975
Associates	100,410	119,866
Management personnel in substance	12,800	61,643
Investors with significant influence over the Group	<u>120</u>	<u>51,244</u>
	<u>\$ 696,893</u>	<u>\$ 1,121,094</u>

Notes receivable and accounts receivable from related parties as of December 31, 2016 and 2015 were as follows:

	<b>December 31</b>	
	<b>2016</b>	<b>2015</b>
Management personnel in substance	\$ 344,078	\$ 759,002
Associates	96,633	136,232
Investors with significant influence over the Group	53,788	36,997
Entities over which the Group has significant influence	43,552	41,240
Entities with same key management personnel	<u>8,933</u>	<u>11,788</u>
	<u>\$ 546,984</u>	<u>\$ 985,259</u>

Accounts payables from related parties (included in notes and accounts payable) as of December 31, 2016 and 2015 were as follows:

	<b>December 31</b>	
	<b>2016</b>	<b>2015</b>
Entities over which the Group has significant influence	\$ 134,365	\$ 119,855
Associates	5,056	7,515
Entities with same key management personnel	4,188	9,813
Others	<u>49</u>	<u>16</u>
	<u>\$ 143,658</u>	<u>\$ 137,199</u>

The price and terms of the above transactions were similar to those for third parties. Rentals of lease contracts with related parties were based on market prices and the payment terms were determined at arm's length.

b. Loans to related parties (included in other receivables from related parties)

	<b>December 31</b>	
	<b>2016</b>	<b>2015</b>
Management personnel in substance	\$ 113,565	\$ 524,475
Joint ventures	<u>24,701</u>	<u>26,723</u>
	<u>\$ 138,266</u>	<u>\$ 551,198</u>
	<b>For the Year Ended December 31</b>	
	<b>2016</b>	<b>2015</b>
Interest income	<u>\$ 2,621</u>	<u>\$ 47,154</u>

c. Other receivables from related parties

	<b>December 31</b>	
	<b>2016</b>	<b>2015</b>
Associates	\$ 33,570	\$ 86,742
Management personnel in substance	934	21,411
Joint ventures	7,530	7,921
Others	<u>1,697</u>	<u>1,570</u>
	<u>\$ 43,731</u>	<u>\$ 117,644</u>

Other receivables from related parties included dividend receivables and interest receivables.

d. Compensation of key management personnel

The compensation of directors and other key management personnel for the years ended December 31, 2016 and 2015 were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2016</b>	<b>2015</b>
Short-term employee benefits	\$ 284,837	\$ 331,057
Post-employment benefits	<u>20,325</u>	<u>3,188</u>
	<u>\$ 305,162</u>	<u>\$ 334,245</u>

e. Endorsements and guarantees

Endorsements and guarantees provided by the Group to related parties and actually drawn as of December 31, 2016 and 2015 were as follows:

	<b>December 31</b>	
	<b>2016</b>	<b>2015</b>
Associates	<u>\$ 415,530</u>	<u>\$ 524,475</u>

**31. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY**

The following assets were pledged or mortgaged as collateral for certain short-term loans, long-term loans, performance bonds and other credit accommodations:

	<b>December 31</b>	
	<b>2016</b>	<b>2015</b>
Available-for-sale financial assets (including current and non-current portion)	\$ 292,098	\$ 274,487
Property, plant and equipment	2,763,898	5,273,320
Investment properties	1,227,927	1,235,263
Finance lease receivables (including current and non-current portion)	17,642,251	18,924,695
Prepayments for leases (including current and non-current portion)	-	266,219
Pledged bank deposits		
- current (included in other financial assets)	400,649	405,199
- non-current (included in other non-current assets)	<u>266,010</u>	<u>266,854</u>
	<u>\$ 22,592,833</u>	<u>\$ 26,646,037</u>

**32. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS**

a. The balances of the letters of credit for purchase of raw material were as follows:

<b>Name</b>	<b>December 31</b>	
	<b>2016</b>	<b>2015</b>
The Corporation	\$ 418,428	\$ 111,054
Taiwan Prosperity Chemical Corporation	954,111	902,819
Ho-Ping Power Company	340,613	467,759

b. As of December 31, 2015 and 2016, the Corporation has issued bills of lading for finished goods in the amount of 286,000 tons as collateral for its credit facilities with financial institutions.

c. The amounts of letters of guarantee issued by the banks for the Group are as follows:

<b>Name</b>	<b>December 31</b>	
	<b>2016</b>	<b>2015</b>
The Corporation	\$ 39,870	\$ 43,747
Ho-Ping Power Company	1,148,000	1,148,000
Taiwan Prosperity Chemical Corporation	52,400	103,000
TCCI (Group)	358,025	89,924
Feng Sheng Enterprise Company	52,566	53,414
Taiwan Transport & Storage Corporation	28,650	28,650

- d. Based on the “Build-Own-Operate Agreement for Waste Incineration Plant” (the “BOO Agreement”) entered into by and between Ta-Ho Onyx RSEA Environment Co., Ltd. (“Ta-Ho RSEA”) and Yunlin County Government (the “YCG”), Ta-Ho RSEA is permitted to build, operate and own an incineration plant, and the YCG shall engage Ta-Ho RSEA to conduct waste incineration within Yunlin County.

Since the YCG delayed in issuing its license and terminated the BOO Agreement unilaterally on August 9, 2006, Ta-Ho RSEA filed a petition for arbitration in December 2006. Ta-Ho RSEA received the arbitration award dated October 1, 2008, which decided that the YCG shall pay Ta-Ho RSEA \$1.5 billion before November 30, 2008 as a Phase I payment, any delay of which shall incur interest of 5% per annum; the remainder as a Phase II payment in the aggregate amount of \$1,387,052 thousand, US\$1,706 thousand and JPY307 thousand shall be paid concurrently when Ta-Ho RSEA transferred the assets under the BOO Agreement to the YCG before June 30, 2009, any delay of which shall incur interest of 5% per annum; the arbitration expenses in the amounts of \$14,629 thousand shall be borne by the YCG.

After obtaining the ruling permitting compulsory enforcement of the arbitration award from the Taiwan Yunlin District Court, Ta-Ho RSEA applied to the Civil Execution Department of the Taiwan Yunlin District Court for compulsory enforcement for the Phase I payment of \$1.5 billion, who received the full payment of the principal and the interest in the amount of \$1,702,326 thousand (after tax). For the Phase II payment of \$1,387,052 thousand, US\$1,706 thousand and JPY307 thousand (around \$1,440,016 thousand in total), Ta-Ho RSEA also applied to the Civil Execution Department of Taiwan Yunlin District Court for compulsory enforcement. As of the date of issuing this report, 14 parcels of land owned by the YCG were sold by auction and the proceeds derived therefrom were used to settle the interest of \$483,583 thousand (after tax); another 4 parcels of land owned by the YCG were sold by auction in the aggregate amount of \$351,121 thousand, of which the proceeds are pending distribution of the proceeds by the Court; another 5 parcels of land are to be sold by auction, and Ta-Ho RSEA shall be entitled to the proceeds derived therefrom.

However, the YCG disagreed with the Phase II payment under the arbitration award and filed an objection suit protesting the compulsory enforcement and petitioned for suspension of such enforcement on the ground that Ta-Ho RSEA had not performed its obligations under the BOO Agreement. The objection suit for protesting the compulsory enforcement is pending in the Taiwan High Court Tainan Branch Court. Whilst the petition for suspension of such enforcement has been granted by the Court, the enforcement shall be suspended until the final judgment of said suit on the condition that the YCG provides a bond of \$216,281 thousand.

- e. Ho-Ping Power Company received an administrative sanction from the Hualien County Government in the end of June 2012 (the “Sanction”) for its overuse of bituminous coal in 2009 and 2010 which violated the Air Pollution Control Act and the Regulations Governing Sales or Use Permits of Bituminous Coal, Petroleum Coke or Other Substances Prone to Cause Air Pollution. In this situation, the Hualien County Government imposed an enhanced fine of \$441,930 thousand pursuant to Article 18 of the Administrative Penalty Act. Although the attorney retained by Ho-Ping Power Company was of the opinion that the Sanction was controversial, Ho-Ping Power Company estimated and recorded relevant losses in 2012 and fully paid said fine by the end of 2014 based on the accounting conservatism principle.

From the attorney’s view, the aspects of the Sanction which were controversial comprised its procedures, substance and calculation amount. Ho-Ping Power Company therefore filed an administrative action with the Taipei High Administrative Court for the Sanction in December 2012, and the Taipei High Administrative Court revoked the Sanction in December 2013. The Hualien County Government then filed an appeal in January 2014, and the Supreme Administrative Court vacated the judgment made by the Taipei High Administrative Court and remanded the case to the Taipei High Administrative Court. The Taipei High Administrative Court then revoked the amount of the fine in the portion exceeding \$436,017 thousand under the Sanction and dismissed the other claims raised by Ho-Ping Power Company. Ho-Ping Power Company appealed the case to the Supreme Administrative Court in January 2016 and learned on April 22, 2016 that the appeal of the “Sanction on



overuse of bituminous coal in 2009 and 2010 by Ho-Ping Power Company” was dismissed by the Supreme Administrative Court, and the amount of the fine was decided to be more than \$436,000 thousand. Ho-Ping Power Company brought a motion for a rehearing in May 2016. The Supreme Administrative Court ruled on July 25, 2016 to dismiss the rehearing motion pursuant to Item 1, Paragraph 1 of Article 273 of the Administrative Litigation Act but transferred a part of the rehearing request made pursuant to Item 14 thereof to the Taipei High Administrative Court for review.

- f. Ho-Ping Power Company received a disposition from the Fair Trade Commission (the “FTC”) stating that Ho-Ping Power Company and 8 other independent power producers (collectively, the “IPPs”) had taken concerted action to achieve a common understanding not to adjust the power purchase price rate with Taiwan Power Company (“TPC”) which violated Paragraph 1, Article 14 of the Fair Trade Act and resulted in an impact on the supply and demanded function of the electricity market. The FTC imposed an administrative fine of \$1,350,000 thousand (the “First Disposition”) on Ho-Ping Power Company pursuant to Paragraph 2, Article 41 of Fair Trade Act as amended and effective on November 23, 2011. Ho-Ping Power Company argued against the First Disposition and, after consulting with its attorney, appealed to revoke the First Disposition in accordance with relevant administrative proceedings on the following grounds:
- 1) The electricity market in Taiwan is still of vertically integrated monopoly and not liberal, with only the one exception that the IPPs are permitted to conduct power production business. However, the IPPs can only sell power to TPC at a contractual fixed price under the power purchase agreement entered into with TPC, and TPC maintains its monopoly over the power transmission and distribution market. The power purchase price between the respective IPPs and TPC is fixed, and the guaranteed power production is specified in the power purchase agreement leaving no room for competition, which is different from the FTC’s claim that the IPPs can be classified in the same power production market with TPC.
  - 2) Assuming that the IPPs are all in the same production and/or marketing stage, it does not necessarily give rise to horizontal competition for the following reasons. First, there is no price competition among the IPPs. In the power purchase agreement, the selling prices include both capacity charges and energy charges. Energy charges reflect variable costs with an adjustment formula, while capacity charges reflect fixed costs of investing in building power plants without an adjustment formula. It suggested that, when TPC drafted the agreement, it intended to have the IPPs bear all fluctuations and risks of the financing and operating costs during the 25-year term. Furthermore, the IPPs make their financial plan of amortized costs of loans based on the capacity rate during the contract term. Hence, it is impossible to change capacity charges, and the IPPs’ capacity charge prices have been fixed since the signing of the agreement. There is no competition among the IPPs. Secondly, there is no quantity competition among the IPPs. The IPPs’ electricity supply during the contract term is a “guaranteed capacity” plus an “adjusted capacity as requested by TPC”, which may not be increased or decreased at the IPPs’ discretion but is subject to TPC’s instruction. Therefore, there is no quantity competition among the IPPs.
  - 3) The FTC determined that the IPPs reached a common understanding by attending a meeting and jointly refused to adjust the capacity rate under the agreement with TPC. However, the IPPs were responding to TPC’s request to have a joint negotiation. In TPC’s meeting notice, the IPPs were requested to attend the same meeting and were deemed as a consortium, and, in the meeting, the IPPs were to discuss TPC’s proposal for amending the selling rate which shall be in conformity with the purpose of the power purchase agreement. This shall be distinguished from a concerted action restricting business activities. The FTC’s decision was obviously inaccurate.

- 4) The IPPs have no obligation to adjust the capacity rate under the power purchase agreement. The IPPs explicitly expressed, at the beginning of the negotiation which was requested by TPC, that it was hard for them to agree on amending the power purchase agreement. On the contrary, TPC has a significant share of the power production market, reaching 80% or more, and has absolute dispatch power over the IPPs' power production under the power purchase agreement. As the decision-maker for the supply and demand of the electricity market, TPC would be likely to be involved in the misuse of its market power by forcing the IPPs to negotiate amending the agreement with its dominant position.
- 5) While the FTC deemed that the IPPs engaged in a concerted action in 2008, it imposed the fine on Ho-Ping Power Company pursuant to Paragraph 2, Article 41 of the Fair Trade Act as amended on November 23, 2011 and the Regulations for Calculation of Administrative Fines for Serious Violations of Articles 10 and 14 of the Fair Trade Act promulgated on April 5, 2012. This is clearly contradictory to the non-retroactive principle.

According to the attorney of Ho-Ping Power Company, the FTC had a wrong finding of facts and application of the law. That is, Ho-Ping Power Company has neither competed with nor taken concerted action with the other IPPs, and the First Disposition, which imposed a significant fine on Ho-Ping Power Company pursuant to the new Fair Trade Act, was contradictory to the non-retroactive principle. Ho-Ping Power Company appealed against the First Disposition with the Petition and Appeals Committee of the Executive Yuan (the "P&A Committee") in April 2013, who made its administrative appeal decision in September 2013 sustaining the First Disposition in part affirming Ho-Ping Power Company's violation of prohibited concerted action but in part revoking the fine. Accordingly, the FTC made a second administrative disposition in November 2013 with the fine of \$1,320,000 thousand on Ho-Ping Power Company (the "Second Disposition").

Ho-Ping Power Company filed an action with the Taipei High Administrative Court in November 2013, requesting the Court to revoke the First Disposition and the part of the administrative appeal decision unfavorable to Ho-Ping Power Company, which was granted by the Taipei High Administrative Court in November 2014. The FTC appealed this in December 2014, and in June 2015, the Supreme Administrative Court vacated the Taipei High Administrative Court's judgment and remanded the case to the Taipei High Administrative Court to render another judgment. In August 2015, Ho-Ping Power Company received an order from the Taipei High Administrative Court requesting Ho-Ping Power Company to file a supplementary statement based on the remand of the Supreme Administrative Court's judgment (Ref. No. 104-Pan-Zi-339 and Ref. No. 104-Su-Gan-Yi-Zi-68). The case is currently under review by the Taipei High Administrative Court.

Ho-Ping Power Company separately appealed to the P&A Committee in December 2013 for revocation of the Second Disposition. The P&A Committee made its administrative appeal decision in May 2014, which revoked the Second Disposition, returned the fine to Ho-Ping Power Company, and requested the FTC to render another appropriate administrative disposition in two months. Nonetheless, the FTC rendered the third administrative disposition in July 2014 (the "Third Disposition") with the same fine of \$1,320,000 thousand. Ho-Ping Power Company appealed the Third Disposition in August 2014 and received a letter from the P&A Committee in December 2014 notifying it that the administrative appeal procedures shall be suspended until the Supreme Administrative Court rendered a final and binding judgment with respect to the First Disposition and the part of the administrative appeal decisions which were unfavorable to Ho-Ping Power Company. In July 2014, Ho-Ping Power Company applied for the payment of said fine in 60 installments with the FTC.

In accordance with the accounting conservatism principle, Ho-Ping Power Company recognized relevant losses in 2012 and has paid a fine of \$660,000 thousand as of December 31, 2016. The outstanding fine was recorded by Ho-Ping Power Company under (i) other payables of \$264,000 thousand and other non-current liabilities of \$396,000 thousand as of December 31, 2016, (ii) other payables of \$264,000 thousand and other non-current liabilities of \$660,000 thousand as of December 31, 2015, and (iii) other payables of \$264,000 thousand and other non-current liabilities of \$924,000 thousand as of January 1, 2015.

- g. In September 2015, Ho-Ping Power Company received a complaint of administrative litigation raised by TPC to the Taipei High Administrative Court, where TPC alleged that Ho-Ping Power Company and other 8 IPPs conspired to set up an association to refuse the adjustment of capacity rate for TPC who then suffered an unreasonably high electricity purchase rate for a long period of time and filed a claim against Ho-Ping Power Company for its losses of at least \$5.5 billion plus interest of 5% per annum from June 1, 2008 to the repayment date, with a reserve of its right to amend the claim scope (the “First Litigation”). In October 2015, the Taipei High Administrative Court ruled to suspend the judiciary proceedings of the First Litigation until the closure of the 104-Su-Gan-Yi-Zi-68 administrative litigation (the “First Ruling”). In June 2016, the Taipei High Administrative Court revoked the First Ruling and transferred the First Litigation to the Taiwan Taipei District Court (the “Second Ruling”). TPC raised an interlocutory appeal against both the First Ruling and the Second Ruling in July 2016, which was transferred to the Supreme Administrative Court by the Taipei High Administrative Court. As the Supreme Administrative Court dismissed the interlocutory appeal in January 2017, the Second Ruling was finalized, and the Taipei High Administrative Court then transferred the dossier of the First Litigation to the Taiwan Taipei District Court in February 2017.

In November 2015, Ho-Ping Power Company received a complaint of civil litigation raised by TPC to the Taiwan Taipei District Court based on the same ground of the aforementioned administrative litigation with a claim of damage for at least \$5.2 billion plus interest of 5% per annum from June 1, 2008 to the repayment date, with a reserve of its right to amend the claim scope and request a public apology made in the newspaper (the “Second Litigation”).

Based on the opinion of the attorney of Ho-Ping Power Company, the facts of the claim under the Second Litigation are pending the review of the Taiwan Taipei District Court. TPC’s claim under the Second Litigation is pursuant to the Fair Trade Act, so the Taiwan Taipei District Court shall have jurisdiction over it, and the nature of the power purchase agreement shall be irrelevant. In addition, such claim by TPC shall be overruled due to the application of the statute of limitation. The concerted action of the IPPs as alleged by TPC is still pending the review of the Taipei High Administrative Court, and the Taipei High Administrative Court decided to suspend the judiciary proceedings of the claim of damage. Hence, it is too early for TPC to bring the Second Litigation. Given such situation, Ho-Ping Power Company considered the chance of the Second Litigation remote and therefore did not recognize relevant losses.

- h. To execute the cement barge replacement plan, Da-Ho Maritime Corporation, based on its board of directors’ resolution dated December 20, 2013, entered into an agreement with Supero Seiki Co., Ltd. for the purchase of two sets of bulk cement handling equipment in the aggregate amount of US\$7,600 thousand, among which US\$2,628 thousand was paid as of the date of this report’s issue.

Based on another of the board of directors’ resolutions dated July 31, 2015, Da-Ho Maritime Corporation entered into an agreement with Cardinal Maritime S.A. for the purchase of two new cement barges in the aggregate amount of JPY7,036,000 thousand, among which JPY2,462,600 thousand was paid as of the date of this report’s issue. The board of directors adopted another resolution dated October 15, 2015 to enter into an agreement with Sumitomo Corporation for the purchase of six bulk carriers in the aggregate amount of US\$161,520 thousand, among which US\$43,072 thousand was paid as of the date of this report’s issue.

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

The following information was aggregated by the foreign currencies other than functional currencies of the group entities and the exchange rates between foreign currencies and respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

December 31, 2016

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 50,436	32.25 (USD:NTD)	\$ 1,626,561
USD	71,313	6.929 (USD:RMB)	2,300,991
USD	17,682	7.760 (USD:HKD)	<u>570,529</u>
			<u>\$ 4,498,081</u>
<u>Financial liabilities</u>			
Monetary items			
USD	42,711	32.25 (USD:NTD)	\$ 1,377,441
USD	1,320,000	7.760 (USD:HKD)	42,591,226
HKD	229,815	0.893 (HKD:RMB)	<u>955,571</u>
			<u>\$ 44,924,238</u>

December 31, 2015

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 50,766	32.825(USD:NTD)	\$ 1,666,394
USD	26,691	6.513 (USD:RMB)	876,032
USD	163,106	7.75 (USD:HKD)	<u>5,353,343</u>
			<u>\$ 7,895,769</u>
<u>Financial liabilities</u>			
Monetary items			
USD	39,366	32.825(USD:NTD)	\$ 1,292,186
USD	778,385	6.513 (USD:RMB)	25,547,584
USD	914,728	7.75 (USD:HKD)	30,022,516
HKD	162,389	0.84 (HKD:RMB)	<u>687,718</u>
			<u>\$ 57,550,004</u>

The realized and unrealized foreign exchange gains and losses were net losses of \$985,562 thousand and \$1,570,026 thousand for the years ended December 31, 2016 and 2015, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of foreign currency transactions and functional currencies of the group entities.

**34. SEPARATELY DISCLOSED ITEMS****a. Information about significant transactions and investees**

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

**b. Information on investments in mainland China (Table 8)**

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area
- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:
  - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period
  - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period

- c) The amount of property transactions and the amount of the resultant gains or losses
- d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes
- e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds
- f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services

### 35. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of segment. Specifically, the Group's reportable segments under IFRS 8 "Operating Segments" were as follows:

- a. Cement segment - production, processing and sale of cement goods
- b. Chemical engineering segment - production, processing and sale of chemical raw materials
- c. Electricity segment - thermal power generation
- d. Other segments - land and marine transportation
  - production and sale of refractory materials
  - others

The Corporation uses the profit from operations as the measure for segment income and the basis of performance assessment. There was no material difference between the accounting policies of the operating segments and the accounting policies described in Note 4.

- a. Segments revenue and results

	<b>Segment Revenue</b>		<b>Segment Income</b>	
	<b>For the Year Ended December 31</b>		<b>For the Year Ended December 31</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Cement segment	\$ 65,373,914	\$ 66,015,946	\$ 5,104,355	\$ 2,487,671
Chemical engineering segment	9,786,812	11,741,599	(212,321)	(1,620,047)
Electricity segment	11,752,037	12,645,730	7,895,737	8,468,844
Other segments	<u>2,651,543</u>	<u>3,275,801</u>	<u>302,045</u>	<u>387,748</u>
	<u>\$ 89,564,306</u>	<u>\$ 93,679,076</u>	13,089,816	9,724,216
Share of profits of associates and joint ventures			979,609	737,161
Dividend income			808,767	958,117
Other income			455,195	374,447

(Continued)

**APPENDIX II**
**FINANCIAL INFORMATION OF TCC GROUP**

	<b>Segment Revenue</b>		<b>Segment Income</b>	
	<b>For the Year Ended December 31</b>		<b>For the Year Ended December 31</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Interest income			\$ 267,182	\$ 430,757
Impairment loss recognized on financial assets			(619,013)	(51,296)
Impairment loss recognized on property, plant and equipment			(508,142)	(13,105)
Administrative costs and director's remuneration			(55,680)	(50,517)
Finance costs			(1,916,837)	(1,873,739)
Foreign exchange losses, net			<u>(985,562)</u>	<u>(1,570,026)</u>
Income before income tax			<u>\$ 11,515,335</u>	<u>\$ 8,666,015</u> (Concluded)

Segment income represented profit before tax earned by each segment without allocation of central administration costs, director's remuneration, share of profits of associates and joint ventures, dividend income, interest income, impairment recognized on financial assets, impairment loss recognized on property, plant and equipment, finance costs, foreign exchange gains and losses and income tax expense.

**b. Geographical information**

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

	<b>Revenue from External Customers</b>		<b>Non-current Assets</b>	
	<b>For the Year Ended December 31</b>		<b>December 31</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Taiwan	\$ 42,075,081	\$ 48,986,363	\$ 57,614,200	\$ 58,805,082
Asia	<u>47,489,225</u>	<u>44,692,713</u>	<u>83,856,002</u>	<u>94,970,757</u>
	<u>\$ 89,564,306</u>	<u>\$ 93,679,076</u>	<u>\$ 141,470,202</u>	<u>\$ 153,775,839</u>

Non-current assets exclude financial instruments, deferred income tax assets, and net defined benefit asset.

**c. Information about major customers**

The only single customer who contributed 10% or more to the Group's revenue was as follows:

	<b>For the Year Ended December 31</b>	
	<b>2016</b>	<b>2015</b>
Taiwan Power Company	<u>\$ 11,752,037</u>	<u>\$ 12,645,730</u>

TABLE 1

**TAIWAN CEMENT CORPORATION AND SUBSIDIARIES**

FINANCINGS PROVIDED TO OTHERS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(In Thousands of New Taiwan Dollars)

No.	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate (%)	Nature of Financing	Business Transaction Amount	Reason for Specifying Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 1)	Aggregate Financing Limit (Note 1)	Note
													Item	Value			
0	Taiwan Cement Corporation	Ta-Ho Onyx RSEA Environment Co., Ltd. (Note 2)	Other receivables - related parties	Yes	\$ 310,000	\$ 40,000	\$ 20,000	1.40	The need for short-term financing	\$ -	Operating capital	\$ -	\$ -	\$ -	\$ 42,707,220		
1	Taiwan Transport & Storage Corporation	Ta-Ho Onyx RSEA Environment Co., Ltd. (Note 2) Ho Swen Construction Material Co., Ltd. (Note 2)	Other receivables - related parties Other receivables - related parties	Yes Yes	340,000 2,497	340,000	340,000	1.54	The need for short-term financing The need for short-term financing	- -	Operating capital Operating capital	- -	-	-	799,678 799,678	799,678 799,678	
2	Ta-Ho Onyx Taichung Environment Co., Ltd.	Ta-Ho Onyx RSEA Environment Co., Ltd. (Note 2)	Other receivables - related parties	Yes	100,000	100,000	100,000	1.54	The need for short-term financing	-	Operating capital	-	-	-	118,043	118,043	
3	Taiwan Cement Engineering Corporation	Ta-Ho Onyx RSEA Environment Co., Ltd. (Note 2)	Other receivables - related parties	Yes	250,000	250,000	250,000	1.54	The need for short-term financing	-	Operating capital	-	-	-	291,481	291,481	
4	Ho Sheng Mining Co., Ltd.	Ta-Ho Onyx RSEA Environment Co., Ltd. (Note 2)	Other receivables - related parties	Yes	80,000	-	-	-	The need for short-term financing	-	Operating capital	-	-	-	49,589	49,589	
5	TCCI	TCCI (Note 2)	Other receivables - related parties	Yes	3,998,070	3,870,000	2,580,000	2.30	The need for short-term financing	-	Operating capital	-	-	-	20,160,706	20,160,706	
6	TCC (Guangxi) Cement Limited	TCC Huaying Cement Company Limited (Note 2) TCC Huihua Cement Company Limited (Note 2) TCC Jingzhou Cement Company Limited (Note 2) Socohua Cement Co., Ltd. (Note 2) TCC Anshun Cement Co., Ltd. (Note 2) Sicus Naxi Cement Co., Ltd. (Note 2) TCC Yingde Cement Co., Ltd. (Note 2) Socohua Concrete Co., Ltd. (Note 2)	Other receivables - related parties Other receivables - related parties Other receivables - related parties Other receivables - related parties Other receivables - related parties Other receivables - related parties Other receivables - related parties Other receivables - related parties	Yes Yes Yes Yes Yes Yes Yes Yes	1,464,192 1,016,800 762,600 1,423,520 474,200 508,400 508,400 101,680	1,329,696 923,400 692,550 1,292,760 461,700 461,700 92,340	1,327,126 806,128 692,550 -	3.48 3.48 3.48 - - 3.48 - -	The need for short-term financing The need for short-term financing The need for short-term financing The need for short-term financing The need for short-term financing The need for short-term financing The need for short-term financing The need for short-term financing	- - - - - - - -	Operating capital Operating capital Operating capital Operating capital Operating capital Operating capital Operating capital Operating capital	- - - - - - - -	-	-	73,549,850 147,099,700 147,099,700 147,099,700 147,099,700 147,099,700 147,099,700 147,099,700	147,099,700 147,099,700 147,099,700 147,099,700 147,099,700 147,099,700 147,099,700 147,099,700	
7	Yungde Dragon Mountain Cement Co., Ltd.	TCC Yingde Cement Co., Ltd. (Note 2) TCC Liaoning Cement Co., Ltd. (Note 2)	Other receivables - related parties Other receivables - related parties	Yes Yes	1,016,800 479,200	923,400 461,700	461,700	3.05	The need for short-term financing The need for short-term financing	- -	Operating capital Operating capital	- -	-	-	73,549,850 147,099,700	147,099,700 147,099,700	
8	TCC Yingde Cement Co., Ltd.	TCC Guizhou Cement Co., Ltd. (Note 2) TCC Huihua Cement Company Limited (Note 2) Sicus Naxi Cement Co., Ltd. (Note 2) TCC Shaoguan Cement Co., Ltd. (Note 2) TCC Jingzhou Cement Company Limited (Note 2) TCC Anshun Cement Co., Ltd. (Note 2) TCC Dongguan Cement Co., Ltd. (Note 2)	Other receivables - related parties Other receivables - related parties Other receivables - related parties Other receivables - related parties Other receivables - related parties Other receivables - related parties Other receivables - related parties	Yes Yes Yes Yes Yes Yes Yes	1,016,800 762,600 237,100 398,969 254,200 1,016,800 508,400	923,400 692,550 230,850 363,683 230,850 923,400 461,700	369,360 681,008 207,765 363,683 216,999 207,765 -	3.48 3.48 3.48 3.68 3.48 3.48 -	The need for short-term financing The need for short-term financing The need for short-term financing The need for short-term financing The need for short-term financing The need for short-term financing The need for short-term financing	- - - - - - -	Operating capital Operating capital Operating capital Operating capital Operating capital Operating capital Operating capital	- - - - - - -	-	73,549,850 147,099,700 147,099,700 147,099,700 147,099,700 147,099,700 147,099,700	147,099,700 147,099,700 147,099,700 147,099,700 147,099,700 147,099,700 147,099,700		

(Continued)



No.	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate (%)	Nature of Financing	Business Transaction Amount	Reason for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit Borrower (Note 1)	Aggregate Financing Limit (Note 1)	Note
													Item	Value			
		TCC Chongqing Cement Co., Ltd. (Note 2)	Other receivables - related parties	Yes	\$ 497,200	\$ 461,700	\$ 461,700	3.48	The need for short-term financing	\$ -	Operating capital	\$ -	-	\$ -	\$ 147,099,700		
		Guizhou Kaiji Rui An Jian Cai Co., Ltd. (Note 2)	Other receivables - related parties	Yes	497,200	461,700	230,850	3.48	The need for short-term financing	-	Operating capital	-	-	-	73,549,850	147,099,700	
		Scarus Luzhou Cement Co., Ltd. (Note 2)	Other receivables - related parties	Yes	853,560	831,060	807,975	3.48	The need for short-term financing	-	Operating capital	-	-	-	73,549,850	147,099,700	
		Guizhou Kong On Cement Co., Ltd. (Note 2)	Other receivables - related parties	Yes	230,850	230,850	106,191	3.48	The need for short-term financing	-	Operating capital	-	-	-	73,549,850	147,099,700	
9	TCC Fuzhou Cement Co., Ltd.	TCC New (Hangzhou) Management Co., Ltd. (Note 2)	Other receivables - related parties	Yes	508,400	461,700	92,340	3.48	The need for short-term financing	-	Operating capital	-	-	-	73,549,850	147,099,700	
		TCC Liaoning Cement Co., Ltd.	Other receivables - related parties	Yes	355,880	323,190	161,595	3.48	The need for short-term financing	-	Operating capital	-	-	-	73,549,850	147,099,700	
		Guizhou Kaiji Rui An Jian Cai Co., Ltd. (Note 2)	Other receivables - related parties	Yes	254,200	230,850	-	-	The need for short-term financing	-	Operating capital	-	-	-	73,549,850	147,099,700	
		TCC Yingle Cement Co., Ltd. (Note 2)	Other receivables - related parties	Yes	254,200	-	-	-	The need for short-term financing	-	Operating capital	-	-	-	73,549,850	147,099,700	
10	TCCIH	TCC Yingle Cement Co., Ltd. (Note 2)	Other receivables - related parties	Yes	265,999	241,565	241,565	-	The need for short-term financing	-	Operating capital	-	-	-	29,419,940	29,419,940	
11	Primo York Ltd.	Upper Value Investment Limited (Note 2)	Other receivables - related parties	Yes	219,249	212,058	212,058	-	The need for short-term financing	-	Operating capital	-	-	-	73,549,850	147,099,700	
12	Jurong TCC Cement Co., Ltd.	TCC Huaihua Cement Company Limited (Note 2)	Other receivables - related parties	Yes	1,271,000	1,154,250	1,154,250	3.48	The need for short-term financing	-	Operating capital	-	-	-	73,549,850	147,099,700	
		Dongguan Jili Cement Company Limited	Other receivables - related parties	Yes	533,820	113,565	113,565	-	The need for short-term financing	-	Operating capital	-	-	-	4,268,843	4,268,843	
		TCC Liaoning Cement Co., Ltd.	Other receivables - related parties	Yes	328,510	323,190	300,105	3.48	The need for short-term financing	-	Operating capital	-	-	-	73,549,850	147,099,700	
		Scarus Luzhou Cement Co., Ltd. (Note 2)	Other receivables - related parties	Yes	762,600	692,550	577,125	3.48	The need for short-term financing	-	Operating capital	-	-	-	73,549,850	147,099,700	
		TCC New (Hangzhou) Management Co., Ltd. (Note 2)	Other receivables - related parties	Yes	152,160	-	-	-	The need for short-term financing	-	Operating capital	-	-	-	73,549,850	147,099,700	
		TCC Huaihua Concrete Company Limited (Note 2)	Other receivables - related parties	Yes	152,520	138,510	55,404	3.48	The need for short-term financing	-	Operating capital	-	-	-	73,549,850	147,099,700	
		TCC Chongqing Cement Co., Ltd.	Other receivables - related parties	Yes	1,016,800	923,400	-	-	The need for short-term financing	-	Operating capital	-	-	-	73,549,850	147,099,700	
		TCC Anhui Cement Co., Ltd. (Note 2)	Other receivables - related parties	Yes	1,016,800	923,400	-	-	The need for short-term financing	-	Operating capital	-	-	-	73,549,850	147,099,700	
		TCC Yingle Cement Co., Ltd. (Note 2)	Other receivables - related parties	Yes	508,400	461,700	-	-	The need for short-term financing	-	Operating capital	-	-	-	73,549,850	147,099,700	
		TCC Guangan Cement Co., Ltd. (Note 2)	Other receivables - related parties	Yes	508,400	461,700	-	-	The need for short-term financing	-	Operating capital	-	-	-	73,549,850	147,099,700	
		Guizhou Kong On Cement Co., Ltd. (Note 2)	Other receivables - related parties	Yes	355,880	323,190	161,595	3.70	The need for short-term financing	-	Operating capital	-	-	-	73,549,850	147,099,700	
13	TCC Anhui Cement Co., Ltd.	Anhui Xin Fai Construction Materials Company Limited (Note 2)	Other receivables - related parties	Yes	101,680	92,340	-	-	The need for short-term financing	-	Operating capital	-	-	-	73,549,850	147,099,700	
		Guizhou Kong On Cement Co., Ltd. (Note 2)	Other receivables - related parties	Yes	254,200	230,850	216,999	4.35	The need for short-term financing	-	Operating capital	-	-	-	73,549,850	147,099,700	
		Scarus Luzhou Cement Co., Ltd.	Other receivables - related parties	Yes	143,760	138,510	-	-	The need for short-term financing	-	Operating capital	-	-	-	73,549,850	147,099,700	
		Guizhou Kaiji Rui An Jian Cai Co., Ltd. (Note 2)	Other receivables - related parties	Yes	152,520	138,510	-	-	The need for short-term financing	-	Operating capital	-	-	-	73,549,850	147,099,700	
		Scarus Luzhou Concrete Co., Ltd. (Note 2)	Other receivables - related parties	Yes	152,520	138,510	-	-	The need for short-term financing	-	Operating capital	-	-	-	73,549,850	147,099,700	
		TCC Chongqing Cement Co., Ltd. (Note 2)	Other receivables - related parties	Yes	484,500	461,700	230,850	3.48	The need for short-term financing	-	Operating capital	-	-	-	73,549,850	147,099,700	
14	TCC Guangan Cement Co., Ltd.	Guangan Xin Tai Construction Materials Company Limited (Note 2)	Other receivables - related parties	Yes	27,199	24,701	24,701	-	The need for short-term financing	-	Operating capital	-	-	-	1,139,329	1,139,329	
		Scarus Luzhou Cement Co., Ltd. (Note 2)	Other receivables - related parties	Yes	152,520	138,510	-	-	The need for short-term financing	-	Operating capital	-	-	-	73,549,850	147,099,700	
		Guizhou Kaiji Rui An Jian Cai Co., Ltd. (Note 2)	Other receivables - related parties	Yes	99,440	92,340	-	-	The need for short-term financing	-	Operating capital	-	-	-	73,549,850	147,099,700	

(Continued)

No.	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate (%)	Nature of Financing	Business Transaction Amount	Reason for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Borrower (Note 1)	Aggregate Financing Limit (Note 1)	Note
													Item	Value			
15	TCCI (HK)	Jiangxi TCC Cement Co., Ltd. (Note 2) TCC Single Cement Co., Ltd. (Note 2)	Other receivables - related parties Other receivables - related parties	Yes Yes	\$ 418,125 1,115,450	\$ - -	- -	- -	The need for short-term financing The need for short-term financing	\$ -	Operating capital Operating capital	\$ -	\$ 73,549,850 73,549,850	\$ 147,099,700 147,099,700			
16	Wajly Holdings Ltd.	Guizhou Kaili Rui An Jian Cai Co., Ltd. (Note 2)	Other receivables - related parties	Yes	555,787	536,056	536,056	1.24	The need for short-term financing	-	Operating capital	-	73,549,850	147,099,700			
17	TCC Chongqing Cement Co., Ltd.	Guizhou Kaili Rui An Jian Cai Co., Ltd. (Note 2) Senus Naxi Cement Co., Ltd. (Note 2) TCC Huaihua Cement Company Limited (Note 2) TCC Hanyang Cement Company Limited (Note 2) TCC Guanggan Cement Co., Ltd. (Note 2) Senus Luzhou Cement Co., Ltd. (Note 2) TCC Jingzhou Cement Company Limited (Note 2)	Other receivables - related parties Other receivables - related parties Other receivables - related parties Other receivables - related parties Other receivables - related parties Other receivables - related parties Other receivables - related parties	Yes Yes Yes Yes Yes Yes Yes	254,200 152,520 745,800 127,100 508,400 254,200 92,340	230,850 138,510 692,550 115,425 461,700 230,850 92,340	- 138,510 613,599 73,284 - - 46,170	- 3.48 3.48 3.48 - - 3.48	The need for short-term financing The need for short-term financing The need for short-term financing The need for short-term financing The need for short-term financing The need for short-term financing The need for short-term financing	- - - - - - -	Operating capital Operating capital Operating capital Operating capital Operating capital Operating capital Operating capital	- - - - - - -	73,549,850 73,549,850 73,549,850 73,549,850 73,549,850 73,549,850 73,549,850	147,099,700 147,099,700 147,099,700 147,099,700 147,099,700 147,099,700 147,099,700			
18	TCC New (Hangzhou) Management Co., Ltd.	Senus Luzhou Cement Co., Ltd. (Note 2) Senus Naxi Cement Co., Ltd. (Note 2) Senus Luzhou Concrete Co., Ltd. (Note 2)	Other receivables - related parties Other receivables - related parties Other receivables - related parties	Yes Yes Yes	315,208 279,620 40,672	286,254 253,935 36,936	286,254 203,148 -	3.48 3.48 -	The need for short-term financing The need for short-term financing The need for short-term financing	- - -	Operating capital Operating capital Operating capital	- - -	73,549,850 73,549,850 73,549,850	147,099,700 147,099,700 147,099,700			
19	Prosperity Minerals (China) Ltd.	TCC New (Hangzhou) Management Co., Ltd. (Note 2)	Other receivables - related parties	Yes	405,539	368,191	368,191	-	The need for short-term financing	-	Operating capital	-	73,549,850	147,099,700			
20	Da Tong (Guangang) International Logistics Co., Ltd.	Guangang Da-Ho Shipping Co., Ltd. (Note 2)	Other receivables - related parties	Yes	152,520	138,510	-	-	The need for short-term financing	-	Operating capital	-	3,199,924	6,399,848			
21	Hexagon III Holdings Ltd.	Senus Naxi Cement Co., Ltd. (Note 2)	Other receivables - related parties	Yes	207,427	-	-	-	The need for short-term financing	-	Operating capital	-	73,549,850	147,099,700			
22	Hexagon IV Holdings Ltd.	Senus Luzhou Cement Co., Ltd. (Note 2)	Other receivables - related parties	Yes	397,658	-	-	-	The need for short-term financing	-	Operating capital	-	73,549,850	147,099,700			
23	Guizhou Kaili Rui An Jian Cai Co., Ltd.	Senus Naxi Cement Co., Ltd. (Note 2)	Other receivables - related parties	Yes	152,520	138,510	-	-	The need for short-term financing	-	Operating capital	-	73,549,850	147,099,700			
24	TCC Investment Corporation	Ta-Ho Onyx RSEA Environment Ltd. (Note 2) Jin Chu Minerals Corporation (Note 2)	Other receivables - related parties Other receivables - related parties	Yes Yes	290,000 9,000	- -	- -	- -	The need for short-term financing The need for short-term financing	- -	Operating capital Operating capital	- -	455,308 455,308	455,308 455,308			
25	Union Cement Traders Inc.	Ta-Ho Onyx RSEA Environment Co., Ltd. (Note 2)	Other receivables - related parties	Yes	90,000	-	-	-	The need for short-term financing	-	Operating capital	-	194,630	194,630			
26	TCC International (Guangxi) Ltd.	TCC (Guangxi) Cement Limited (Note 2)	Other receivables - related parties	Yes	3,708,750	3,708,750	3,708,750	2.03	The need for short-term financing	-	Operating capital	-	73,549,850	147,099,700			
27	Hensford Ltd.	TCC Anhui Cement Co., Ltd. (Note 2)	Other receivables - related parties	Yes	1,657,240	-	-	-	The need for short-term financing	-	Operating capital	-	73,549,850	147,099,700			
28	TCC Huaihua Cement Company Limited	TCC Jingzhou Cement Company Limited (Note 2)	Other receivables - related parties	Yes	93,080	92,340	9,234	-	The need for short-term financing	-	Operating capital	-	73,549,850	147,099,700			
29	Jingyang Industrial Limited	Jiangxi TCC Cement Co., Ltd. (Note 2)	Other receivables - related parties	Yes	318,700	-	-	-	The need for short-term financing	-	Operating capital	-	73,549,850	147,099,700			

(Continued)

No.	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate (%)	Nature of Financing	Business Transaction Amount	Reason for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for the Borrower (Note 1)	Aggregate Financing Limit (Note 1)	Note
													Item	Value			
30	Sure Kii Ltd.	TCC Chongching Cement Co., Ltd. (Note 2)	Other receivables - related parties	Yes	\$ 573,660	\$ -	\$ -	-	The need for short-term financing	\$ -	Operating capital	\$ -	\$ -	\$ 73,549,850	\$ 147,099,700		
31	Mega East Ltd.	TCC Guangan Cement Co., Ltd. (Note 2)	Other receivables - related parties	Yes	637,400	-	-	-	The need for short-term financing	-	Operating capital	-	-	73,549,850	147,099,700		
32	Seius Luzhou Cement Co., Ltd.	Guizhou Kaili Rui An Jian Cai Co., Ltd. (Note 2)	Other receivables - related parties	Yes	92,360	92,340	-	-	The need for short-term financing	-	Operating capital	-	-	73,549,850	147,099,700		

Note 1: "Financing Limits for Each Borrower" and "Aggregate Financing Limits":

- a. The individual and aggregate financing limits for Taiwan Cement Corporation were 20% and 40%, respectively, of its net equity or of the transaction amount with the borrower.
- b. The individual and aggregate financing limits of the foreign subsidiaries whose voting rights are 100% directly or indirectly owned by TCCCH or Ta-Ho Maritime Corporation were 100% and 200% of the net equity of TCCCH and Ta-Ho Maritime Corporation, respectively.
- c. The individual and aggregate financing limits for the other companies were 40% of the net value of each company.

Note 2: All intercompany transactions have been eliminated upon consolidation.

(Continued)

TABLE 2

## TAIWAN CEMENT CORPORATION AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(In Thousands of New Taiwan Dollars)

No.	Endorser/Guarantor	Endorsee/Guaranteee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note 1)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 2)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China	Note
		Name	Relationship (Note 3)											
0	Taiwan Cement Corporation	TCCI	b	\$ 53,384,026	\$ 34,319,700	\$ 32,282,250	\$ 12,577,500	\$ -	30.24	\$ 106,768,051	Y	N	N	
		TCC Investment Corporation	b	53,384,026	3,400,000	2,510,000	1,347,000	-	2.35	106,768,051	Y	N	N	
		TCC Chemical Corporation	b	53,384,026	2,608,000	2,165,000	1,010,000	-	2.03	106,768,051	Y	N	N	
		Union Cement Traders Inc.	c	53,384,026	1,660,000	1,660,000	680,000	-	1.55	106,768,051	Y	N	N	
		Kuan-Ho Construction & Development Corporation	b	53,384,026	750,000	670,000	540,000	-	0.63	106,768,051	Y	N	N	
		Jin Chang Minerals Corporation	a	53,384,026	68,848	68,848	39,814	39,814	0.06	106,768,051	Y	N	N	
		Feng Sheng Enterprise Company	a	476,131	88,145	88,145	88,145	-	0.08	106,768,051	Y	N	N	
1	TCCIH	TCC (Guigang) Cement Limited	c	36,774,925	10,010,590	4,944,525	2,543,067	-	6.72	73,549,850	Y	N	Y	
		TCC Yingde Cement Co., Ltd.	c	36,774,925	4,086,850	2,245,650	785,858	-	3.05	73,549,850	Y	N	Y	
		Jurong TCC Cement Co., Ltd.	c	36,774,925	3,512,275	2,076,060	1,565,163	-	2.82	73,549,850	Y	N	Y	
		TCC Chongqing Cement Co., Ltd.	c	36,774,925	2,860,040	1,544,625	577,125	-	2.10	73,549,850	Y	N	Y	
		TCC Anshun Cement Co., Ltd.	c	36,774,925	2,718,630	-	-	-	-	73,549,850	Y	N	Y	
		TCC Fuzhou Cement Co., Ltd.	c	36,774,925	2,073,599	1,536,176	175,446	-	2.09	73,549,850	Y	N	Y	
		Setus Luzhou Cement Co., Ltd.	c	36,774,925	2,007,000	967,500	590,976	-	1.32	73,549,850	Y	N	Y	
		TCC Liaoning Cement Co., Ltd.	c	36,774,925	1,898,100	1,789,050	1,789,050	-	2.43	73,549,850	Y	N	Y	
		Guizhou Kaiji An Jian Cai Co., Ltd.	c	36,774,925	1,672,500	967,500	761,805	-	1.32	73,549,850	Y	N	Y	
		TCC Guangan Cement Co., Ltd.	c	36,774,925	920,420	-	-	-	-	73,549,850	Y	N	Y	
		Guizhou Kong On Cement Co., Ltd.	c	36,774,925	878,063	733,688	420,147	-	1.00	73,549,850	Y	N	Y	
		Baoshan Kungang & K. Wah Construction Materials Co., Ltd.	e	36,774,925	532,560	415,530	415,530	-	0.56	73,549,850	N	N	Y	
		Setus Naxi Cement Co., Ltd.	c	36,774,925	334,500	-	-	-	-	73,549,850	Y	N	Y	
2	TCC (Guigang) Cement Limited	TCCI (HK)	d	6,538,893	762,600	692,350	692,350	-	5.30	13,077,786	N	Y	N	
3	Ho Sheng Mining Co., Ltd.	Taiwan Cement Corporation	d	123,972	30,283	30,283	30,283	-	24.43	123,972	N	Y	N	

Note 1: Limits on endorsement/guarantee given on behalf of each party were as follows:

- For Taiwan Cement Corporation, TCCIH and TCC (Guigang) Cement Limited, 50% of the net equity in the latest financial statements.
- For endorsement/guarantee given by Taiwan Cement Corporation due to business transactions, 30% of the business transaction amounts in the previous year.
- For Ho Sheng Mining Co., Ltd., 100% of its net equity in the latest financial statements.

Note 2: Aggregate endorsement/guarantee limit was the net equity in the latest financial statements.

Note 3: Relationship between the endorser/guarantor and the endorsee/guaranteee is classified as follows:

- Having a business relationship.
- The endorser/guarantor owns directly more than 50% of the ordinary shares of the endorsee/guaranteee.
- The endorser/guarantor and its subsidiaries jointly own more than 50% of the ordinary shares of the endorsee/guaranteee.
- The endorsee/guaranteee directly or indirectly owns more than 30% of the ordinary shares of the endorser/guarantor.
- Due to joint venture, each shareholder provides endorsements/guarantees to the endorsee/guaranteee in proportion to its ownership.

TABLE 3

## TAIWAN CEMENT CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD  
DECEMBER 31, 2016  
(In Thousands of New Taiwan Dollars)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2016			Note
				Shares/Units (In Thousands)	Carrying Amount	Percentage of Ownership (%)	
Taiwan Cement Corporation	Shares Taishin Financial Holding Co., Ltd. CTCI Corporation China Hsin Cement Corporation China Hi-Ment Corporation China Synthetic Rubber Corporation O-Bank Taiwan Television Enterprise, Ltd. Chen Kuo Construction Co., Ltd. Chinatrust Financial Holding Co., Ltd. IBT II Venture Capital Corporation Rong Gong Enterprise Co. Chinatrust Investment Co., Ltd. Pan Asia Corporation Taiwan Stock Exchange Corporation E-ONE Moli Energy Corporation Excel Corporation	- - The Corporation serves as director The same chairman The Corporation serves as director The Corporation serves as supervisor - - The Corporation serves as director The Corporation serves as supervisor The same chairman The Corporation serves as supervisor The same chairman The Corporation serves as director The same chairman	Available-for-sale financial assets - current Available-for-sale financial assets - current Available-for-sale financial assets - current Available-for-sale financial assets - non-current Available-for-sale financial assets - non-current Available-for-sale financial assets - non-current Available-for-sale financial assets - non-current Available-for-sale financial assets - non-current Financial assets carried at cost - non-current Financial assets carried at cost - non-current Financial assets carried at cost - non-current Financial assets carried at cost - non-current Financial assets carried at cost - non-current Financial assets carried at cost - non-current Financial assets carried at cost - non-current Financial assets carried at cost - non-current Financial assets carried at cost - non-current	\$ 662,459 440,947 239,371 1,452,161 1,500,375 251,100 101,524 81,710 63,110 26,259 33,900 12,156 8,996 8,011 1,670 -	- - - - - - - - 8.30 4.00 8.70 5.40 6.60 0.40 9.50	\$ 662,459 440,947 239,371 1,452,161 1,500,375 251,100 101,524 81,710 63,110 26,259 33,900 12,156 8,996 8,011 1,670 -	
Taiwan Transport & Storage Corporation	Shares China Hsin Cement Corporation	Director of parent company	Available-for-sale financial assets - current	75,353	-	75,353	
TCC Investment Corporation	Shares China Conch Venture Holdings Limited Taishin Financial Holding Co., Ltd. China Hsin Cement Corporation China Synthetic Rubber Corporation O-Bank Chinatrust Investment Co., Ltd. E-ONE Moli Energy Corporation Pan Asia Corporation	- - Director of parent company The same chairman The Corporation serves as director The same chairman The Corporation serves as supervisor	Available-for-sale financial assets - current Available-for-sale financial assets - current Available-for-sale financial assets - current Available-for-sale financial assets - non-current Available-for-sale financial assets - non-current Financial assets carried at cost - non-current Financial assets carried at cost - non-current Financial assets carried at cost - non-current	1,606,651 126,723 72,755 340,364 183,587	- - - - - 3.50 6.30	1,606,651 126,723 72,755 340,364 183,587	7,000 thousand shares were pledged 1,934 thousand shares were pledged 21,000 thousand shares were pledged
Tai-Ho Maritime Corporation	Shares China Hsin Cement Corporation Prosperity Diabetsis Co., Ltd. Chinatrust Investment Co., Ltd.	Director of parent company The same chairman	Available-for-sale financial assets - current Available-for-sale financial assets - non-current Financial assets carried at cost - non-current Financial assets carried at cost - non-current	224,896 15,765 76,034	- 2.10	224,896 15,765 76,034	
Taiwan Cement Engineering Corporation	Beneficiary certificates Capital Money Market Fund	-	Financial assets at fair value through profit or loss	46,827	-	46,827	

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2016			Note
				Shares/Units (In Thousands)	Carrying Amount	Percentage of Ownership (%)	
TCC Chemical Corporation	Shares Taiwan Stock Exchange Corporation	The Corporation serves as director	Financial assets carried at cost - non-current	2,562	\$ 44,820	-	\$ -
TCC Information Systems Corporation	Beneficiary certificates Yuanta De-Bao Money Market Fund Fuh Hwa You Li Money Market	- -	Financial assets at fair value through profit or loss Financial assets at fair value through profit or loss	2,575 2,288	30,659 30,568	- -	30,659 30,568
Taiwan Prosperity Chemical Corporation	Shares China Synthetic Rubber Corporation	The same chairman	Available-for-sale financial assets - non-current	1,303	37,213	-	37,213
Hopping Industrial Port Corporation	Shares Tatshin Financial Holding Co., Ltd. China Investment Co., Ltd. E-ONE Moh Energy Corporation	- The same chairman The same chairman	Available-for-sale financial assets - current Financial assets carried at cost - non-current Financial assets carried at cost - non-current	70,568 10,444 5,822	832,703 120,103 9,897	- 3.30 3.90	832,703 - -
E.G.C. Cement Corporation	Beneficiary certificates Nomura Taiwan Money Market	-	Available-for-sale financial assets - current	1,907	19,395	-	19,395
Union Cement Traders Inc.	Shares Der Pao Construction Co., Ltd.	-	Financial assets carried at cost - non-current	17	-	0.10	-
	Shares Tatshin Financial Holding Co., Ltd. CTCI Corporation China Hsin Cement Corporation China Synthetic Rubber Corporation E-ONE Moh Energy Corporation Vielkoland Inc.	- - - Director of parent company The same chairman The same chairman	Available-for-sale financial assets - current Available-for-sale financial assets - current Available-for-sale financial assets - current Available-for-sale financial assets - current Available-for-sale financial assets - non-current Financial assets carried at cost - non-current	24,800 13,365 7,441 5,742 15,283 6,437	297,635 650,891 64,960 163,946 23,598 89,990	- - - - 6.10 5.60	297,635 650,891 64,960 163,946 - -
TCCI (Group)	Beneficiary certificates Mega Diamond Money Market Fund	-	Financial assets at fair value through profit or loss	3,130	38,787	-	38,787
	Shares Anhui Conch Cement Co., Ltd. Yangoon Co., Ltd.	- -	Available-for-sale financial assets - current Financial assets carried at cost - non-current	116,568 -	10,226,954 12,841	- 24.20	10,226,954 -

Note 1: Marketable securities in the table refer to shares, bonds, beneficiary certificates and other related securities within the scope of IAS 39 "Financial Instruments: Recognition and Measurement".

Note 2: See Tables 7 and 8 for the information of investments in subsidiaries, associates and joint ventures.

(Concluded)

TABLE 4

## TAIWAN CEMENT CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE SHARE CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2016  
(In Thousands of New Taiwan Dollars)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal		Gain/Loss on Disposal	Other Adjustment (Note)	Ending Balance	
					Shares/Units (In Thousands)	Amount	Shares/Units (In Thousands)	Amount	Shares/Units (In Thousands)	Amount			Shares/Units (In Thousands)	Amount
TCCI	Shares TCCCH	Investments accounted for using the equity method	Chia Hsin Cement Group	Substantive related-party relationship	2,814,016	\$ 40,050,594	303,000	\$ 2,732,057	-	\$ -	\$ -	\$ (2,749,918)	3,117,016	\$ 40,032,733

Note: Including share of profit or loss of subsidiaries, cash dividends, equity adjustments, etc.

TABLE 5

## TAIWAN CEMENT CORPORATION AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE SHARE CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2016  
(In Thousands of New Taiwan Dollars)

Buyer	Related Party	Relationship	Transaction Details		Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note	
			Purchases/Sales	Amount	% of Total	Payment Terms	Unit Price	Payment Terms		Ending Balance
Taiwan Cement Corporation	Chia Hsin Cement Corporation	Director of the Corporation	Sales	\$ (472,675)	(3)	65 days after the day delivery was made	\$	\$ 103,221	21	
	Feng Shang Enterprise Company	Subsidiary	Sales	(299,596)	(2)	30 days	-	79,974	16	Note 2
	TCCCH	Subsidiary	Purchases	652,666	4	30 days	-	(92,836)	(16)	Note 2
	HKCCL	Subsidiary	Service revenue	(499,954)	(3)	By contract	-	45,366	9	Note 2
	Taiwan Transport & Storage Corporation	Subsidiary	Sales	(108,342)	(1)	65 days after shipping	-	66,559	14	Note 2
	China Hi-Ment Corporation	Subsidiary	Purchases	945,313	6	30 days	-	(131,266)	(22)	Note 2
	Hoping Industrial Port Corporation	The Corporation serves as director	Purchases	476,049	3	60 days	-	(134,365)	(23)	
	Ta-Ho Maritime Corporation	Subsidiary	Sales	(135,662)	(1)	60 days	-	31,370	6	Note 2
	Shih Hsin Storage & Transportation Co., Ltd.	Subsidiary	Purchases	499,005	3	20 days	-	(9,620)	(2)	Note 2
	Kuan-Ho Refractories Industry Corporation	Associates	Purchases	756,694	5	30 days	-	(152,496)	(26)	Note 2
	E.G.C. Cement Corporation	Subsidiary	Sales	(238,700)	(2)	60 days	-	20,895	4	Note 2
	Taiwan Cement Corporation	Subsidiary	Purchases	255,300	2	By contract	-	(102,878)	(18)	Note 2
	Taiwan Cement Corporation	Subsidiary	Sales	(454,772)	(3)	50 days after the day delivery was made	-	134,640	28	Note 2
	Taiwan Cement Corporation	Parent company	Sales	(255,300)	(23)	By contract	-	102,878	77	Note 2
	Taiwan Cement Corporation	Parent company	Purchases	454,772	100	50 days after the day delivery was made	-	(134,640)	(100)	Note 2
	Hoping Industrial Port Corporation	The same parent company	Purchases	1,146,658	24	20 days	-	(79,566)	(49)	Note 2
	HPC Power Service Corporation	The same parent company	Purchases	398,224	8	By contract	-	(66,303)	(41)	Note 2
	Ho-Ping Power Company	The same parent company	Sales	(1,146,658)	(69)	20 days	-	79,566	87	Note 2
	Taiwan Cement Corporation	Parent company	Sales	(499,005)	(30)	20 days	-	9,820	11	Note 2
	Taiwan Transport & Storage Corporation	The same parent company	Purchases	192,301	68	30 days	-	(18,024)	(65)	Note 2
	Taiwan Cement Corporation	Parent company	Sales	(652,666)	(28)	30 days	-	92,836	100	Note 2
	Taiwan Cement Corporation	Parent company	Purchases	299,596	13	30 days	-	(79,974)	(100)	Note 2
	Taiwan Cement Corporation	Parent company	Sales	(945,313)	(61)	30 days	-	131,266	70	Note 2
	Taiwan Prosperity Chemical Corporation	The same parent company	Sales	(167,639)	(11)	By contract	-	22,951	12	Note 2
	Hoping Industrial Port Corporation	The same parent company	Sales	(192,301)	(12)	30 days	-	18,024	10	Note 2
	China Synthetic Rubber Corporation	The same chairman	Sales	(102,240)	(7)	30 days	-	7,973	4	Note 2
	Taiwan Transport & Storage Corporation	The same parent company	Purchases	167,639	2	By contract	-	(22,951)	(6)	Note 2
	Ho-Ping Power Company	The same parent company	Sales	(398,224)	(100)	By contract	-	66,303	100	Note 2
	Taiwan Cement Corporation	Parent company	Sales	(756,694)	(24)	30 days	-	152,496	99	Note 2
	THC International S.A.	Subsidiary	Rental expense	210,736	7	By negotiation	-	(33,767)	(57)	Note 2
	Sheng Ho Maritime S.A.	Subsidiary	Rental expense	104,241	4	By negotiation	-	(14,171)	(24)	Note 2

(Continued)



Buyer	Related Party	Relationship	Transaction Details			Abnormal Transaction		Notes/Accounts Receivable (Payable) Ending Balance	% of Total (Note 1)	Note
			Purchases/Sales	Amount	% of Total	Payment Terms	Unit Price			
THC International S.A	Tai-Ho Maritime Corporation	Parent company	Rental revenue	\$ (210,736)	(100)	By negotiation	\$ -	100	Note 2	
Sheng Ho Maritime S.A.	Tai-Ho Maritime Corporation	Parent company	Rental revenue	(104,241)	(100)	By negotiation	-	100	Note 2	
HKCCCL	Taiwan Cement Corporation	Parent company	Purchases	108,342	10	65 days after shipping	-	(92)	Note 2	
	Quon Hing Concrete, Ltd.	Associates	Sales	(313,649)	(21)	By negotiation	-	21	Note 2	
	Top Form Construction Ltd.	Investors with significant influence over the Group	Sales	(186,506)	(12)	By negotiation	-	13	Note 2	
	Guigang Da-Ho Shipping Co., Ltd.	The same ultimate parent company	Purchases	117,784	11	By negotiation	-	(8)	Note 2	
TCC (Guigang) Cement Limited	Guigang Da-Ho Shipping Co., Ltd.	The same ultimate parent company	Purchases	195,663	3	By negotiation	-	(25)	Note 2	
	Da Tong (Guigang) International Logistics Co., Ltd.	The same ultimate parent company	Purchases	268,469	4	By negotiation	-	(37)	Note 2	
TCC Yingde Cement Co., Ltd.	Guigang Da-Ho Shipping Co., Ltd.	The same ultimate parent company	Purchases	237,576	4	By negotiation	-	(13)	Note 2	
	Da Tong (Guigang) International Logistics Co., Ltd.	The same ultimate parent company	Freight revenue	(268,469)	(96)	By negotiation	-	100	Note 2	
Guigang Da-Ho Shipping Co., Ltd.	TCC (Guigang) Cement Limited	The same ultimate parent company	Freight revenue	(195,663)	(25)	By negotiation	-	30	Note 2	
	TCC Yingde Cement Co., Ltd.	The same ultimate parent company	Freight revenue	(237,576)	(31)	By negotiation	-	21	Note 2	
	HKCCCL	The same ultimate parent company	Freight revenue	(117,784)	(15)	By negotiation	-	3	Note 2	
ICCHH	Taiwan Cement Corporation	Parent company	Service expense	499,954	100	By contract	-	(99)	Note 2	
Yingde Dragon Mountain Cement Co., Ltd.	Prosperity Conech Cement Company Limited	Associates	Purchases	100,100	3	By negotiation	-	(1)	Note 2	

Note 1: The percentage to total accounts receivable from (payable to) related parties.

Note 2: All intercompany transactions have been eliminated upon consolidation.

(Continued)

TABLE 6

## TAIWAN CEMENT CORPORATION AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE SHARE CAPITAL  
DECEMBER 31, 2016  
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate (%)	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Action Taken		
Taiwan Cement Corporation	Chia Hsin Cement Corporation E.G.C. Cement Corporation (Note)	Directors Subsidiary	\$ 103,221 134,640	4.8 4.0	\$ - -	- -	\$ 103,221 26,763	- -
Ta-Ho Maritime Corporation	Taiwan Cement Corporation (Note)	Parent company	152,496	5.4	-	-	136,334	-
Taiwan Transport & Storage Corporation	Taiwan Cement Corporation (Note)	Parent company	131,266	6.9	-	-	131,266	-
Kuan-Ho Refractories Industry Corporation	Taiwan Cement Corporation (Note)	Parent company	102,878	3.2	-	-	89,374	-
TCC Yingde Cement Co., Ltd.	Dongguan Jimli Cement Company Limited	Substantive related party	221,660	-	221,660	Collecting	-	-

Note: All intercompany transactions have been eliminated upon consolidation.

TABLE 7

## TAIWAN CEMENT CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTEEES  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2016		Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2016	December 31, 2015	Shares/Units (In Thousands)	%			
Taiwan Cement Corporation	TCCI	British Virgin Islands	Investment holding	\$ 18,344,635	\$ 18,344,635	600,976	100.00	\$ 539,915	\$ 539,915	Note
	Ho-Ping Power Company	Taiwan	Thermal power generation	6,037,720	6,037,720	602,973	59.50	19,824,884	3,304,354	Note
	Hoping Industrial Port Corporation	Taiwan	Hoping Industrial Port management	3,198,500	3,198,500	319,990	100.00	5,438,638	827,426	Note
	Ta-Ho Maritime Corporation	Taiwan	Marine transportation	528,506	528,506	118,649	64.79	2,073,147	105,421	Note
	Taiwan Prosperity Chemical Corporation	Taiwan	Processing and sale of chemical material	1,284,143	1,284,143	145,988	50.00	(416,245)	(208,123)	Note
	Taiwan Transport & Storage Corporation	Taiwan	Warehousing, transportation and sale of sand and gravel	90,862	90,862	32,668	83.85	1,676,242	96,213	Note
	TCC Investment Corporation	Taiwan	Investment	190,000	190,000	54,150	100.00	1,138,271	(79,263)	Note
	Ho Sheng Mining Co., Ltd.	Taiwan	Mining and trading	1,414,358	1,414,358	30,100	100.00	1,224,272	(47,511)	Note
	CCC USA Corporation	U.S.A.	Rubber raw materials	481,983	481,983	39	33.33	720,290	122,200	Note
	Taiwan Cement Engineering Corporation	Taiwan	Engineering services	319,439	319,439	59,593	99.05	706,761	51,191	Note
	Kuan-Ho Construction & Development Corporation	Taiwan	Construction and lease services	248,963	248,963	35,959	92.87	473,638	56,064	Note
	ONYX Ta-Ho Environmental Services Co., Ltd.	Taiwan	Waste collection and treatment	72,000	72,000	8,000	50.00	444,093	287,260	Note
	Kuan-Ho Refractories Industry Corporation	Taiwan	Production and sale of refractory materials	181,050	181,050	18,105	95.29	360,862	43,874	Note
	Feng Sheng Enterprise Company	Taiwan	Sale of ready-mixed concrete	250,000	250,000	27,261	45.43	347,821	16,358	Note
	TCC Chemical Corporation	Taiwan	Processing and sale of chemical material	334,350	334,350	118,393	100.00	351,508	56,680	Note
	Ta-Ho Onyx Taitung Environment Co., Ltd.	Taiwan	Waste collection and treatment	313,187	313,187	37,100	100.00	295,109	1,699	Note
	TCC Information Systems Corporation	Taiwan	Information software design	71,000	71,000	14,904	99.36	249,975	30,035	Note
	Ta-Ho Onyx RSEA Environment Co., Ltd.	Taiwan	Waste collection and treatment	666,000	666,000	66,600	66.60	218,514	(15,990)	Note
	HKCMCL	Hong Kong	Investment holding	72,005	72,005	38	84.65	252,303	49,875	Note
	Tunwoo Company Limited	Taiwan	Warehousing and sale of cement	59,880	59,880	75,699	100.00	128,235	13,437	Note
	Jim Chang Minerals Corporation	Taiwan	Afforestation and sale of limestone	18,282	20,282	1,800	100.00	119,043	(6,972)	Note
	HPC Power Service Corporation	Taiwan	Business consulting	1,861	1,861	6	60.00	99,711	181,605	Note
	E.G.C. Cement Corporation	Taiwan	Sale of cement	184,359	184,359	8,063	50.64	95,648	922	Note
	Synpac Ltd.	British Virgin Islands	Investment	70,367	70,367	2,000	25.00	9,934	(22)	(5)
	Tung Chen Mineral Corporation	Taiwan	Afforestation and sale of limestone	1,989	1,989	20	99.45	1,435	(42)	(41)
	TMC	Philippines	Mining excavation	11,880	11,880	120	72.70	-	-	Note
	TPMC	Philippines	Mining excavation	2,105	2,105	20	40.00	-	-	Note
Taiwan Transport & Storage Corporation	Ta-Ho Maritime Corporation	Taiwan	Marine transportation	247,229	247,229	50,311	27.47	879,080	44,701	Note
	E.G.C. Cement Corporation	Taiwan	Sale of cement	126,518	126,518	7,061	44.36	113,152	807	Note
	Chia Huan Tung Cement Corporation	Taiwan	Manufacturing and sale of cement-related products	138,830	138,830	13,883	12.74	82,900	(5,235)	Note
	Ho Swen Construction Material Co., Ltd.	Taiwan	Sand and gravel filtering and sale	10,200	10,200	1,020	51.00	-	-	Note
TCC Investment Corporation	Union Cement Traders Inc.	Taiwan	Import and export trading	219,450	219,450	21,945	100.00	486,575	(64,185)	Note
	Ho-Ping Power Company	Taiwan	Thermal power generation	68,911	68,911	5,067	0.50	163,129	27,768	Note
	Taiwan Prosperity Chemical Corporation	Taiwan	Processing and sale of chemical material	24,000	24,000	1,300	0.51	17,499	(2,138)	Note
	Ta-Ho Maritime Corporation	Taiwan	Marine transportation	343	343	34	0.02	600	30	Note

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2016		Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2016	December 31, 2015	Shares/Units (In Thousands)	Carrying Amount			
Tai-Ho Maritime Corporation	Tai-Ho Maritime Holdings Ltd. Shih Hsin Storage & Transportation Co., Ltd.	Simoa Taiwan	Investment Warehousing, transportation, and sale of cement	\$ 325,995	\$ 325,995	10,500	\$ 4,144,375	\$ 138,781 (95,203)	\$ 138,781 (3,180)	Note
Taiwan Cement Engineering Corporation	Chia Huan Tung Cement Corporation TCEC Corporation	Taiwan Brunei Darussalam	Manufacturing and sale of cement-related products Investment	12,608	12,608	1,261	7,547	(41,095)	(476)	Note
TCC Information Systems Corporation	Taicent Information (Simoa) Pte., Ltd.	Simoa	Investment	3,042	3,042	2,128	45,037	5,424	5,424	Note
Hoping Industrial Port Corporation	Taiwan Prosperity Chemical Corporation	Taiwan	Processing and sale of chemical material	104,929	104,929	6,075	77,870	(416,245)	(9,516)	Note
E.G.C. Cement Corporation	Shih Hsin Storage & Transportation Co., Ltd.	Taiwan	Warehousing, transportation, and sale of cement	176,786	176,786	15,831	101,205	(95,203)	(11,312)	Note
Feng Sheng Enterprise Company	Ho Sven Construction Material Co., Ltd.	Taiwan	Sand and gravel filtering and sale	1,800	1,800	180	-	-	-	Note
Union Cement Traders Inc.	Shih Hsin Storage & Transportation Co., Ltd. Taiwan Transport & Storage Corporation	Taiwan Taiwan	Warehousing, transportation, and sale of cement Warehousing, transportation, and sale of sand and gravel	54,901	54,901	4,917	31,436	(95,203)	(3,510)	Note
	Chia Huan Tung Cement Corporation	Taiwan	Manufacturing and sale of cement-related products	2,612	2,612	261	13,406	114,750	769	Note
Tai-Ho Maritime Holdings Ltd.	THC International S.A. Sheng Ho Maritime S.A. Tai-Ho Maritime (Hong Kong) Limited	Panama Panama Hong Kong	Marine transportation Marine transportation Marine transportation	64,823	65,978	2	2,670,429	31,876	31,876	Note
	Chi Ho Maritime S.A. Tai-Ho Maritime (Singapore) Pte. Ltd.	Panama Singapore	Marine transportation Marine transportation	209,948	213,691	7	387,129	3,388	3,388	Note
TCC International Ltd. (Group)	Quon Hing Concrete Co., Ltd. Chia Huan Tung Cement Corporation Hong Kong Concrete Co., Ltd.	Hong Kong Taiwan Hong Kong	Investment holding Manufacturing and sale of cement-related products Cement processing services	184,994	188,419	100	292,066	222,373	111,187	Note
				212,220	212,220	21,222	126,723	(41,095)	(8,005)	Note
				28,566	28,891	129	211,779	457,978	144,263	

Note: All intercompany transactions have been eliminated upon consolidation (Concluded)

TABLE 8

**TAIWAN CEMENT CORPORATION AND SUBSIDIARIES**

INFORMATION ON INVESTMENT IN MAINLAND CHINA

FOR THE YEAR ENDED DECEMBER 31, 2016

(In Thousands of New Taiwan Dollars)

Investee Company	Main Businesses and Products	Share Capital	Method of Investment (Note 1)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2016 (Note 2)	Investment Flow (Note 2)		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2016 (Note 2)	Net Income (Loss) of the Investee	% Ownership of Investment	Carrying Amount of Investment as of December 31, 2016 (Note 3)	Accumulated Repatriation of Investment Income as of December 31, 2016	Note
					Outflow	Inflow						
Ahui King Bridge Cement Co., Ltd.	Manufacturing and sale of cement	\$ 483,750	(a)	\$ 164,475	\$ -	\$ -	\$ 164,475	(23,147)	38.00	\$ 176,208	\$ -	Note 7
TCC Inzhou Cement Co., Ltd.	Manufacturing and sale of cement	524,063	(b)	296,095	-	-	296,095	(54,620)	31.05	(31,468)	631,494	Note 7
TCC Yuzhou Cement Co., Ltd.	Manufacturing and sale of cement	524,063	(b)	296,095	-	-	296,095	(54,620)	31.05	(31,468)	631,494	Note 7
TCC Yuzhou Cement Co., Ltd.	Software producer and equipment maintenance	435,175	(c)	104,490	-	-	104,490	86,062	26.00	238,559	-	Note 7
TCC Yuzhou Cement Co., Ltd.	Software producer and equipment maintenance	8,204,500	(a)	3,997,732	1,128,750	-	3,997,732	464,469	63.05	10,774,086	-	Note 7
Jiarong TCC Cement Co., Ltd.	Manufacturing and sale of cement	7,514,500	(a)	4,063,339	322,500	-	4,385,839	(627,719)	63.05	382,887	-	Note 7
TCC (Guangxi) Cement Limited	Manufacturing and sale of cement	7,026,498	(a)	3,969,971	-	-	3,969,971	664,209	63.05	8,226,544	-	Note 7
Jiangnan TCC Investment Co., Ltd.	Investment	1,612,500	(a)	911,063	-	-	911,063	(51,540)	63.05	1,566,249	-	Note 7
Yingde Dragon Mountain Cement Co., Ltd.	Manufacturing and sale of cement	1,976,584	(a)	3,503,418	-	-	3,503,418	607,885	63.05	6,415,730	-	Note 7
TCC Liaoning Cement Co., Ltd.	Manufacturing and sale of cement	1,712,807	(b)	1,437,753	-	-	1,437,753	(209,974)	63.05	1,286,431	-	Note 7
TCC Liaoning Cement Co., Ltd.	Manufacturing and sale of cement	1,672,500	(b)	1,437,753	-	-	1,437,753	(209,974)	63.05	1,286,431	-	Note 7
TCC Chuzhou Cement Co., Ltd.	Manufacturing and sale of cement	3,805,500	(a)	2,171,114	1,677,000	-	2,551,644	151,215	63.05	3,176,268	-	Note 7
TCC Gaogan Cement Co., Ltd.	Manufacturing and sale of cement	2,482,200	(a)	1,157,626	645,000	-	1,802,626	91,366	63.05	1,795,868	-	Note 7
TCC (Dong Guan) Cement Co., Ltd.	Warehousing and cement technical consulting	645,000	(a)	364,425	-	-	364,425	(19,460)	63.05	357,458	-	Note 7
Guizhou Kong On Cement Co., Ltd.	Manufacturing and sale of cement	654,675	(a)	295,093	-	-	295,093	(15,281)	41.00	237,667	-	Note 7
TCC New (Hangzhou) Management Co., Ltd.	Operation management	258,000	(a)	145,770	-	-	145,770	168,192	63.05	91,249	-	Note 7
Guizhou Kai Rui An Jian Cai Co., Ltd.	Manufacturing and sale of cement	1,799,063	(a)	1,153,724	-	-	1,153,724	168,192	63.05	1,566,073	-	Note 7
TCC Shanghai Cement Co., Ltd.	Manufacturing and sale of cement	2,228,375	(b)	1,822,113	1,905,975	-	2,088,188	(5,174)	63.05	1,779,553	-	Note 7
TCC Shanghai Cement Co., Ltd.	Manufacturing and sale of cement	4,429,381	(b)	3,104,849	-	-	3,104,849	(6,094)	63.05	3,108,881	-	Note 7
TCC Huzhou Cement Company Limited (Note 4)	Manufacturing and sale of cement	429,381	(b)	6,094,182	-	-	6,094,182	(270,210)	63.05	1,272,013	-	Note 7
TCC Jiangzhou Concrete Company Limited (Note 4)	Manufacturing and sale of cement	46,170	(a)	-	-	-	-	(25,765)	63.05	(13,077)	-	Note 7
TCC Huahua Concrete Company Limited (Note 4)	Manufacturing and sale of cement	46,170	(a)	-	-	-	-	(18,239)	63.05	49,182	-	Note 7
TCC Jiangsu Mining Industrial Company Limited	Mining of limestone	129,000	(a)	403,347	-	-	403,347	8,414	63.05	199,974	-	Note 7
TCC Yingde Mining Industrial Company Limited	Mining of limestone	370,875	(a)	291,787	-	-	291,787	25,600	63.05	284,752	-	Note 7
TCC Ganggang Mining Industrial Company Limited	Mining of limestone	161,250	(a)	139,276	-	-	139,276	53,546	63.05	218,877	-	Note 7
Shatus Next Cement Co., Ltd. (Note 5)	Manufacturing and sale of cement	676,337	(b)	-	-	-	-	(114,433)	63.05	(64,707)	-	Note 7
Shatus Next Cement Co., Ltd. (Note 5)	Manufacturing and sale of cement	1,027,445	(b)	-	-	-	-	(138,246)	63.05	1,166,256	-	Note 7
Shatus Lujiao Concrete Co., Ltd. (Note 5)	Manufacturing and sale of cement	115,425	(a)	-	-	-	-	(80,694)	63.05	81,156	-	Note 7
Anshun Xin Tai Construction Materials Company Limited	Manufacturing and sale of concrete aggregate	69,255	(a)	99,085	-	-	99,085	(17,232)	63.05	40,828	-	Note 7
TCEC (Yingde) Machine Co., Ltd. (Note 6)	Production and sale of cement machinery and assembly work	16,295	(b)	16,295	-	-	16,295	379	100.00	71,255	-	Note 7
Pu Zhou TCC Information Technology Co., Ltd. (Note 6)	Software producer and equipment maintenance	3,225	(c)	3,225	-	-	3,225	5,461	100.00	38,143	-	Note 7
Da Yong (Gujiang) International Logistics Co., Ltd. (Note 6)	Logistics and transportation	161,250	(d)	161,250	-	-	161,250	85,626	100.00	480,944	-	Note 7
Da Tong (Ying De) Logistics Co., Ltd. (Note 6)	Logistics and transportation	23,085	(d)	23,085	-	-	23,085	13,713	100.00	72,275	-	Note 7
Guang Da Ho Shipping Co., Ltd. (Note 6)	Marine transportation	18,468	(d)	18,468	-	-	18,468	65,486	100.00	219,077	-	Note 7
Prosperity Conch Cement Co., Ltd. (Note 6)	Manufacturing and sale of cement	2,677,860	(d)	2,373,747	-	-	2,373,747	3,333,384	25.00	3,108,826	-	Note 7
Yunnan Kunming & K. Wah Cement Construction Materials Co., Ltd. (Note 6)	Manufacturing and sale of cement	3,809,025	(a)	1,547,579	-	-	1,547,579	309,089	30.00	1,529,975	-	Note 7
Baohua Kunming & K. Wah Cement Construction Materials Co., Ltd. (Note 6)	Manufacturing and sale of cement	1,904,882	(a)	749,408	-	-	749,408	151,810	30.00	752,278	-	Note 7
SiChuan Teaching Building Material Group Company Limited (Note 6)	Manufacturing and sale of cement	923,400	(a)	374,623	-	-	374,623	(66,404)	30.00	-	-	Note 7
Guangxin Xin Tai Construction Materials Company Limited (Note 6)	Manufacturing and sale of concrete aggregate	71,564	(a)	51,143	-	-	51,143	(124,655)	50.00	(43,512)	-	Note 7

Accumulated Investment in Mainland China as of December 31, 2016	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment (Note 8)
\$41,812,077	\$47,946,356	

(Continued)

Note 1: All investments in mainland China companies were through a company invested and established in a third region. The method of investments were as follows:

- a. Investment through TCCI
- b. Investment through TECE Corporation (Bharat)
- c. Investment through Taicem Information (Simoa) Pte., Ltd.
- d. Investment through Ta-Ho Maritime (Hong Kong) Limited

Note 2: Including outward remittance from offshore subsidiaries.

Note 3: Investment gain (loss) was based on the associates' audited financial statements except Yunnan Kungang & K. Wah Cement Construction Materials Co., Ltd. and Baoshan Kungang & K. Wah Cement Construction Materials Co., Ltd. The Group considers that there would be no significant adjustments if such financial statements were to be audited.

Note 4: As of December 31, 2016, the accumulated outward remittance for investments was a total of those from TCC Hanhua Cement Company Limited, TCC Jingzhou Cement Company Limited and TCC Huahua Concrete Company Limited.

Note 5: As of December 31, 2016, accumulated outward remittance for investments was a total of \$2,950,506 thousand from 10 companies, including Zanyi Seius Cement Co., Ltd., Seius Nisi Cement Co., Ltd., Seius Luzhou Cement Co., Ltd., Seius Xishui Cement Co., Ltd., Seius Hejiang Cement Co., Ltd., Seius Ruiyuan Cement Co., Ltd., Seius Huanjiang Cement Co., Ltd., Seius Huanjiang Concrete Co., Ltd., Seius Huanjiang Concrete Co., Ltd. and Seius Huanjiang Concrete Co., Ltd. The investment amounts authorized to be withdrawn are currently being processed by the Investment Commission, MOEA.

Note 6: Including the amounts attributable to non-controlling interests.

Note 7: All intercompany transactions have been eliminated upon consolidation.

Note 8: The Corporation received a confirmation letter of Operation Headquarter from the Industrial Development Bureau of the MOEA in October 2016 stating that the Corporation is not limited by the restriction on the accumulated percentage or amount of investment in mainland China.

B. See Tables 1, 2, 4, 5, 6 and 9 for the information about significant transactions with investees in the mainland China, either directly or indirectly through a third area.

(Concluded)

TABLE 9

## TAIWAN CEMENT CORPORATION AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(In Thousands of New Taiwan Dollars)

No.	Investee Company	Counterparty	Relationship (Note 1)	Transactions Details			% of Total Sales or Assets
				Financial Statement Account	Amount	Payment Terms	
0	Taiwan Cement Corporation	E.G.C. Cement Corporation HKCCL Feng Sheng Enterprise Company Ta-Ho Maritime Corporation Taiwan Transport & Storage Corporation Hoping Industrial Port Corporation Kuan-Ho Refractories Industry Corporation TCCIH	1 1 1 1 1 1 1 1	Operating revenue Receivables from related parties Operating revenue Operating revenue Operating costs and expenses Operating costs and expenses Payables to related parties Operating costs and expenses Payables to related parties Operating costs and expenses Operating costs and expenses	\$ 454,772 134,640 108,342 299,596 652,666 756,694 152,496 945,313 131,266 499,005 255,300	50 days after the day delivery was made 50 days after the day delivery was made 65 days after shipping 30 days 30 days 30 days 30 days 30 days 30 days 30 days By contract By contract By contract	0.5 0.1 0.1 0.3 0.7 0.8 0.1 1.1 1.1 - 0.6 0.3 - 0.6
1	Ho-Ping Power Company	Hoping Industrial Port Corporation HPC Power Service Corporation	3 3	Operating costs and expenses Operating costs and expenses	1,146,658 398,224	20 days By contract	1.3 0.4
2	THC International S.A.	Ta-Ho Maritime Corporation	3	Operating revenue	210,736	By negotiation	0.2
3	Sheng Ho Maritime S.A.	Ta-Ho Maritime Corporation	3	Operating revenue	104,241	By negotiation	0.1
4	TCC Chemical Corporation	Taiwan Prosperity Chemical Corporation	3	Finance lease receivables Interest income Long-term finance lease receivables	250,423 122,929 1,858,437	By contract By contract By contract	0.1 0.1 0.7
5	Taiwan Transport & Storage Corporation	Taiwan Prosperity Chemical Corporation Hoping Industrial Port Corporation	3 3	Operating revenue	167,639 192,301	30 days 30 days	0.2 0.2
6	Ta-Ho Onyx RSEA Environment Co., Ltd.	Taiwan Transport & Storage Corporation Ta-Ho Onyx Tating Environment Co., Ltd. Taiwan Cement Engineering Corporation	3 3 3	Other payables to related parties Other payables to related parties Other payables to related parties	340,000 100,000 250,000	By contract By contract By contract	0.1 - 0.1

(Continued)

No.	Investee Company	Counterparty	Relationship (Note 1)	Transactions Details			% of Total Sales or Assets
				Financial Statement Account	Amount	Payment Terms	
7	Da Tong (Guigang) International Logistics Co., Ltd.	TCC (Guigang) Cement Limited	3	Operating revenue	\$ 268,469	By negotiation	0.3
8	Guigang Da-Ho Shipping Co., Ltd.	TCC (Guigang) Cement Limited TCC Yingde Cement Co., Ltd. HKCCL	3	Operating revenue	195,663	By negotiation	0.2
				Operating revenue	237,576	By negotiation	
				Operating revenue	117,784	By negotiation	

Note 1: All intercompany transactions have been eliminated upon consolidation. The directional flow of the investment relationship is represented by the following numerals:

- a. From parent to subsidiary: 1.
- b. From subsidiary to parent: 2.
- c. Between subsidiaries: 3.

Note 2: This table includes transactions for amounts over \$100 million.

(Concluded)



**4. INDEBTEDNESS****A. Borrowings**

As at May 31, 2017, TCC Group had the following outstanding bank borrowings:

<b>Item</b>	<b>Amount</b> <i>NT\$'000</i>
Bank borrowings – unsecured	75,084,962
Bank borrowings – secured	<u>5,323,469</u>
<b>Total</b>	<b><u><u>80,408,431</u></u></b>

As at May 31, 2017, TCC Group had (i) an outstanding balance of NT\$2,331,376 thousand in respect of the letters of credit for purchase of raw material and (ii) an outstanding amount of NT\$1,635,858 thousand in respect of letters of guarantee granted for bonds issued by the banks for TCC Group.

**B. Mortgages and charges**

As at May 31, 2017, the following assets of TCC Group were pledged or mortgaged as collateral for certain short-term loans, long-term loans, performance bonds and other credit accommodations:

<b>Item</b>	<b>Amount</b> <i>NT\$'000</i>
Available-for-sale financial assets (current and non-current)	317,586
Property, plant and equipment	2,659,946
Investment properties	1,226,015
Finance lease receivables (current and non-current)	16,845,199
Pledged bank deposits (current and non-current)	<u>677,307</u>
<b>Total</b>	<b><u><u>21,726,053</u></u></b>

**C. Guarantees**

As at May 31, 2017, the following guarantees were provided by TCC Group:

- (a) TCC had issued bills of lading for finished goods in the amount of 286,000 tons as collateral for its credit facilities with financial institutions; and
- (b) TCCIH Group provided a corporate guarantee in the amount of HK\$77,970 thousand (equivalent to approximately NT\$301,276 thousand) to a bank to secure banking facilities granted to an associate.

**D. Contingent Liabilities**

Apart from the litigation or arbitration as stated in items (d) to (g) under “Note 30 – Significant Contingent Liabilities and Unrecognized Commitments” of the unaudited consolidated results as set forth in TCC Group’s financial report for the six months ended June 30, 2017, TCC Group had no other material contingent liabilities.

Save as disclosed in the above paragraphs headed “A. Borrowings”, “B. Mortgages and charges”, “C. Guarantees” and “D. Contingent Liabilities”, and apart from intra-group liabilities, normal trade and other payables, as at May 31, 2017, TCC Group did not have any debt securities issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptance or acceptance credits, debentures, mortgages, charges, hire purchase or finance lease commitments, guarantees or other material contingent liabilities.

## 5. MATERIAL CHANGES

The TCC Directors and TCCI Directors confirm that save for the following matters, there has been no material change in the financial or trading position or outlook of TCC Group since December 31, 2016, being the date to which the last published audited consolidated financial statements of TCC Group were made up, up to and including the Latest Practicable Date:

1. On April 20, 2017, TCC and TCCI announced the proposed privatisation of the Company by TCC and TCCI by way of a scheme of arrangement (under section 86 of the Companies Law of the Cayman Islands). Accordingly, TCC will issue no more than 767,146,025 new TCC Shares for the proposed privatisation of the Company pursuant to the Share Alternative. The cash consideration payable under the Proposal is intended to be financed from a combination of external debt financing obtained by TCCI and internal financial resources of TCC;
2. On August 11, 2017, the Group announced its unaudited interim results for the six months ended June 30, 2017 (“**2017H1**”). The Group had a profit of approximately HK\$482 million for 2017H1 and had a loss of approximately HK\$152 million for the six months ended June 30, 2016 (“**2016H1**”). The earnings per share of the Company increased from HK3.4 cents loss per share in 2016H1 to HK8.3 cents earnings per share in 2017H1. The net equity of the Group increased from approximately HK\$18.8 billion in 2016H1 to approximately HK\$19.9 billion in 2017H1;
3. On August 11, 2017, the TCC Group announced its unaudited interim results for 2017H1. The TCC Group had a total comprehensive income of approximately NT\$5,505 million for 2017H1 and had a total comprehensive loss of approximately NT\$1,498 million for 2016H1. The earnings per share of the TCC Group increased from NT\$0.60 earnings per share in 2016H1 to NT\$0.81 earnings per share in 2017H1. The net equity of the TCC Group decreased from approximately NT\$146.8 billion in 2016H1 to approximately NT\$145.4 billion in 2017H1.

*The following is the text of letter, summary of valuation and valuation certificates, prepared for the purpose of incorporation in this circular, received from Grant Sherman Appraisal Limited, an independent property valuer, in connection with their valuation as at 31 May 2017 of the property interests held by the Group in Hong Kong and the People's Republic of China.*

**GRANT SHERMAN**

Unit 1005, 10/F., AXA Centre,  
151 Gloucester Road,  
Wanchai,  
Hong Kong

24 August 2017

The Directors  
TCC International Holdings Limited  
16th Floor,  
Hong Kong Diamond Exchange Building,  
8-10 Duddell Street,  
Central, Hong Kong

Dear Sirs,

In accordance with your instructions for us to value the property interests held by TCC International Holdings Limited (the “Company”) and its subsidiaries (together referred to as the “Group”) in the People’s Republic of China (“the PRC”) and the Hong Kong Special Administrative Region of the PRC (“Hong Kong”), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of such property interests as at the 31 May 2017 (“date of valuation”) for the purpose of incorporation into the circular issued by the Company on the date hereof.

Our valuation is our opinion of the market value of the property interests where we would define market value as intended to mean “the estimated amount for which an asset or liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”.

Market Value is understood as the value of a property estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

In valuing the property interests Nos. 1 to 7, 10, 12 to 28 in Group I which are held by the Group for cement production use in the PRC, we have adopted a combination of the market and depreciated replacement cost approach in assessing the land portion of the properties and the buildings and structures standing on the lands respectively. Hence, the sum of the two results represents the market value of the properties as a whole. In the valuation of the land portion, reference has been made to the local standard land prices in the PRC and the sales evidence as available to us in the locality. As the nature of the buildings and structures cannot be valued on the basis of market value, they have therefore been valued on the basis of their depreciated replacement costs. The depreciated replacement cost approach considers the current cost of replacement (reproduction) of the buildings and improvements less deductions for physical deterioration and all relevant forms of obsolescence and optimisation. The depreciated replacement cost approach generally furnishes the most reliable indication of value for properties in the absence of a known market based on comparables sales.

In valuing property interests Nos. 8, 9, 11, 29 to 31 in Group I, No.32 in Group II and No. 33 in Group III, direct comparison approach is adopted with reference to comparable transactions in the open market and on the basis of vacant possession.

Our valuation has been made on the assumption that the owner sells the property interest on the open market in its existing state without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to increase the values of the property interest. In addition, no forced sale situation in any manner is assumed in our valuation.

In arriving of the valuation of the property in Group II, we have caused searches to be made at the relevant Land Registry and in some instances, we have been provided with copies of title documents relating to the property interest. We have not, however, searched the original documents to verify the ownership, encumbrances or the existence of any subsequent amendments which do not appear on the copies handed to us. All documents have been used for reference only. All dimensions, measurements and areas are approximations.

In valuing property in Hong Kong, the Government Leases of which expired before 30th June 1997, we have taken account of the statement contained in Annex III of the Joint Declaration of the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of the People's Republic of China on the question of Hong Kong and the New Territories Leases (Extension) Ordinance 1988 that such leases will be extended without premium until 30 June 2047 and that an annual rent of three percent of the rateable value will be charged from the date of extension.

We have been provided with copies of extracts of title documents relating to the properties in the PRC. However, we have not caused title searches to be made for the property interests at the relevant government bureaus in the PRC and we have not inspected the original documents to verify the ownership, encumbrances or the existence of any subsequent amendments which may not appear on the copies handed to us. In undertaking our valuation for the property interest in the PRC, we have relied on the legal opinion ("the PRC legal opinion") provided by the Group's PRC legal adviser, Allbright Law Offices.

We have relied to a considerable extent on information provided by the Group and have accepted advice given to us by the Group on such matters as planning approvals or statutory notices, easements, tenure, occupancy, lettings, site and floor areas and in the identification of the properties and other relevant matter. We have no reason to doubt the truth and accuracy of the information provided to us by the Company which is material to the valuation. We have also been advised by the Group that no material facts had been concealed or omitted in the information provided to us and have no reason to suspect that any material information has been withheld. All documents have been used for reference only. We consider that we have been provided with sufficient information to reach an informed view.

All dimensions, measurements and areas included in the valuation certificates are based on information contained in the documents provided to us by the Group and are approximations only. No on-site measurement has been taken.

The properties were inspected by Mr Lawrence Chan Ka Wah (MRICS MHKIS RPS(GP) MCIREA), Mr. Cris Chan (BSc) and Mr Jimmy Lee (MSc) from 18 May 2017 to 22 June 2017. We have inspected the exterior, and where possible, the interiors of the properties, in the course of our inspection, we did not note any serious defects. However, we have not carried out a structural survey nor have we inspected woodwork or other parts of the structures which are covered, unexposed or inaccessible and we are therefore unable to report that any such parts of the property are free from defect though in the course of our inspections we did not note any serious defects. No tests were carried out on any of the services.

We have not carried out investigation to determine the suitability of the ground conditions or the services for any property developments to be erected thereon. Our valuation is on the basis that these aspects are satisfactory and that no extraordinary expense or delay will be incurred during the construction period. Moreover, it is assumed that the utilization of the land and improvements will be within the boundaries of the sites held by the owner or permitted to be occupied by the owner. In addition, we assumed that no encroachment or trespass exists, unless noted in the valuation certificates.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property interests nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interests are free from encumbrances, restrictions and outgoing of an onerous nature which could affect their values.

In valuing the property interests, we have fully complied with the HKIS Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors (HKIS), the requirements set out in Chapter 5 of and Practice Note 12 to the Rule Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited and Rule 11 of the Code on Takeovers and Mergers issued by Securities and Futures Commission.

For the purpose of compliance with Rule 11.3 of the Code on Takeovers and Mergers and as advised by the Company, the potential tax liabilities which may arise from the sale of the properties include: (i) PRC business tax (equivalent to 5% of sales revenue), (ii) PRC land appreciation tax (equivalent to 30% -60% of the net appreciation amount) and (iii) PRC corporate income tax (25%). It is unlikely that such tax liability will be crystallised in the recent future as the Group has no intention to dispose of or transfer the relevant property interests. According to our established practice, in the course of our valuation, we have neither verified nor taken into account such tax liability.

Unless otherwise stated, all money amounts stated are in Renminbi (RMB). The exchange rate adopted in valuing the property interest in the PRC as at 31 May 2017 was HK\$ 1: RMB0.8749. There has been no significant fluctuation in the exchange rate for this currency against Hong Kong Dollars between that date and the date of this letter.

We enclose herewith our summary of valuation together with the valuation certificates.

Respectfully submitted,  
For and on behalf of  
**GRANT SHERMAN APPRAISAL LIMITED**

**Lawrence Chan Ka Wah**  
*MRICS MHKIS RPS(GP) MCIREA MHIREA*  
*Director*  
**Real Estate Group**

*Note:*

*Mr. Lawrence Chan Ka Wah is a member of the Royal Institution of Chartered Surveyors, a member of the Hong Kong Institute of Surveyors, Registered Professional Surveyors in the General Practice Section and a member of China Institute of Real Estate Appraisers and Agents, who has over 14 years of experience in the valuation of properties in Hong Kong, Macau, the PRC and the Asian Rim.*



## SUMMARY OF VALUATION

## Group I – Property interests held by the Group for self-occupation in the PRC

		Market Value in existing state attributable to the Group as at 31 May 2017	Interest attributable to the Group	Market Value in existing state attributable to the Group as at 31 May 2017
Property		as at 31 May 2017		
1	The land and buildings registered under Anhui King Bridge Cement Ltd. (安徽朱家橋水泥有限公司) located at the junction at the north of Zhujiaqiao Entrance Expressway and the east of Railway (also known as No.8 Ganyi Road), Wuhu Economic and Technology Development Zone, Wuhu City, Anhui Province, the PRC	RMB60,900,000 (equivalent to approximately HK\$ 69,900,000)	60%	RMB36,500,000 (equivalent to approximately HK\$41,700,000)
2	The land and buildings registered under Guizhou Kaili Rui An Jian Cai Co., Ltd. (貴州凱裏瑞安建材有限公司) located at Xintai Village and Yanjiao Village, Kaili City, Guiyang City, Guizhou Province, the PRC	RMB341,100,000 (equivalent to approximately HK\$389,900,000)	100%	RMB341,100,000 (equivalent to approximately HK\$389,900,000)
3	The land and buildings registered under Guizhou Kong On Cement Company Limited (貴州港安水泥有限公司) located at Shibanjing Village, Dingyun Village, Guanling County, Anshun City, Guizhou Province, the PRC	RMB144,900,000 (equivalent to approximately HK\$165,600,000)	65%	RMB94,200,000 (equivalent to approximately HK\$107,700,000)

		Market Value in existing state as at 31 May 2017	Interest attributable to the Group	Market Value in existing state attributable to the Group as at 31 May 2017
4	The land and buildings registered under TCC Anshun Cement Company Limited (台泥(安順)水泥有限公司) and structures and constructions in progress registered under Anshun Xin Tai Construction Materials Company Limited (安順鑫台建材骨料有限公司) located at Matian Village, Chengguan Town, Pingba Town, Anshun City, Guizhou Province, the PRC	RMB137,500,000 (equivalent to approximately HK\$157,200,000)	100%	RMB137,500,000 (equivalent to approximately HK\$157,200,000)
5	The land and buildings registered under Jurong TCC Cement Co., Ltd. (句容台泥水泥有限公司) located at Xiashu Town, Jurong City, Jiangsu Province, the PRC	RMB1,039,700,000 (equivalent to approximately HK\$1,250,100,000)	100%	RMB1,039,700,000 (equivalent to approximately HK\$1,250,100,000)
6	The land and buildings registered under Jurong TCC Cement Co., Ltd. (句容台泥水泥有限公司) and the buildings registered under TCC Jiangsu Mining Industrial Company Limited (江蘇台泥礦業工程有限公司) located at Huangmei Town, Jurong City, Jiangsu Province, the PRC	RMB818,100,000 (equivalent to approximately HK\$935,100,000)	100%	RMB818,100,000 (equivalent to approximately HK\$935,100,000)

Property	Market Value in existing state as at 31 May 2017	Interest attributable to the Group	Market Value in existing state attributable to the Group as at 31 May 2017
7 The land and buildings registered under Jurong TCC Cement Co., Ltd. (句容台泥水泥有限公司) located at Chenfeng Village, Gaozi Town, Dantu District Jurong City, Jiangsu Province, the PRC	RMB31,900,000 (equivalent to approximately HK\$36,500,000)	100%	RMB31,900,000 (equivalent to approximately HK\$36,500,000)
8 The land and buildings registered under Jurong TCC Cement Co., Ltd. (句容台泥水泥有限公司) located at Sanmaogong New Village, Zhenjiang City, Jiangsu Province, the PRC	RMB87,700,000 (equivalent to approximately HK\$100,200,000)	100%	RMB87,700,000 (equivalent to approximately HK\$100,200,000)
9 The office units 1801, 1802, 1901 and 1902 in Jia Lian Hua Ming Zuo registered under Hangzhou Representative Office of Prosperity Minerals (China) Limited (昌興礦業(中國)有限公司 杭州代表處) located at No. 586 North Jianguo Road, Xiacheng District, Hangzhou City, Zhejiang Province, the PRC	RMB23,800,000 (equivalent to approximately HK\$27,200,000)	100%	RMB23,800,000 (equivalent to approximately HK\$27,200,000)

Property	Market Value in existing state as at 31 May 2017	Interest attributable to the Group	Market Value in existing state attributable to the Group as at 31 May 2017
10 The land and buildings registered under TCC (Guigang) Cement Company Limited (台泥(貴港)水泥有限公司) and buildings registered under TCC Guigang Mining Industrial Company Limited (貴港臺泥礦業工程有限公司) located at Huanglian Town, Shika Town and the south of Yujiang 5th Bridge and Binjiang Avenue West Qintang District, Guigang City Guangxi Autonomous Region, the PRC	RMB891,500,000 (equivalent to approximately HK\$1,019,000,000)	100%	RMB891,500,000 (equivalent to approximately HK\$1,019,000,000)
11 The residential unit 11-4 of Zone 2 of Block 5 in Jinshayuan registered under TCC Liuzhou Construction Materials Company Limited (柳州台泥新型建材有限公司) located at No. 5-1 Sheli Road, Liubei District, Liuzhou City, Guangxi Autonomous Region, the PRC	RMB1,200,000 (equivalent to approximately HK\$1,400,000)	42%	RMB500,000 (equivalent to approximately HK\$600,000)
12 The land and buildings registered under TCC Liuzhou Construction Materials Company Limited (柳州台泥新型建材有限公司) located at No. 102 Zhegujiang Road, Liuzhou City, Guangxi Autonomous Region, the PRC	RMB61,400,000 (equivalent to approximately HK\$70,200,000)	42%	RMB25,800,000 (equivalent to approximately HK\$29,500,000)

		Market Value in existing state as at 31 May 2017	Interest attributable to the Group	Market Value in existing state attributable to the Group as at 31 May 2017
13	The land and buildings registered under TCC Fuzhou Cement Co., Ltd. (福州台泥水泥有限公司) and TCC Fuzhou Yangyu Port Co., Ltd. (福州台泥洋嶼碼頭有限公司) located at Yangyu Village and Liren Village, Hangcheng Street, Changle City, Fujian Province, the PRC	RMB127,100,000 (equivalent to approximately HK\$145,300,000)	100%	RMB127,100,000 (equivalent to approximately HK\$145,300,000)
14	The buildings and structures registered under TCC Fuzhou Cement Co., Ltd. (福州台泥水泥有限公司) located at Liuwudian Village, Xiangan District, Xiamen City, Fujian Province, the PRC	No commercial value	100%	No commercial value
15	The land and buildings registered under TCC Liaoning Cement Company Limited (台泥(遼寧)水泥有限公司) located at Dongdayao Village and Xidayao Village, Xidayao Town, Dengta City, Liaoyang City, Liaoning Province, the PRC	RMB114,900,000 (equivalent to approximately HK\$131,300,000)	100%	RMB114,900,000 (equivalent to approximately HK\$131,300,000)
16	The land and buildings registered under TCC (Yingde) Cement Co., Ltd. (台泥(英德)水泥有限公司) and buildings registered under TCC Yingde Mining Industrial Company Limited (英德台泥礦業工程有限公司) located at Aipingshan Village, Yingcheng Town, Yingde City, Qingyuan City, Guangdong Province, the PRC	RMB1,156,100,000 (equivalent to approximately HK\$1,321,400,000)	100%	RMB1,156,100,000 (equivalent to approximately HK\$1,321,400,000)

		Market Value in existing state as at 31 May 2017	Interest attributable to the Group	Market Value in existing state attributable to the Group as at 31 May 2017
17	The land and buildings registered under Yingde Dragon Mountain Cement Co. Ltd. (英德龍山水泥有限責任公司) located at Longweishan, Wangbu Town, Yingde City, Qingyuan City, Guangdong Province, the PRC	RMB366,500,000 (equivalent to approximately HK\$418,900,000)	100%	RMB366,500,000 (equivalent to approximately HK\$418,900,000)
18	The land and buildings registered under TCC Chongqing Cement Company Limited (台泥(重慶)水泥有限公司) located at Tangbei Village, YanjingTown, Hechuan District, Chongqing City, the PRC	RMB581,600,000 (equivalent to approximately HK\$664,800,000)	100%	RMB581,600,000 (equivalent to approximately HK\$664,800,000)
19	The land and buildings registered under TCC Guangan Cement Company Limited (台泥(廣安)水泥有限公司) located at Qianfeng Industrial Centralised Area, Guangan District, Guangan City, Sichuan Province, the PRC	RMB334,400,000 (equivalent to approximately HK\$382,200,000)	100%	RMB334,400,000 (equivalent to approximately HK\$382,200,000)
20	The land and buildings registered under Scitus Luzhou Cement Co., Ltd. (瀘州賽德水泥有限公司) located at Xinlong Village, Zhendong Xiang, Xuyong County, Luzhou City, Sichuan Province, the PRC	RMB405,400,000 (equivalent to approximately HK\$463,400,000)	100%	RMB405,400,000 (equivalent to approximately HK\$463,400,000)

		Market Value in existing state attributable to the Group as at 31 May 2017	Interest attributable to the Group	Market Value in existing state attributable to the Group as at 31 May 2017
Property				
21	The land and buildings registered under Scitus Luzhou Cement Co., Ltd. (瀘州賽德水泥有限公司) located at Caofang Village, Hejiang Town, Hejiang County, Luzhou City, Sichuan Province, the PRC	RMB15,900,000 (equivalent to approximately HK\$18,200,000)	100%	RMB15,900,000 (equivalent to approximately HK\$18,200,000)
22	The land registered under Scitus Hejiang Cement Co., Ltd. (合江賽德水泥有限公司) located at Lingang Industrial Park, Hejiang County, Luzhou City, Sichuan Province, the PRC	RMB300,000 (equivalent to approximately HK\$300,000)	100%	RMB300,000 (equivalent to approximately HK\$300,000)
23	The land and buildings registered under Scitus Naxi Cement Co., Ltd. (瀘州納溪賽德水泥有限公司) located at Baidiyishe, Xinle Town, Naxi District, Luzhou City, Sichuan Province, the PRC	RMB57,900,000 (equivalent to approximately HK\$66,200,000)	100%	RMB57,900,000 (equivalent to approximately HK\$66,200,000)
24	The land and structures registered under Scitus Luzhou Concrete Co., Ltd. (瀘州賽德混凝土有限公司) located at Baidiyishe, Xinle Town, Naxi District, Luzhou City, Sichuan Province, the PRC	RMB9,600,000 (equivalent to approximately HK\$11,000,000)	100%	RMB9,600,000 (equivalent to approximately HK\$11,000,000)

**APPENDIX III****PROPERTY VALUATION OF THE GROUP**

<b>Property</b>	<b>Market Value in existing state as at 31 May 2017</b>	<b>Interest attributable to the Group</b>	<b>Market Value in existing state attributable to the Group as at 31 May 2017</b>
25 The structures registered under TCC (Dongguan) Cement Company Limited (台泥(東莞)水泥有限公司) located at Zhupinsha Village and Jinguo Village, Wangniudun Town, Dongguan City, Guangdong Province, the PRC	No commercial value	100%	No commercial value
26 The land, buildings and constructions in progress registered under Jiangzhou TCC Cement Co., Ltd. (靖州台泥水泥有限公司) located at Pukou Xiang, Jingzhou County, Huaihua City, Hunan Province, the PRC	RMB295,200,000 (equivalent to approximately HK\$337,400,000)	100%	RMB295,200,000 (equivalent to approximately HK\$337,400,000)
27 The land, buildings and construction in progress registered under TCC Huaihua Cement Co., Ltd. (台泥(懷化)水泥有限公司) The buildings registered under Huaihua TCC Concrete Co., Ltd. (懷化台泥混凝土有限公司) located at Wuli Village, Zhongfang County, Huaihua City, Hunan Province, the PRC	RMB638,200,000 (equivalent to approximately HK\$729,500,000)	100%	RMB638,200,000 (equivalent to approximately HK\$729,500,000)



Property	Market Value in existing state as at 31 May 2017	Interest attributable to the Group	Market Value in existing state attributable to the Group as at 31 May 2017
28 The land and buildings registered under Huaying TCC Cement Co., Ltd. (華鑿台泥水泥有限公司) located at Yucao Village, Xikou Town, Huaying City, Guangan City, Sichuan Province, the PRC	RMB273,500,000 (equivalent to approximately HK\$312,600,000)	100%	RMB273,500,000 (equivalent to approximately HK\$312,600,000)
29 The residential unit 201 of Zone 5 of Block 17 in Ou Dian Shui Xiang registered under Huaying TCC Cement Co., Ltd. (華鑿台泥水泥有限公司) located at No. 399 Huanxi 1st Road, Guangan District, Guangan City, Sichuan Province, the PRC	RMB900,000 (equivalent to approximately HK\$1,000,000)	100%	RMB900,000 (equivalent to approximately HK\$1,000,000)
30 The residential unit 2 on Level 3 of Zone 3 of Block 17 in Qingquan Community registered under Huaying TCC Cement Co., Ltd. (華鑿台泥水泥有限公司) located at No. 28 Second portion of Qingfeng Road North, Shunqing District, Nanchong City, Sichuan Province, the PRC	RMB900,000 (equivalent to approximately HK\$1,000,000)	100%	RMB900,000 (equivalent to approximately HK\$1,000,000)

Property	Market Value in existing state as at 31 May 2017	Interest attributable to the Group	Market Value in existing state attributable to the Group as at 31 May 2017
31 The residential duplex unit 1 of Zone 1-16-6 of Block 2 in Feng Yuan Li Jing registered under Huaying TCC Cement Co., Ltd. (華鑿台泥水泥有限公司) located at No. 16 Yuanyang Road North, Yubei District, Chongqing City, the PRC	RMB1,700,000 (equivalent to approximately HK\$1,900,000)	100%	RMB1,700,000 (equivalent to approximately HK\$1,900,000)
<b>Sub-Total</b>	<b>RMB8,073,800,000</b> (equivalent to approximately <b>HK\$9,228,400,000</b> )		<b>RMB7,962,400,000</b> (equivalent to approximately HK\$ <b>9,101,100,000</b> )

**Group II – Property interests held by the Group for future development in the PRC**

<b>Property</b>	<b>Market Value in existing state as at 31 May 2017</b>	<b>Interest attributable to the Group</b>	<b>Market Value in existing state attributable to the Group as at 31 May 2017</b>
32 The land and construction in progress registered under TCC Shaoguan Cement Co., Ltd. (台泥韶關水泥有限公司) located at Shijiao Village, Wushi Town, Qujiang District, Shaoguan City, Guangdong Province, the PRC	RMB62,800,000 (equivalent to approximately HK\$71,800,000)	100%	RMB62,800,000 (equivalent to approximately HK\$71,800,000)

**Group III – Property interests held by the Group for self-occupation in Hong Kong**

<b>Property</b>	<b>Market Value in existing state as at 31 May 2017</b>	<b>Interest attributable to the Group</b>	<b>Market Value in existing state attributable to the Group as at 31 May 2017</b>
33 16th Floor, Hong Kong Diamond Exchange Building, 8-10 Duddell Street, Central, Hong Kong	HK\$55,800,000	100%	HK\$55,800,000
<b>Grant-total</b>	<b><u>HK\$9,356,000,000</u></b>		<b><u>HK\$9,228,700,000</u></b>

## VALUATION CERTIFICATE

## Group I – Property interests held by the Group for self-occupation use in the PRC

Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 May 2017
1. The land and buildings registered under Anhui King Bridge Cement Ltd. (安徽朱家橋水泥有限公司) located at the junction at the north of Zhujiqiao Entrance Expressway and the east of Railway (also known as No.8 Ganyi Road), Wuhu Economic and Technology Development Zone, Wuhu City, Anhui Province, the PRC	The property comprises a parcel of land together with various buildings and structures completed in between 2000 to 2007 erected thereon. The total site area of the property is approximately 90,779.80 sq.m. The land use rights of the property were granted for a term expiring on 5 May 2049 for industrial use.	The property was occupied by the Group for cement production and ancillary uses as at the date of valuation.	RMB60,900,000 (equivalent to approximately HK\$69,900,000)
			<b>Interest attributable to the Group</b>
			60%
			<b>Market Value in existing state attributable to the Group as at 31 May 2017</b>
			RMB36,500,000 (equivalent to approximately HK\$41,700,000)

## VALUATION CERTIFICATE

Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 May 2017
2. The land and buildings registered under Guizhou Kaili Rui An Jian Cai Co., Ltd. (貴州凱里瑞安建材有限公司) located at Xintai Village and Yanjiao Village, Kaili City, Guiyang City, Guizhou Province, the PRC	The property comprises 7 parcels of land together with various buildings and structures completed in between 2010 to 2016 erected thereon.	The property was occupied by the Group for cement production and ancillary uses as at the date of valuation.	RMB341,100,000 (equivalent to approximately HK\$389,900,000)
	The total site area of the property is approximately 402,566.02 sq.m.		<b>Interest attributable to the Group</b>  100%
	The land use rights of the property were granted for various terms with the latest expiry date on 5 February 2062 for industrial or mining use.		<b>Market Value in existing state attributable to the Group as at 31 May 2017</b>  RMB341,100,000 (equivalent to approximately HK\$389,900,000)

## VALUATION CERTIFICATE

Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 May 2017
3. The land and buildings registered under Guizhou Kong On Cement Company Limited (貴州港安水泥有限公司) located at Shibanjing Village, Dingyun Village, Guanling County, Anshun City, Guizhou Province, the PRC	The property comprises a parcel of land together with various buildings and structures completed in between 2010 to 2016 erected thereon.	The property was occupied by the Group for cement production and ancillary uses as at the date of valuation.	RMB144,900,000 (equivalent to approximately HK\$165,600,000)
	The total site area of the property is approximately 143,978 sq.m.		<b>Interest attributable to the Group</b>  65%
	The land use right of the property was granted for a term expiring on 16 March 2060 for industrial use.		<b>Market Value in existing state attributable to the Group as at 31 May 2017</b>  RMB94,200,000 (equivalent to approximately HK\$107,700,000)

## VALUATION CERTIFICATE

Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 May 2017
4. The land and buildings registered under TCC Anshun Cement Company Limited (台泥(安順)水泥有限公司) and structures and constructions in progress registered under Anshun Xin Tai Construction Materials Company Limited (安順鑫台建材骨料有限公司) located at Matian Village, Chengguan Town, Pingba County, Anshun City, Guizhou Province, the PRC	<p>The property comprises 3 parcels of land together with various buildings and structures completed in between 2010 to 2016 and various constructions in progress erected thereon.</p> <p>The total site area of the property is approximately 524,180.6 sq.m.</p> <p>The land use right of the property was granted for various terms with the latest expiry date on 1 July 2061 for industrial use.</p>	<p>The property was occupied by the Group for cement production and ancillary uses as at the date of valuation.</p>	<p>RMB137,500,000 (equivalent to approximately HK\$152,000,000)</p> <p style="text-align: center;"><b>Interest attributable to the Group</b></p> <p style="text-align: right;">100%</p> <p style="text-align: center;"><b>Market Value in existing state attributable to the Group as at 31 May 2017</b></p> <p>RMB137,500,000 (equivalent to approximately HK\$152,000,000)</p>

## VALUATION CERTIFICATE

Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 May 2017
5. The land and buildings registered under Jurong TCC Cement Co., Ltd. (句容台泥水泥有限公司) located at Xiashu Town, Jurong City, Jiangsu Province, the PRC	The property comprises 6 parcels of land together with various buildings and structures completed in between 2011 to 2014 erected thereon.	The property was occupied by the Group for cement production and ancillary uses as at the date of valuation.	RMB1,039,700,000 (equivalent to approximately HK\$1,250,100,000)
	The total site area of the property is approximately 847,783.78 sq.m.		<b>Interest attributable to the Group</b>
	The land use rights of the property were granted for various terms with the latest expiry date on 2 December 2052 for industrial use.		100%
			<b>Market Value in existing state attributable to the Group as at 31 May 2017</b>
			RMB1,039,700,000 (equivalent to approximately HK\$1,250,100,000)



## VALUATION CERTIFICATE

Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 May 2017
6. The land and buildings registered under Jurong TCC Cement Co., Ltd. (句容台泥水泥有限公司) and the buildings registered under TCC Jiangsu Mining Industrial Company Limited (江蘇台泥礦業工程有限公司) located at Huangmei Town, Jurong City, Jiangsu Province, the PRC	<p>The property comprises 2 parcels of land together with various buildings and structures completed in between 1997 to 2012 erected thereon.</p> <p>The total site area of the property is approximately 3,011,082.20 sq.m.</p> <p>The land use rights of the property were granted for various terms with the latest expiry date on 28 August 2047 for industrial use.</p>	<p>The property was occupied by the Group for cement production and ancillary uses as at the date of valuation.</p>	<p>RMB818,100,000 (equivalent to approximately HK\$935,100,000)</p> <p><b>Interest attributable to the Group</b> 100%</p> <p><b>Market Value in existing state attributable to the Group as at 31 May 2017</b></p> <p>RMB818,100,000 (equivalent to approximately HK\$935,100,000)</p>

## VALUATION CERTIFICATE

Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 May 2017
7. The land registered under Jurong TCC Cement Co., Ltd. (句容台泥水泥有限公司) located at Chenfeng Village, Gaozi Town, Dantu District, Jurong City, Jiangsu Province, the PRC	<p>The property comprises 8 parcels of land together with a building completed in 2011 erected thereon.</p> <p>The total site area of the property is approximately 118,214.9 sq.m.</p> <p>The land use rights of the property were granted for various terms with the latest expiry date on 26 March 2048 for industrial use.</p>	The property was occupied by the Group for cement production and ancillary uses as at the date of valuation.	<p>RMB31,900,000 (equivalent to approximately HK\$36,500,000)</p> <p style="text-align: right;"><b>Interest attributable to the Group</b></p> <p style="text-align: right;">100%</p> <p style="text-align: right;"><b>Market Value in existing state attributable to the Group as at 31 May 2017</b></p> <p>RMB31,900,000 (equivalent to approximately HK\$36,500,000)</p>

## VALUATION CERTIFICATE

Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 May 2017
8. The land and buildings registered under Jurong TCC Cement Co., Ltd. (句容台泥水泥有限公司) located at Sanmaogong New Village, Zhenjiang City, Jiangsu Province, the PRC	The property comprises a parcel of land together with various buildings and structures completed in between 1998 to 2013 erected thereon.	The property was occupied by the Group for residential use as at the date of valuation.	RMB87,700,000 (equivalent to approximately HK\$100,200,000)
	The total site area of the property is approximately 6,614.2 sq.m.		<p style="text-align: center;"><b>Interest attributable to the Group</b></p> <p style="text-align: right;">100%</p>
	The land use right of the property was granted for a term expiring on 2 July 2056 for residential use.		<p style="text-align: center;"><b>Market Value in existing state attributable to the Group as at 31 May 2017</b></p> <p style="text-align: right;">RMB87,700,000 (equivalent to approximately HK\$100,200,000)</p>

## VALUATION CERTIFICATE

Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 May 2017
9. The office units 1801, 1802, 1901 and 1902 in Jia Lian Hua Ming Zuo registered under Hangzhou Representative Office of Prosperity Minerals (China) Limited (昌興礦業(中國)有限公司杭州代表處) located at No. 586 North Jianguo Road, Xiacheng District, Hangzhou City, Zhejiang Province, the PRC	The property comprises 4 office units on Levels 18 and 19 of a 28-storey commercial building (including a 2-storey basement) completed in 2004.  The total gross floor area of the property is approximately 1,190.06 sq.m.	The property was occupied by the Group for office use as at the date of valuation.	RMB23,800,000 (equivalent to approximately HK\$27,200,000)  <b>Interest attributable to the Group</b>  100%  <b>Market Value in existing state attributable to the Group as at 31 May 2017</b>  RMB23,800,000 (equivalent to approximately HK\$27,200,000)

## VALUATION CERTIFICATE

Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 May 2017
10. The land and buildings registered under TCC (Guigang) Cement Company Limited (台泥(貴港)水泥有限公司) and buildings registered under TCC Guigang Mining Industrial Company Limited (貴港臺泥礦業工程有限公司) located at Huanglian Town, Shika Town and the south of Yujiang 5th Bridge and Binjiang Avenue West Qintang District, Guigang City Guangxi Autonomous Region, the PRC	<p>The property comprises 18 parcels of land together with various buildings and structures completed in between 2008 to 2016 erected thereon.</p> <p>The total site area of the property is approximately 1,413,730.01 sq.m.</p> <p>The land use rights of the property were granted for various terms with the latest expiry date on 14 August 2061 for industrial use.</p>	<p>The property was occupied by the Group for cement production and ancillary use as at the date of valuation.</p>	<p>RMB891,500,000 (equivalent to approximately HK\$1,019,000,000)</p> <p><b>Interest attributable to the Group</b></p> <p>100%</p> <p><b>Market Value in existing state attributable to the Group as at 31 May 2017</b></p> <p>RMB891,500,000 (equivalent to approximately HK\$1,019,000,000)</p>

## VALUATION CERTIFICATE

Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 May 2017
11. The residential unit 11-4 of Zone 2 of Block 5 in Jinshayuan registered under TCC Liuzhou Construction Materials Company Limited (柳州台泥新型建材有限公司) located at No. 5-1 Sheli Road, Liubei District, Liuzhou City, Guangxi Autonomous Region, the PRC	The property comprises a residential unit on Level 11 of a 13-storey residential building (including a single-storey basement) completed in 2004.  The total gross floor area of the property is approximately 192.7 sq.m.	The property was occupied by the Group for residential use as at the date of valuation.	<p>RMB1,200,000 (equivalent to approximately HK\$1,400,000)</p> <p><b>Interest attributable to the Group</b></p> <p>42%</p> <p><b>Market Value in existing state attributable to the Group as at 31 May 2017</b></p> <p>RMB500,000 (equivalent to approximately HK\$600,000)</p>

## VALUATION CERTIFICATE

Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 May 2017
12. The land and buildings registered under TCC Liuzhou Construction Materials Company Limited (柳州台泥新型建材有限公司) located at No. 102 Zhegujiang Road, Liuzhou City, Guangxi Autonomous Region, the PRC	The property comprises three parcels of land together with various buildings and structures completed in between 2005 to 2010 erected thereon.	The property was occupied by the Group for cement production and ancillary use as at the date of valuation.	RMB61,400,000 (equivalent to approximately HK\$70,200,000)
	The total site area of the property is approximately 47,271.04 sq.m.		<b>Interest attributable to the Group</b>  42%
	The land use right of the property was granted for various terms with the latest expiry date on 13 June 2066 for industrial use.		<b>Market Value in existing state attributable to the Group as at 31 May 2017</b>  RMB25,800,000 (equivalent to approximately HK\$29,500,000)

## VALUATION CERTIFICATE

Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 May 2017
13. The land and buildings registered under TCC Fuzhou Cement Co., Ltd. (福州台泥水泥有限公司) and TCC Fuzhou Yangyu Port Co., Ltd. (福州台泥洋嶼碼頭有限公司) located at Yangyu Village and Liren Village, Hangcheng Street, Changle City, Fujian Province, the PRC	<p>The property comprises 4 parcels of land together with various buildings and structures completed in between 2004 to 2016 erected thereon.</p> <p>The total site area of the property is approximately 105,126.2 sq.m.</p> <p>The land use rights of the property were granted for various terms with the latest expiry date on 15 January 2059 for industrial and harbour uses.</p>	The property was occupied by the Group for cement production and ancillary use as at the date of valuation.	<p>RMB127,100,000 (equivalent to approximately HK\$145,300,000)</p> <p><b>Interest attributable to the Group</b></p> <p>100%</p> <p><b>Market Value in existing state attributable to the Group as at 31 May 2017</b></p> <p>RMB127,100,000 (equivalent to approximately HK\$145,300,000)</p>



## VALUATION CERTIFICATE

<b>Property</b>	<b>Description and Tenure</b>	<b>Particulars of Occupancy</b>	<b>Market Value in existing state as at 31 May 2017</b>
14. The buildings and structures registered under TCC Fuzhou Cement Co., Ltd. (福州台泥水泥有限公司) located at Liuwudian Village, Xiangnan District, Xiamen City, Fujian Province, the PRC	The property comprises various buildings and structures completed in 2013.	The property was occupied by the Group for port use as at the date of valuation.	No commercial value
			<b>Interest attributable to the Group</b>
			100%
			<b>Market Value in existing state attributable to the Group as at 31 May 2017</b>
			No commercial value

## VALUATION CERTIFICATE

Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 May 2017
15. The land and buildings registered under TCC Liaoning Cement Company Limited (台泥(遼寧)水泥有限公司) located at Dongdayao Village and Xidayao Village, Xidayao Town, Dengta City, Liaoyang City, Liaoning Province, the PRC	The property comprises 4 parcels of land together with various buildings and structures completed in between 2009 to 2016 erected thereon.	The property was occupied by the Group for cement production and ancillary use as at the date of valuation.	RMB114,900,000 (equivalent to approximately HK\$131,300,000)
	The total site area of the property is approximately 335,880 sq.m.		<b>Interest attributable to the Group</b>  100%
	The land use rights of the property were granted for various terms with the latest expiry date on 12 April 2080 for residential and industrial uses.		<b>Market Value in existing state attributable to the Group as at 31 May 2017</b>  RMB114,900,000 (equivalent to approximately HK\$131,300,000)

## VALUATION CERTIFICATE

Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 May 2017
16. The land and buildings registered under TCC (Yingde) Cement Co., Ltd. (台泥(英德)水泥有限公司) and buildings registered under TCC Yingde Mining Industrial Company Limited (英德台泥礦業工程有限公司) located at Aishanping Village, Yingcheng Town, Yingde City, Qingyuan City, Guangdong Province, the PRC	<p>The property comprises 11 parcels of land together with various buildings and structures completed in between 2006 to 2016 erected thereon.</p> <p>The total site area and gross floor area of the property are approximately 2,691,825 sq.m. and 260,084 sq.m. respectively.</p> <p>The land use rights of the property were granted for various terms with the latest expiry date on 12 October 2058 for industrial use.</p>	<p>The property was occupied by the Group for cement production and ancillary uses as at the date of valuation.</p>	<p>RMB1,156,100,000 (equivalent to approximately HK\$1,321,400,000)</p> <p style="text-align: right;"><b>Interest attributable to the Group</b></p> <p style="text-align: right;">100%</p> <p style="text-align: right;"><b>Market Value in existing state attributable to the Group as at 31 May 2017</b></p> <p>RMB1,156,100,000 (equivalent to approximately HK\$1,321,400,000)</p>

## VALUATION CERTIFICATE

Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 May 2017
17. The land and buildings registered under Yingde Dragon Mountain Cement Co. Ltd. (英德龍山水泥有限責任公司) located at Longweishan, Wangbu Town, Yingde City, Qingyuan City, Guangdong Province, the PRC	The property comprises 2 parcels of land together with various buildings and structures completed in between 2003 to 2016 erected thereon.	The property was occupied by the Group for cement production and ancillary uses as at the date of valuation.	RMB366,500,000 (equivalent to approximately HK\$418,900,000)
	The total site area of the property is approximately 1,677,414.29 sq.m.		<b>Interest attributable to the Group</b>  100%
	The land use rights of the property were granted for a term expiring on 28 December 2053 for industrial use.		<b>Market Value in existing state attributable to the Group as at 31 May 2017</b>  RMB366,500,000 (equivalent to approximately HK\$418,900,000)

## VALUATION CERTIFICATE

Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 May 2017
18. The land and buildings registered under TCC Chongqing Cement Company Limited (台泥(重慶)水泥有限公司) located at Tangbei Village, YanjingTown, Hechuan District, Chongqing City, the PRC	The property comprises 2 parcels of land together with various buildings and structures completed in between 2010 to 2016 erected thereon.	The property was occupied by the Group for cement production and ancillary uses as at the date of valuation.	RMB581,600,000 (equivalent to approximately HK\$664,800,000)
	The total site area of the property is approximately 611,736 sq.m.		<b>Interest attributable to the Group</b>  100%
	The land use rights of the property were granted with the expiry date on 31 December 2059 for industrial use.		<b>Market Value in existing state attributable to the Group as at 31 May 2017</b>  RMB581,600,000 (equivalent to approximately HK\$664,800,000)

## VALUATION CERTIFICATE

Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 May 2017
19. The land and buildings registered under TCC Guangan Cement Company Limited (台泥(廣安)水泥有限公司) located at Qianfeng Industrial Centralised Area, Guangan District, Guangan City, Sichuan Province, the PRC	The property comprises 4 parcels of land together with various buildings and structures completed in between 2011 to 2015 erected thereon.	The property was occupied by the Group for cement production and ancillary uses as at the date of valuation.	RMB334,400,000 (equivalent to approximately HK\$382,200,000)
	The total site area of the property is approximately 446,316.29 sq.m.		<b>Interest attributable to the Group</b>  100%
	The land use rights of the property were granted for various terms with the latest expiry date on 1 March 2061 for industrial use.		<b>Market Value in existing state attributable to the Group as at 31 May 2017</b>  RMB334,400,000 (equivalent to approximately HK\$382,200,000)

## VALUATION CERTIFICATE

Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 May 2017
20. The land and buildings registered under Scitus Luzhou Cement Co., Ltd. (瀘州賽德水泥有限公司) located at Xinlong Village, Zhendong Xiang, Xuyong County, Luzhou City, Sichuan Province, the PRC	<p>The property comprises a parcel of land together with various buildings completed in between 2013 to 2016 erected thereon.</p> <p>The total site area of the property is approximately 261,398 sq.m.</p> <p>The land use right of the property was granted for a term expiring on 23 August 2059 for industrial use.</p>	The property was occupied by the Group for cement production and ancillary uses as at the date of valuation.	<p>RMB405,400,000 (equivalent to approximately HK\$463,400,000)</p> <p style="text-align: right;"><b>Interest attributable to the Group</b></p> <p style="text-align: right;">100%</p> <p style="text-align: right;"><b>Market Value in existing state attributable to the Group as at 31 May 2017</b></p> <p>RMB405,400,000 (equivalent to approximately HK\$463,400,000)</p>

## VALUATION CERTIFICATE

Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 May 2017
21. The land and buildings registered under Scitus Luzhou Cement Co., Ltd. (瀘州賽德水泥有限公司) located at Caofang Village, Hejiang Town, Hejiang County, Luzhou City, Sichuan Province, the PRC	<p>The property comprises a parcel of land together with various buildings completed in between 2006 to 2015 erected thereon.</p> <p>The total site area of the property is approximately 19,387 sq.m.</p> <p>The land use right of the property was granted for a term expiring on 9 May 2057 for industrial use.</p>	The property was occupied by the Group for cement production and ancillary uses as at the date of valuation.	<p>RMB15,900,000 (equivalent to approximately HK\$18,200,000)</p> <p style="text-align: right;"><b>Interest attributable to the Group</b></p> <p style="text-align: right;">100%</p> <p style="text-align: right;"><b>Market Value in existing state attributable to the Group as at 31 May 2017</b></p> <p>RMB15,900,000 (equivalent to approximately HK\$18,200,000)</p>



## VALUATION CERTIFICATE

Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 May 2017
22. The land registered under Hejiang Saide Cement Company Limited (合江賽德水泥有限公司) located at Lingang Industrial Park, Hejiang Town, Luzhou City, Sichuan Province, the PRC	The property comprises a parcel of land with a total site area of the property is approximately 2,376.99 sq.m.  The land use right of the property was granted for a term expiring on 18 January 2062 for industrial use.	The property was occupied by the Group for cement production and ancillary uses as at the date of valuation.	RMB300,000 (equivalent to approximately HK\$300,000)  <b>Interest attributable to the Group</b>  100%
			<b>Market Value in existing state attributable to the Group as at 31 May 2017</b>  RMB300,000 (equivalent to approximately HK\$300,000)

## VALUATION CERTIFICATE

Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 May 2017
23. The land and buildings registered under Scitus Naxi Cement Co., Ltd. (瀘州納溪賽德水泥有限公司) located at Baidiyishe, Xinle Town, Naxi District, Luzhou City, Sichuan Province, the PRC	The property comprises a parcel of land together with various buildings and structures completed in between 2006 to 2013 erected thereon.	The property was occupied by the Group for cement production and ancillary uses as at the date of valuation.	RMB57,900,000 (equivalent to approximately HK\$66,200,000)
	The total site area of the property is approximately 68,400.62 sq.m.		<b>Interest attributable to the Group</b>  100%
	The land use right of the property was granted for a term expiring on 11 November 2059 for industrial use.		<b>Market Value in existing state attributable to the Group as at 31 May 2017</b>  RMB57,900,000 (equivalent to approximately HK\$66,200,000)

## VALUATION CERTIFICATE

Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 May 2017
24. The land and structures registered under Scitus Luzhou Concrete Co., Ltd. (瀘州賽德混凝土有限公司) located at Baidiyishe, Xinle Town, Naxi District, Luzhou City, Sichuan Province, the PRC	<p>The property comprises a parcel of land together with structures completed in between 2012 to 2016 erected thereon.</p> <p>The total site area of the property is approximately 25,790.50 sq.m.</p> <p>The land use right of the property was granted for a term expiring on 11 November 2059 for industrial use.</p>	The property was occupied by the Group for cement production and ancillary uses as at the date of valuation.	<p>RMB9,600,000 (equivalent to approximately HK\$11,000,000)</p> <p><b>Interest attributable to the Group</b></p> <p>100%</p> <p><b>Market Value in existing state attributable to the Group as at 31 May 2017</b></p> <p>RMB9,600,000 (equivalent to approximately HK\$11,000,000)</p>

## VALUATION CERTIFICATE

Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 May 2017
25. The structures registered under TCC (Dongguan) Cement Company Limited (台泥(東莞)水泥有限公司) located at Zhupinsha Village and Jinguo Village, Wangniudun Town, Dongguan City, Guangdong Province, the PRC	The property comprises various buildings and structures completed in between 2012 to 2017.	The property was occupied by the Group for cement production and ancillary uses as at the date of valuation.	<p>No commercial value</p> <p style="text-align: right;"><b>Interest attributable to the Group</b></p> <p style="text-align: right;">100%</p> <p style="text-align: right;"><b>Market Value in existing state attributable to the Group as at 31 May 2017</b></p>
			No commercial value

## VALUATION CERTIFICATE

Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 May 2017
26. The land, buildings and constructions in progress registered under Jiangzhou TCC Cement Co., Ltd. (靖州台泥水泥有限公司) located at Pukou Xiang, Jingzhou County, Huaihua City, Hunan Province, the PRC	The property comprises 4 parcels of land together with various buildings and structures completed in between 2011 to 2016 erected thereon.	The property was occupied by the Group for cement production and ancillary use as at the date of valuation.	RMB295,200,000 (equivalent to approximately HK\$337,400,000)
	The total site area of the property is approximately 242,646 sq.m.		<b>Interest attributable to the Group</b>  100%
	The land use rights of the property were granted for various terms with the latest expiry date on 21 September 2062 for industrial uses.		<b>Market Value in existing state attributable to the Group as at 31 May 2017</b>  RMB295,200,000 (equivalent to approximately HK\$337,400,000)

## VALUATION CERTIFICATE

Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 May 2017
27. The land, buildings and construction in progress registered under TCC Huaihua Cement Co., Ltd. (台泥(懷化)水泥有限公司) and the buildings registered under Huaihua TCC Concrete Co., Ltd. (懷化台泥混凝土有限公司) located at Wuli Village, Zhongfang County, Huaihua City, Hunan Province, the PRC	The property comprises 18 parcels of land together with various buildings and structures completed in between 2004 to 2017 and various constructions in progress erected thereon.	The property was occupied by the Group for cement production and ancillary uses as at the date of valuation.	RMB638,200,000 (equivalent to approximately HK\$729,500,000)
	The total site area of the property is approximately 557,652 sq.m.		<p style="text-align: center;"><b>Interest attributable to the Group</b></p> <p style="text-align: right;">100%</p>
	The land use right of the property was granted for a term expiring on 8 November 2061 for industrial use.		<p style="text-align: center;"><b>Market Value in existing state attributable to the Group as at 31 May 2017</b></p> <p>RMB638,200,000 (equivalent to approximately HK\$729,500,000)</p>

## VALUATION CERTIFICATE

Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 May 2017
28. The land and buildings registered under Huaying TCC Cement Co., Ltd. (華鑿台水泥有限公司) located at Yucao Village, Xikou Town, Huaying City, Guangan City, Sichuan Province, the PRC	<p>The property comprises 4 parcels of land together with structures completed in between 2012 to 2016 erected thereon.</p> <p>The total site area of the property is approximately 55,871.81 sq.m.</p> <p>The land use right of the property was granted for a term expiring on 23 November 2059 for industrial use.</p>	The property was occupied by the Group for cement production and ancillary uses as at the date of valuation.	<p>RMB273,500,000 (equivalent to approximately HK\$312,600,000)</p> <p style="text-align: right;"><b>Interest attributable to the Group</b></p> <p style="text-align: right;">100%</p> <p style="text-align: right;"><b>Market Value in existing state attributable to the Group as at 31 May 2017</b></p> <p>RMB273,500,000 (equivalent to approximately HK\$312,600,000)</p>

## VALUATION CERTIFICATE

Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 May 2017
29. The residential unit 201 of Zone 5 of Block 17 in Ou Dian Shui Xiang registered under Huaying TCC Cement Co., Ltd. (華鑿台泥水泥有限公司) located at No. 399 Huanxi 1st Road, Guangan District, Guangan City, Sichuan Province, the PRC	<p>The property comprises a residential unit on Level 2 of a 6-storey residential building completed in 2009.</p> <p>The total gross floor area of the property is approximately 190.3 sq.m.</p> <p>The land use right of the property was granted for a term expiring on 28 May 2053 for residential use.</p>	<p>The property was occupied by the Group for residential use as at the date of valuation.</p>	<p>RMB900,000 (equivalent to approximately HK\$1,000,000)</p> <p style="text-align: center;"><b>Interest attributable to the Group</b></p> <p style="text-align: center;">100%</p> <p style="text-align: center;"><b>Market Value in existing state attributable to the Group as at 31 May 2017</b></p> <p>RMB900,000 (equivalent to approximately HK\$1,000,000)</p>



## VALUATION CERTIFICATE

Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 May 2017
30. The residential unit 2 on Level 3 of Zone 3 of Block 17 in Qingquan Community registered under Huaying TCC Cement Co., Ltd. (華鑿台泥水泥有限公司) located at No. 28 Second portion of Qingfeng Road North, Shunqing District, Nanchong City, Sichuan Province, the PRC	<p>The property comprises a residential unit on Level 3 of a 6-storey residential building completed in 2012.</p> <p>The total gross floor area of the property is approximately 185.74 sq.m.</p> <p>The land use right of the property was granted for a term expiring on 15 August 2081 for residential use.</p>	<p>The property was occupied by the Group for residential use as at the date of valuation.</p>	<p>RMB900,000 (equivalent to approximately HK\$1,000,000)</p> <p style="text-align: right;"><b>Interest attributable to the Group</b></p> <p style="text-align: right;">100%</p> <p style="text-align: right;"><b>Market Value in existing state attributable to the Group as at 31 May 2017</b></p> <p>RMB900,000 (equivalent to approximately HK\$1,000,000)</p>

## VALUATION CERTIFICATE

Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 May 2017
31. The residential duplex unit 1 of Zone 1-16-6 of Block 2 in Feng Yuan Li Jing registered under Huaying TCC Cement Co., Ltd. (華鑿台泥水泥有限公司) located at No. 16 Yuanyang Road North, Yubei District, Chongqing City, the PRC	<p>The property comprises a duplex residential unit on Levels 16 and 17 of a 17-storey residential building completed in 2005.</p> <p>The total gross floor area of the property is approximately 184.77 sq.m.</p> <p>The land use right of the property was granted for a term expiring on 30 May 2055 for residential use.</p>	The property was occupied by the Group for residential and office uses as at the date of valuation.	<p>RMB1,700,000 (equivalent to approximately HK\$1,900,000)</p> <p><b>Interest attributable to the Group</b></p> <p>100%</p> <p><b>Market Value in existing state attributable to the Group as at 31 May 2017</b></p> <p>RMB1,700,000 (equivalent to approximately HK\$1,900,000)</p>

*Notes for properties 1 to 31:*

- Pursuant to 105 State-owned Land Use Rights Certificates, the land use rights of 105 land parcels of property nos. 1 to 8, 10, 12, 13 and 15 to 28 with a total site area of approximately 13,703,653.99 sq.m. were granted to various subsidiaries of the Company with the latest expiry date on 12 April 2080 for various uses.
- According to information provided by the Company, Guizhou Kaili Rui An Jian Cai Co., Ltd., TCC Anshun Cement Company Limited, Jurong TCC Cement Co., Ltd., TCC Jiangsu Mining Industrial Company Limited, Hangzhou Representative Office of Prosperity Minerals (China) Limited, TCC (Guigang) Cement Company Limited, TCC Fuzhou Cement Co., Ltd., TCC Fuzhou Yangyu Port Co., Ltd., TCC Liaoning Cement Company Limited, TCC (Yingde) Cement Co., Ltd., Yingde Dragon Mountain Cement Co. Ltd., TCC Chongqing Cement Company Limited, TCC Guangan Cement Company Limited, Scitus Luzhou Cement Co., Ltd., Scitus Hejiang Cement Co., Ltd., Scitus Naxi Cement Co., Ltd., Scitus Luzhou Concrete Co., Ltd., TCC (Dongguan) Cement Company Limited, Jiangzhou TCC Cement Co., Ltd., TCC Huaihua Cement Co., Ltd., Huaihua TCC Concrete Co., Ltd. and Huaying TCC Cement Co., Ltd. are wholly owned subsidiaries of the Group, whilst Anhui King Bridge Cement Ltd., Guizhou Kong On Cement Company Limited and TCC Liuzhou Construction Materials Company Limited are 60%, 65% and 42% owned by the Group respectively.

3. Pursuant to two State-owned Land Use Certificates, the land use rights of two of the land parcels of the property nos. 5 and 7 with a total site area of approximately 3,325.7 sq.m. were granted to Zhenjiang City Dantu District Gaozi Clay Company Limited and Jurong Jingda Clay Company Limited for various terms with the latest expiry date on 7 January 2047 for industrial use.
4. As advised by the Company, Zhenjiang City Dantu District Gaozi Clay Company Limited and Jurong Jingda Clay Company Limited were indirect subsidiary companies wholly owned by the Company which were deregistered. Based on the legal opinion provided to us by the Group's PRC legal adviser, we have ascribed no commercial value to the two land parcels of property nos. 5 and 7 stated in Note 2 since the parcel of land is not entitled to be occupied, used, transferred, leased and mortgaged in the market by the company as at the date of valuation.

However, for indicative purpose, the market value of these land parcels at the date of valuation is RMB 800,000 (equivalent to approximately HK\$ 900,000) by assuming these land parcels has obtained the relevant title documents and is freely transferrable in the market.

5. Pursuant to 585 Building Ownership Certificates and 1 Real Estate Ownership Certificates, the ownership of various buildings of property nos. 5, 6, 8, 9, 11, 16, 17, 19, 21, 23 and 26 to 31 with a total gross floor area of approximately 549,384.37 sq.m. (exclusive of various buildings without gross floor area specified on the building ownership certificates and various demolished buildings) is vested in various subsidiaries of the Company.
6. Pursuant to two Building Ownership Certificates, the ownership of two of the buildings erected on the property nos. 5 and 7 with a total gross floor area of 417.32 sq.m. was vested in Zhenjiang City Dantu District Gaozi Clay Company Limited and Jurong Jingda Clay Company Limited.
7. As advised by the Company, Zhenjiang City Dantu District Gaozi Clay Company Limited and Jurong Jingda Clay Company Limited were indirect subsidiary companies wholly owned by the Company which were deregistered. Based on the legal opinion provided to us by the Group's PRC legal adviser, we have ascribed no commercial value to the building portions of property nos. 5 and 7 stated in Note 5 since these building portions of the property is not entitled to be occupied, used, transferred, leased and mortgaged in the market by the company as at the date of valuation.

However, for indicative purpose, the depreciated replacement cost of these building portions of the property as at the date of valuation is RMB 200,000 (equivalent to approximately HK\$ 200,000) by assuming these building portion of the property has obtained the relevant title documents and is freely transferrable in the market.

8. Pursuant to 7 Building Ownership Certificates, the ownerships of various buildings of property nos. 6, 16 and 27 with a total gross floor area of approximately 4,729.71 sq.m. were vested in various subsidiaries of the Group. However, the land use rights of the land parcels that these buildings are located are granted to other subsidiaries of the Group.
9. Based on the legal opinion provided to us by the Group's PRC legal adviser, we have ascribed no commercial value to these building portions of the property since these building portions of the property is not entitled to be occupied, used, transferred, leased and mortgaged in the market by the company as at the date of valuation.

However, for indicative purpose, the depreciated replacement cost of the building portion of the property is RMB 4,900,000 (equivalent to approximately HK\$ 5,600,000) by assuming the building portion of the property has obtained the relevant title documents and is freely transferrable in the market.

10. According to the information provided by the Group, various buildings and structures were erected on property nos. 14 and 25. We have ascribed no commercial value to these portions of the property since the land parcel that these properties are situated is leased to the Group, and therefore the structures are not entitled to be transferred, leased and mortgaged in the market.

However, for indicative purpose, the depreciated replacement cost of these building portions of properties without building ownership certificates as at the date of valuation is RMB18,300,000 (equivalent to approximately HK\$20,900,000) by assuming these building portions of the property has obtained the relevant title documents and is freely transferrable in the market.

11. According to the information provided by the Group, apart from the buildings in Notes 4, 5, 7 and 9 various buildings registered under various subsidiaries of the Company were erected on the property, however no building ownership certificates were obtained. We have ascribed no commercial value to the building portion of the property due to the absence of the building ownership certificates, hence it is not entitled to be occupied, used, transferred, leased and mortgaged in the market.

However, for indicative purpose, the depreciated replacement cost of these building portions of properties without building ownership certificates as at the date of valuation is RMB1,831,700,000 (equivalent to approximately HK\$ 2,093,600,000) by assuming these building portions of the property has obtained the relevant title documents and is freely transferrable in the market.

12. According to the information provided by the Group, various structures of property nos. 4, 26 and 27 are under construction as at the date of valuation. As advised by the Company, the total development cost incurred as at the Valuation Date is approximately RMB 67,700,000 (equivalent to approximately HK\$ 77,400,000).

13. Pursuant to 3 tenancy agreements, portion of the land parcel of property 16 with a total site area of 59,073.58 sq.m. is leased to various independent 3rd parties with the latest expiry date on 31 December 2051 at an aggregate annual rental of RMB 104,041.5 exclusive of electricity charges, water charges and other operative outgoings.

14. The average unit rate of land parcel in various localities of the properties as at the date of valuation are as follows:

<b>Property nos.</b>	<b>Location</b>	<b>Permitted Land Use</b>	<b>Site Area Unit Rate (RMB per sq.m.)</b>
1	Wuhu City	Industrial	150 to 400
2 to 4	Guiyang City and Anshun City	Industrial	70 to 200
5 to 7	Zhenjiang City	Industrial	200 to 400
10	Guigang City	Industrial	100 to 200
12	Liuzhou City	Industrial	300 to 450
13	Fuzhou City	Industrial	250 to 350
15	Liaoyang City	Residential	600 to 1,200
		Industrial	150 to 250
16 and 17	Qingyuan City	Industrial	150 to 250
18	Chongqing City	Industrial	100 to 400
19 to 24 and 28	Guangan City and Luzhou City	Industrial	100 to 400
26 and 27	Huaihua City	Industrial	150 to 300

15. The average unit rate of units in various residential and office properties as at the date of valuation are as follows:

Property nos.	Permitted Use	Gross Floor Area
		Unit Rate (RMB per sq.m.)
8	Residential	7,500 to 9,000
9	Office	18,000 to 22,000
11	Residential	5,500 to 7,000
29	Residential	4,000 to 5,000
30	Residential	4,000 to 6,000
31	Residential	9,000 to 12,000

16. We have been provided with a legal opinion on the property prepared by the Group's PRC legal adviser, which contains, *inter alia*, the following information:

- (a) The land portions of the property stated in Note 1 and the building portions of the property stated in Note 5 are entitled to be occupied, used, transferred, leased and mortgaged in the market by the company as at the date of valuation;
- (b) The land portions of the property stated in Note 3 and the building portions of the property stated in Note 6 are not entitled to be occupied, used, transferred, leased and mortgaged in the market by the company as at the date of valuation. However there are no foreseeable legal obstacles to renew the state-owned land use rights certificates and the building ownership certificates;
- (c) The building portions of the property stated in Notes 8 and 11 are not entitled to be occupied, used, transferred, leased and mortgaged in the market by the company as at the date of valuation. However if Construction Land Planning Permits, Construction Work Planning Permits, Construction Work Commencement Permits, Construction Work Completion Records are obtained and fulfilled the relevant requirements from the government authorities and under the laws of the PRC, there are no foreseeable legal obstacles to obtain the building ownership certificates;
- (d) The building and structure portions of the property stated in Note 10 are not entitled to be occupied, used, transferred, leased and mortgaged in the market by the company as at the date of valuation;
- (e) The tenancy agreements in Note 13 is legally binding, save and except portion of the lease term of one of the tenancy agreements which exceeded 20 years; and
- (f) The property is free from any mortgages, charges, orders and other legal encumbrances which may cause adverse effects on the ownership of the property.

## VALUATION CERTIFICATE

## Group II – Property interests held by the Group for future development use in the PRC

Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 May 2017
32.	The land and construction in progress registered under TCC Shaoguan Cement Co., Ltd. (台泥韶關水泥有限公司) located at Shijiao Village, Wushi Town, Qujiang District, Shaoguan City, Guangdong Province, the PRC	The property comprises a parcel of land together with various buildings completed in 2016 erected thereon.  The total site area of the property is approximately 357,756.2 sq.m.  The land use rights of the property were granted for a term expiring on 31 May 2067 for industrial use.	RMB62,800,000 (equivalent to approximately HK\$71,800,000)
			<b>Interest attributable to the Group</b>
			100%
			<b>Market Value in existing state attributable to the Group as at 31 May 2017</b>
			RMB62,800,000 (equivalent to approximately HK\$71,800,000)

## Notes:

- Pursuant to a State-owned Construction Land Use Rights Transfer Agreement entered into between Shaoguan City Qujiang District State-owned Land Resources Bureau Branch Office (the “Grantor”) and TCC Shaoguan Cement Co., Ltd. (the “Grantee”), the land use rights of Property with a total site area of approximately 357,756.2 sq.m. were granted to from the Grantor to the Grantee for a term expiring on 31 May 2067 for industrial use for a consideration RMB62,828,570. The salient terms related to the development conditions of the Property are as below:

Permitted Gross Floor Area	:	Less than or equal to 536,634.3 sq.m.
Plot Ratio	:	Less than or equal to 1.5
Building Height	:	Not higher than or equal to 100 meters
Site Coverage	:	Less than or equal to 55%
Greenery Ratio	:	Less than or equal to 16%
Latest Completion Date	:	31 December 2019.

2. According to the information provided by the Group, two buildings were erected on the property in 2016 without building ownership certificates obtained. We have ascribed no commercial value to the building portion of the property due to the absence of the building ownership certificates, hence they are not entitled to be transferred, leased and mortgaged in the market.

However, for indicative purpose, the depreciated replacement cost of the building portion of the property as at the date of valuation is RMB 300,000 (equivalent to approximately HK\$ 300,000) by assuming the building portion of the property has obtained the relevant title documents and were freely transferrable in the market.

3. As advised by the Company, TCC Shaoguan Cement Co., Ltd. is an indirect subsidiary company wholly owned by the Company.
4. The Property is situated at Shijiao Village in Shaoguan City, buildings in the locality are low to medium rise industrial and residential buildings. Shaoguan Railway Station about 1-hour driving distance from the property. Taxis and buses are accessible to the property.
5. The average unit rate of industrial land parcel in the locality as at the date of valuation is in the range of RMB 150 per sq.m. to RMB 250 per sq.m.
6. We have been provided with a legal opinion on the property prepared by the Group's PRC legal adviser, which contains, *inter alia*, the following information:
  - (a) The land parcel of the property with a total site area of approximately 357,756.2 sq.m. stated in Note 1 is entitled to be occupied, used, transferred, leased and mortgaged by the Group;
  - (b) The building portion of the property stated in Note 2 has not obtained the building ownership certificates, therefore it is not entitled to be occupied, used, transferred, leased and mortgaged in the market by the Group as at the date of valuation. However if Construction Land Planning Permits, Construction Work Planning Permits, Construction Work Commencement Permits, Construction Work Completion Records are obtained and fulfilled the relevant requirements from the government authorities and under the laws of the PRC, there are no foreseeable legal obstacles to obtain the building ownership certificates; and
  - (c) the property is free from any mortgages, charges, orders and other legal encumbrances which may cause adverse effects on the ownership of the property.

## VALUATION CERTIFICATE

## Group III – Property interests held by the Group for self-occupation purpose in Hong Kong

Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 May 2017
33. 16th Floor, Hong Kong Diamond Exchange Building, 8-10 Duddell Street, Central, Hong Kong	The property comprises the whole on 16th Floor of a 24-storey office building completed in 1981.	The property at present is occupied by the Group for office use.	HK\$ 55,800,000
			<b>Interest attributable to the Group</b>
8/220th equal and undivided shares of and in the remaining portion of Section C of Inland Lot No. 339	The gross floor area and saleable area of the property are approximately 2,750 sq.ft. and 2,232 sq.ft. respectively.		100%
	The property is held under government lease for a term of 999 years commencing on 11th May 1849. The annual government rent payable for the remaining portion of Section C of Inland Lot No. 339 is HK\$ 78.		<b>Market Value in existing state attributable to the Group as at 31 May 2017</b>
			HK\$ 55,800,000

*Notes:*

- Pursuant to the Land Register, the current registered owner of the property is TCC Hong Kong Cement Development Limited.
- The property lies within an area zoned as “Commercial” under Central District Outline Zoning Plan.
- As advised by the Company, TCC Hong Kong Cement Development Limited is an indirect subsidiary company wholly owned by the Company.
- The property is situated along Duddell Street, a cul-de-sac branching off Queen’s Road Central, buildings in the locality are mainly medium to high rise office and hotel buildings. MTR (Central) Station is about 10-minute walking distance from the property. MTR, taxis, mini-buses and buses are accessible to the property.
- According to the information from Rating and Valuation Department, the market yield of Grade A office in May 2017 is 2.7%.



*The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this Scheme Document received from Grant Sherman Appraisal Limited, an independent property valuer, in connection with its valuation as at 31 May 2017 of the properties held by TCC Group (other than the properties held by the Group which is set out in “Appendix III – Property Valuation of the Group”).*

**GRANT SHERMAN**

Unit 1005, 10/F., AXA Centre,  
151 Gloucester Road,  
Wanchai,  
Hong Kong

24 August 2017

The Directors  
Taiwan Cement Corporation  
No 113, Sec 2, Zhongshan North Road,  
Taipei, Taiwan

Dear Sirs,

In accordance with your instructions for us to value the property interests held by Taiwan Cement Corporation (the “Company”) and its subsidiaries (together referred to as the “Group”) in the Republic of China (the “ROC”), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of such property interests as at the 31 May 2017 (“date of valuation”) for the purpose of incorporation into the circular issued by the Company on the date hereof.

Our valuation is our opinion of the market value of the property interests where we would define market value as intended to mean “the estimated amount for which an asset or liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”.

Market Value is understood as the value of a property estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

In valuing the property interests nos. 3 to 7, 10 to 12, 14, 17, 19 to 28 and 30 to 33 in Group I and property interests nos. 35, 36, 40, 42, 44 to 50, 53, 54, 56 and 57 in Group II and property interests nos. 58, 60, 61, 67, 69, 78 to 80 and 83 in Group III, we have adopted a combination of the market and depreciated replacement cost approach in assessing the land portion of the properties and the buildings and structures standing on the lands respectively. Hence, the sum of the two results represents the market value of the properties as a whole. In the valuation of the land portion, reference has been made to the sales evidence as available to us in the locality. As the nature of the buildings and structures cannot be valued on the basis of market value, they have therefore been valued on the basis of their depreciated replacement costs. The depreciated replacement cost approach considers the current cost of replacement (reproduction) of the buildings and improvements less deductions for physical deterioration and all relevant forms of obsolescence and optimisation. The depreciated replacement cost approach generally furnishes the most reliable indication of value for properties in the absence of a known market based on comparables sales.

In valuing property interests nos. 1, 2, 8, 9, 13, 15, 16, 18 and 29 in Group I and nos. 59, 62 to 66, 68, 70 to 75, 77, 81, 82 and 84 in Group III, direct comparison approach is adopted with reference to comparable transactions in the open market and on the basis of vacant possession.

In valuing the properties interests nos. 34, 37 to 39, 41, 43, 51, 52 and 55 in Group II, we have adopted the investment approach (income approach) by taking into account the current rent passing of the property interest and the reversionary potential of the tenancy(ies). In determining the reversionary potential of the tenancy(ies), we have adopted the market approach with reference to the recent proposed leasing and sale transactions for similar premises in the proximity.

Our valuation has been made on the assumption that the owner sells the property interests on the open market in its existing state without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to increase the values of the property interests. In addition, no forced sale situation in any manner is assumed in our valuation.

We have been provided with copies of the Land Registration Records and Building Registration Records relating to the properties. We have not however, been provided with the original documents to verify ownership. All documents have been used for reference only. All dimensions, measurements and areas included in the valuation certificates are based on information contained in the documents provided to us by the Company. In undertaking our valuation for the property interests in the ROC, we have relied on the legal opinion (“the ROC Legal Opinion”) provided by the Group’s ROC legal adviser, Lee and Li, Attorneys-at-Law.

We have relied to a considerable extent on information provided by the Group and have accepted advice given to us by the Group on such matters as planning approvals or statutory notices, easements, tenure, occupancy, lettings, site and floor areas and in the identification of the properties and other relevant matter. We have no reason to doubt the truth and accuracy of the information provided to us by the Company which is material to the valuation. We have also been advised by the Group that no material facts had been concealed or omitted in the information provided to us and have no reason to suspect that any material information has been withheld. All documents have been used for reference only. We consider that we have been provided with sufficient information to reach an informed view.

All dimensions, measurements and areas included in the valuation certificates are based on information contained in the documents provided to us by the Group and are approximations only. No on-site measurement has been taken.

The properties were inspected by Mr Lawrence Chan Ka Wah (MRICS MHKIS RPS(GP) MCIREA MHIREA), Mr Nie Xiangming (ROC Real Estate Appraiser), Ms Chen Pinyu (ROC Real Estate Appraiser), Mr Chen Baihong (ROC Real Estate Appraiser), Ms Qiu Yingqiao (ROC Real Estate Appraiser), Ms Lian Linyu (ROC Real Estate Appraiser), Mr Lin Weihong (ROC Real Estate Appraiser), Mr Chen Yiren (ROC Real Estate Appraiser) and Mr Guo Guoren (ROC Real Estate Appraiser) from 22 May 2017 to 30 June 2017. We have inspected the exteriors, and where possible, the interiors of the properties, in the course of our inspection, we did not note any serious defects. However, we have not carried out a structural survey nor have we inspected woodwork or other parts of the structures which are covered, unexposed or inaccessible and we are therefore unable to report that any such parts of the properties are free from defect though in the course of our inspections we did not note any serious defects. No tests were carried out on any of the services.

We have not carried out investigation to determine the suitability of the ground conditions or the services for any property developments to be erected thereon. Our valuation is on the basis that these aspects are satisfactory and that no extraordinary expense or delay will be incurred during the construction period. Moreover, it is assumed that the utilization of the land and improvements will be within the boundaries of the sites held by the owner or permitted to be occupied by the owner. In addition, we assumed that no encroachment or trespass exists, unless noted in the valuation certificates.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property interests nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interests are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

In valuing the property interests, we have fully complied with the HKIS Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors (HKIS), the requirements set out in Chapter 5 of and Practice Note 12 to the Rule Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited and Rule 11 of the Code on Takeovers and Mergers issued by Securities and Futures Commission.

For the purpose of compliance with Rule 11.3 of the Code on Takeovers and Mergers and as advised by the Company, the potential tax liabilities which may arise from the sale of the properties include (i) ROC business tax (equivalent to 5% of sales revenue), (ii) ROC real estate transferal tax (equivalent to 20% -45% of the net appreciation amount) and (iii) ROC corporate income tax (17%). It is unlikely that such tax liability will be crystallised in the recent future as the Group has no intention to dispose of or transfer the relevant property interests. According to our established practice, in the course of our valuation, we have neither verified nor taken into account such tax liability.

Unless otherwise stated, all sums in our valuation are in New Taiwan Dollars (NT\$). The exchange rate adopted in valuing the properties as at 31 May 2017 was HK\$1: NT\$3.8641. There has been no significant fluctuation in the exchange rate for this currency against Hong Kong Dollars between that date and the date of this letter.

We enclose herewith our summary of valuation together with the valuation certificates.

Respectfully submitted,  
For and on behalf of  
**GRANT SHERMAN APPRAISAL LIMITED**

**Lawrence Chan Ka Wah**  
*MRICS MHKIS RPS(GP)MCIREA MHIREA*  
*Director*  
**Real Estate Group**

*Note:*

Mr. Lawrence Chan Ka Wah is a member of the Royal Institution of Chartered Surveyors, a member of the Hong Kong Institute of Surveyors, a member of the China Institute of Real Estate Appraisers and Agents, Registered Professional Surveyors in the General Practice Section, who has over 14 years of experience in the valuation of properties in Hong Kong, Macau, the PRC and the Asian Rim.

## SUMMARY OF VALUATION

## Group I – Property interests held by the Group for self-occupation in the ROC

		Market Value in existing state as at 31 May 2017	Interest attributable to the Group	Market Value in existing state attributable to the Group as at 31 May 2017
1	No.113 Section 2 of Zhongshan Road North, Sub-section 1 of Zhongshan Section, Zhongshan District, Taipei City, the ROC	NT\$7,358,300,000 (equivalent to approximately HK\$1,904,300,000)	100%	NT\$7,358,300,000 (equivalent to approximately HK\$1,904,300,000)
2	The entire building of No.16-5 Dehui Street and 28 Car Parking Spaces on Ground Floor and Basement Level 2 of No.16-6 Dehui Street, Sub-section 1 of Zhongshan Section, Zhongshan District, Taipei City, the ROC	NT\$1,572,000,000 (equivalent to approximately HK\$406,800,000)	100%	NT\$1,572,000,000 (equivalent to approximately HK\$406,800,000)
3	No.148 Section 1 of Changan Road and No.220 Section 2 of Nanshan Road, Gongpu Section, Luzhu District, Taoyuan City, the ROC	NT\$5,161,000,000 (equivalent to approximately HK\$ 1,335,600,000)	100%	NT\$5,161,000,000 (equivalent to approximately HK\$1,335,600,000)
4	Nos.262 and 267 Gushan 2nd Road, Gushan District, Kaohsiung City, the ROC	NT\$12,439,600,000 (equivalent to approximately HK\$3,219,300,000)	100%	NT\$12,439,600,000 (equivalent to approximately HK\$3,219,300,000)
5	Nos.267, 274 and 276 Gushan 2nd Road, Gushan District, Kaohsiung City, the ROC	NT\$1,764,200,000 (equivalent to approximately HK\$456,600,000)	100%	NT\$1,764,200,000 (equivalent to approximately HK\$456,600,000)

**APPENDIX IV**
**PROPERTY VALUATION OF TCC GROUP**

		<b>Market Value in existing state as at 31 May 2017</b>	<b>Interest attributable to the Group</b>	<b>Market Value in existing state attributable to the Group as at 31 May 2017</b>
6	The land and buildings at Suao Town, Yilan County, the ROC	NT\$3,470,100,000 (equivalent to approximately HK\$898,000,000)	100%	NT\$3,470,100,000 (equivalent to approximately HK\$898,000,000)
7	7 land parcels at Hualien City, Hualien County, the ROC	NT\$1,971,200,000 (equivalent to approximately HK\$510,100,000)	100%	NT\$1,971,200,000 (equivalent to approximately HK\$510,100,000)
8	4 land parcels at Gaozhou Section, Xinwu District Taoyuan City, the ROC	NT\$643,500,000 (equivalent to approximately HK\$166,500,000)	100%	NT\$643,500,000 (equivalent to approximately HK\$166,500,000)
9	A land parcel at Sub-section 2 of Yixian Section, Xinyi District, Taipei City, the ROC	NT\$9,103,000,000 (equivalent to approximately HK\$2,355,800,000)	100%	NT\$9,103,000,000 (equivalent to approximately HK\$2,355,800,000)
10	No. 36 Taiyi 7th Street Rende District, Tainan City, the ROC	NT\$347,300,000 (equivalent to approximately HK\$89,900,000)	100%	NT\$347,300,000 (equivalent to approximately HK\$89,900,000)
11	No.12 Zhonglin Road Xiaogang District Kaohsiung City the ROC	NT\$180,600,000 (equivalent to approximately HK\$46,700,000)	100%	NT\$180,600,000 (equivalent to approximately HK\$46,700,000)
12	No.16 Gongye 1st Road Renwu District Kaohsiung City the ROC	NT\$232,000,000 (equivalent to approximately HK\$60,000,000)	100%	NT\$232,000,000 (equivalent to approximately HK\$60,000,000)

**APPENDIX IV**
**PROPERTY VALUATION OF TCC GROUP**

		<b>Market Value in existing state as at 31 May 2017</b>	<b>Interest attributable to the Group</b>	<b>Market Value in existing state attributable to the Group as at 31 May 2017</b>
<b>Property</b>				
13	3 land parcels at Mingong Section, Minxiong Township, Chiayi County, the ROC	NT\$312,100,000 (equivalent to approximately HK\$80,800,000)	100%	NT\$312,100,000 (equivalent to approximately HK\$80,800,000)
14	No.139 Section 1 of Zhongqing Road (also known as No. 785 Section 3 of Zhongqing Road) Siwei Section Daya District Taichung City the ROC	NT\$604,200,000 (equivalent to approximately HK\$156,400,000)	100%	NT\$604,200,000 (equivalent to approximately HK\$156,400,000)
15	62 land parcels at Xizhou Section, Dadu District, Taichung City, the ROC	NT\$770,400,000 (equivalent to approximately HK\$199,400,000)	100%	NT\$770,400,000 (equivalent to approximately HK\$199,400,000)
16	7 land parcels at Dadong Section, Dadu District, Taichung City, the ROC	NT\$2,600,000 (equivalent to approximately HK\$700,000)	100%	NT\$2,600,000 (equivalent to approximately HK\$700,000)
17	No.263 Heping, Kelaibao Section, Xiulin Township, Hualien County the ROC	NT\$3,898,500,000 (equivalent to approximately HK\$1,008,900,000)	100%	NT\$3,898,500,000 (equivalent to approximately HK\$1,008,900,000)
18	Shop No.7 of No.70 Gangshou Street and 4 land parcels, Xiaogang District, Kaohsiung City, the ROC	NT\$5,300,000 (equivalent to approximately HK\$1,400,000)	100%	NT\$5,300,000 (equivalent to approximately HK\$1,400,000)

		Market Value in existing state as at 31 May 2017	Interest attributable to the Group	Market Value in existing state attributable to the Group as at 31 May 2017
19	12 land parcels at Sub-section 2 of Ganghe Section, Xiaogang District Kaohsiung City, the ROC	NT\$2,500,000 (equivalent to approximately HK\$600,000)	100%	NT\$2,500,000 (equivalent to approximately HK\$600,000)
20	No.333 Fengren Road, Renwu District, Kaohsiung City the ROC	NT\$332,400,000 (equivalent to approximately HK\$86,000,000)	100%	NT\$332,400,000 (equivalent to approximately HK\$86,000,000)
21	No.46-1 Minzhi Zhuang (also known as No.1-1 of Lane 241 Zhongshan 1st Road), Taiping Section, Zhongshan District Keelung City, the ROC	NT\$23,600,000 (equivalent to approximately HK\$6,100,000)	100%	NT\$23,600,000 (equivalent to approximately HK\$6,100,000)
22	No.150 Section 2 of Wenhua Road, Wuqi Section, Wuqi District, Taichung City, the ROC	NT\$144,500,000 (equivalent to approximately HK\$37,400,000)	100%	NT\$144,500,000 (equivalent to approximately HK\$37,400,000)
23	No.932 Jianfeng Road of 13th Lin and No.70 of 5th Lin, Lankeng Lane, Tengping Section, Toufen City, Miaoli County, the ROC	NT\$404,600,000 (equivalent to approximately HK\$104,700,000)	100%	NT\$404,600,000 (equivalent to approximately HK\$104,700,000)
24	No.9 Gongye 3rd Road, Linyuan District, Kaohsiung City, the ROC	NT\$1,657,700,000 (equivalent to approximately HK\$429,000,000)	100%	NT\$1,657,700,000 (equivalent to approximately HK\$429,000,000)



**APPENDIX IV****PROPERTY VALUATION OF TCC GROUP**

		<b>Market Value in existing state as at 31 May 2017</b>	<b>Interest attributable to the Group</b>	<b>Market Value in existing state attributable to the Group as at 31 May 2017</b>
25	No.41 Shanzaimen Road, No.41 Shanzimen Road and No.36-29 Shanzimen, Xinyouche Section, Erlun Township, Yunlin County, the ROC	NT\$52,500,000 (equivalent to approximately HK\$13,600,000)	100%	NT\$52,500,000 (equivalent to approximately HK\$13,600,000)
26	No.16 Puzi Industrial Zone 1st Street, Pugong Section, Puzi City, Chiayi County, the ROC	NT\$96,100,000 (equivalent to approximately HK\$24,900,000)	100%	NT\$96,100,000 (equivalent to approximately HK\$24,900,000)
27	No.150 Dongshan Street and No.158 Dongshan Road Zhongying Lane, Wanggongmiao Section, Xinying District, Tainan City, the ROC	NT\$66,300,000 (equivalent to approximately HK\$17,200,000)	100%	NT\$66,300,000 (equivalent to approximately HK\$17,200,000)
28	No.8 Gongye 5th Road, Pingtung City, Pingtung County, the ROC	NT\$64,600,000 (equivalent to approximately HK\$16,700,000)	100%	NT\$64,600,000 (equivalent to approximately HK\$16,700,000)
29	4 land parcels at Xintianzi Section, Gaoshu Township, Pingtung County, the ROC	NT\$76,700,000 (equivalent to approximately HK\$19,800,000)	100%	NT\$76,700,000 (equivalent to approximately HK\$19,800,000)
30	No.85 Yanfa Road, Fangliao Township, Pingtung County, the ROC	NT\$37,200,000 (equivalent to approximately HK\$9,600,000)	100%	NT\$37,200,000 (equivalent to approximately HK\$9,600,000)

**APPENDIX IV****PROPERTY VALUATION OF TCC GROUP**

		<b>Market Value in existing state as at 31 May 2017</b>	<b>Interest attributable to the Group</b>	<b>Market Value in existing state attributable to the Group as at 31 May 2017</b>
31	No.1 Zhongshan Road, Checheng Township, Pingtung County, the ROC	NT\$36,700,000 (equivalent to approximately HK\$9,500,000)	100%	NT\$36,700,000 (equivalent to approximately HK\$9,500,000)
32	No.294 Fengren Road, Renwu District, Kaohsiung City, the ROC	NT\$266,900,000 (equivalent to approximately HK\$69,100,000)	100%	NT\$266,900,000 (equivalent to approximately HK\$69,100,000)
33	Nos.3 and 5 Meigong 5th Street, Minxin Section, Hualien City, Hualien County, the ROC	NT\$213,800,000 (equivalent to approximately HK\$55,300,000)	100%	NT\$213,800,000 (equivalent to approximately HK\$55,300,000)
	<b>Sub-Total</b>	<b>NT\$53,312,000,000</b> (equivalent to approximately <b><u>HK\$13,796,700,000</u></b> )		<b>NT\$53,312,000,000</b> (equivalent to approximately <b><u>HK\$13,796,700,000</u></b> )

## Group II – Property interests held by the Group for investment purpose in the ROC

		Market Value in existing state as at 31 May 2017	Interest attributable to the Group	Market Value in existing state attributable to the Group as at 31 May 2017
34	Unit 3 on 9/F and a car parking space on Basement Level 2. Nos.54 Chenggong Road, North District, Tainan City, the ROC	NT\$5,000,000 (equivalent to approximately HK\$1,300,000)	100%	NT\$5,000,000 (equivalent to approximately HK\$1,300,000)
35	The land and building at Minde Section, Hualien City, Hualien County the ROC	NT\$104,500,000 (equivalent to approximately HK\$27,000,000)	100%	NT\$104,500,000 (equivalent to approximately HK\$27,000,000)
36	The land and building located at Sub-section 1 of Erling Section, Xiaogang District, Kaohsiung City the ROC	NT\$1,718,200,000 (equivalent to approximately HK\$444,700,000)	100%	NT\$1,718,200,000 (equivalent to approximately HK\$444,700,000)
37	Ground Floor, Level 2 and 105 car parking spaces on Basement Level 1 and Basement Level 2 of No.47 Dehang Road West, Sub-section 1 of Lanya Section, Shilin District, Taipei City, the ROC	NT\$2,519,400,000 (equivalent to approximately HK\$652,000,000)	100%	NT\$2,519,400,000 (equivalent to approximately HK\$652,000,000)
38	Units 1 and 2 on Level 10 of No.58 Zhongzheng 2nd Road, Lindeguan Section, Lingya District, Kaohsiung City, the ROC	NT\$23,200,000 (equivalent to approximately HK\$6,000,000)	100%	NT\$23,200,000 (equivalent to approximately HK\$6,000,000)

**APPENDIX IV**
**PROPERTY VALUATION OF TCC GROUP**

		<b>Market Value in existing state as at 31 May 2017</b>	<b>Interest attributable to the Group</b>	<b>Market Value in existing state attributable to the Group as at 31 May 2017</b>
39	22 units of Nos.2 and 6 Zhongshan 2nd Road, Qianzhen District, Kaohsiung City, the ROC	NT\$621,700,000 (equivalent to approximately HK\$160,900,000)	100%	NT\$621,700,000 (equivalent to approximately HK\$160,900,000)
40	The land and buildings located at Gushan District, Kaohsiung City the ROC	NT\$167,600,000 (equivalent to approximately HK\$43,400,000)	100%	NT\$167,600,000 (equivalent to approximately HK\$43,400,000)
41	Level 6 and 6-1 of No.15 Changchun Road, Sub-section 3 of Zhongshan Section, Taipei City, the ROC	NT\$57,000,000 (equivalent to approximately HK\$14,800,000)	100%	NT\$57,000,000 (equivalent to approximately HK\$14,800,000)
42	4 car parking spaces on Basement Level 3 of No.1 Lane 28 Section 2 of Xinsheng Road North, Jilin Section, Zhongzheng District, Taipei City, the ROC	NT\$9,200,000 (equivalent to approximately HK\$2,400,000)	100%	NT\$9,200,000 (equivalent to approximately HK\$2,400,000)
43	Level 2 of No.90 Huaining Street, Sub-section 3 of Gongyuan Section, Zhongzheng District, Taipei City, the ROC	NT\$53,700,000 (equivalent to approximately HK\$13,900,000)	100%	NT\$53,700,000 (equivalent to approximately HK\$13,900,000)
44	No.169 Donglin Road, Jiyoulin Section, Zhudong Town, Hsinchu County, the ROC	NT\$25,700,000 (equivalent to approximately HK\$6,700,000)	100%	NT\$25,700,000 (equivalent to approximately HK\$6,700,000)

**APPENDIX IV**
**PROPERTY VALUATION OF TCC GROUP**

		<b>Market Value in existing state as at 31 May 2017</b>	<b>Interest attributable to the Group</b>	<b>Market Value in existing state attributable to the Group as at 31 May 2017</b>
45	No.241 Dongning Road and No.10 Nanning, Dongning Section, Zhudong Town, Hsinchu County, the ROC	NT\$255,900,000 (equivalent to approximately HK\$66,200,000)	100%	NT\$255,900,000 (equivalent to approximately HK\$66,200,000)
46	No.14-1 Zhongshan Road, Beibin Section, Hualien County, the ROC	NT\$33,200,000 (equivalent to approximately HK\$8,600,000)	100%	NT\$33,200,000 (equivalent to approximately HK\$8,600,000)
47	No.81 Dongtang Street, Taitung City, Taitung County, the ROC	NT\$20,400,000 (equivalent to approximately HK\$5,300,000)	100%	NT\$20,400,000 (equivalent to approximately HK\$5,300,000)
48	No.72 Section 1 of Zhongshan Road, Suao Town, Yilan County, the ROC	NT\$16,300,000 (equivalent to approximately HK\$4,200,000)	100%	NT\$16,300,000 (equivalent to approximately HK\$4,200,000)
49	No.1-2 Zhongshan 2nd Road (also known as No.9 Zhongshan 2nd Road), Dade Section, Zhongshan District Keelung City, the ROC	NT\$90,200,000 (equivalent to approximately HK\$23,300,000)	100%	NT\$90,200,000 (equivalent to approximately HK\$23,300,000)
50	No.7 Gangxi Street, Sub-section 3 of Haibin Section, Renai District Keelung City, the ROC	NT\$24,400,000 (equivalent to approximately HK\$6,300,000)	100%	NT\$24,400,000 (equivalent to approximately HK\$6,300,000)

**APPENDIX IV**
**PROPERTY VALUATION OF TCC GROUP**

		<b>Market Value in existing state as at 31 May 2017</b>	<b>Interest attributable to the Group</b>	<b>Market Value in existing state attributable to the Group as at 31 May 2017</b>
51	Unit 2 on Level 18, No.218 Section 1 of Wenxin Road, Dajin Section, Nantun District, Taichung City, the ROC	NT\$13,000,000 (equivalent to approximately HK\$3,400,000)	100%	NT\$13,000,000 (equivalent to approximately HK\$3,400,000)
52	Unit 2 on Level 8, No.243 Yixin 1st Road, Qianzhen District, Kaohsiung City, the ROC	NT\$13,700,000 (equivalent to approximately HK\$3,500,000)	100%	NT\$13,700,000 (equivalent to approximately HK\$3,500,000)
53	No.72 Section 3 of Yuemei, Mingyue Section, Shoufeng Township, Hualien County, the ROC	NT\$31,500,000 (equivalent to approximately HK\$8,200,000)	100%	NT\$31,500,000 (equivalent to approximately HK\$8,200,000)
54	Nos.128 and 128-2 Zhongshan Road, Fengshan District, Kaohsiung City, the ROC	NT\$154,300,000 (equivalent to approximately HK\$39,900,000)	100%	NT\$154,300,000 (equivalent to approximately HK\$39,900,000)
55	Level 5 of No.19 Lane 12 Xingzhong Road, Sub-section 1 of Nangang Section, Nangang District, Taipei City, the ROC	NT\$27,000,000 (equivalent to approximately HK\$7,000,000)	100%	NT\$27,000,000 (equivalent to approximately HK\$7,000,000)
56	No.34-27 Heping, Kelaibao Section, Xiulin Township, Hualien County the ROC	NT\$6,700,000 (equivalent to approximately HK\$1,700,000)	100%	NT\$6,700,000 (equivalent to approximately HK\$1,700,000)

		<b>Market Value in existing state as at 31 May 2017</b>	<b>Interest attributable to the Group</b>	<b>Market Value in existing state attributable to the Group as at 31 May 2017</b>
<b>Property</b>				
57	No.260 Fuxing Road, Sub-section 6 of Fuxing Section, East District Taichung City, the ROC	NT\$178,000,000 (equivalent to approximately HK\$46,100,000)	100%	NT\$178,000,000 (equivalent to approximately HK\$46,100,000)
	<b>Sub-Total</b>	<b>NT\$6,169,800,000 (equivalent to approximately HK\$1,596,800,000)</b>		<b>NT\$6,169,800,000 (equivalent to approximately HK\$1,596,800,000)</b>

## Group III – Property interests held by the Group for future development in the ROC

		Market Value in existing state as at 31 May 2017	Interest attributable to the Group	Market Value in existing state attributable to the Group as at 31 May 2017
58	No.97 Zhongzheng Road (also known as No.109 Zhongzheng Road), Sub-section 2 of Zhongshan Section, Hsinchu City, the ROC	NT\$44,600,000 (equivalent to approximately HK\$11,500,000)	100%	NT\$44,600,000 (equivalent to approximately HK\$11,500,000)
59	2 land parcels at Shuishang Township, Chiayi County, the ROC	NT\$72,300,000 (equivalent to approximately HK\$18,700,000)	100%	NT\$72,300,000 (equivalent to approximately HK\$18,700,000)
60	No.299-1 Zhongxiao Road, Pingtung City, Pingtung County, the ROC	NT\$8,600,000 (equivalent to approximately HK\$2,200,000)	100%	NT\$8,600,000 (equivalent to approximately HK\$2,200,000)
61	No.310 Section 1 of Datong Road, Gongjian Section Xizhi District, New Taipei City, the ROC	NT\$2,665,800,000 (equivalent to approximately HK\$689,900,000)	100%	NT\$2,665,800,000 (equivalent to approximately HK\$689,900,000)
62	A land parcel at Shanshang Section, Zhongli District, Taoyuan City, the ROC	NT\$6,200,000 (equivalent to approximately HK\$1,600,000)	100%	NT\$6,200,000 (equivalent to approximately HK\$1,600,000)
63	9 land parcels at Tianliao District, Kaohsiung City, the ROC	NT\$94,100,000 (equivalent to approximately HK\$24,400,000)	100%	NT\$94,100,000 (equivalent to approximately HK\$24,400,000)



		Market Value in existing state as at 31 May 2017	Interest attributable to the Group	Market Value in existing state attributable to the Group as at 31 May 2017
64	46 land parcels at Gushan District and Sanmin District, Kaohsiung City, the ROC	NT\$350,700,000 (equivalent to approximately HK\$90,800,000)	100%	NT\$350,700,000 (equivalent to approximately HK\$90,800,000)
65	5 land parcels at TCC Section, Zhudong Town, Hsinchu City, the ROC	NT\$3,113,400,000 (equivalent to approximately HK\$805,700,000)	100%	NT\$3,113,400,000 (equivalent to approximately HK\$805,700,000)
66	34 land parcels at Zhudong Town, Hsinchu County, the ROC	NT\$362,700,000 (equivalent to approximately HK\$93,900,000)	100%	NT\$362,700,000 (equivalent to approximately HK\$93,900,000)
67	No.226 Section 1 of Dongning Road, Dongning Section, Zhudong Town, Hsinchu County, the ROC	NT\$1,878,100,000 (equivalent to approximately HK\$486,000,000)	100%	NT\$1,878,100,000 (equivalent to approximately HK\$486,000,000)
68	6 land parcels at Touchongpu Section, Zhudong Town, Hsinchu County, the ROC	NT\$195,600,000 (equivalent to approximately HK\$50,600,000)	100%	NT\$195,600,000 (equivalent to approximately HK\$50,600,000)
69	Nos.639 and 641 Section 2 of Zhongxing Road, Touchongpu Section, Zhudong Town, Hsinchu County, the ROC	NT\$9,300,000 (equivalent to approximately HK\$2,400,000)	100%	NT\$9,300,000 (equivalent to approximately HK\$2,400,000)

**APPENDIX IV**
**PROPERTY VALUATION OF TCC GROUP**

		<b>Market Value in existing state as at 31 May 2017</b>	<b>Interest attributable to the Group</b>	<b>Market Value in existing state attributable to the Group as at 31 May 2017</b>
70	2 land parcels at Aofeng Section, Qingshui District, Taichung City, the ROC	NT\$7,600,000 (equivalent to approximately HK\$2,000,000)	100%	NT\$7,600,000 (equivalent to approximately HK\$2,000,000)
71	11 land parcels at Xiaogang District, Kaohsiung City, the ROC	NT\$73,500,000 (equivalent to approximately HK\$19,000,000)	100%	NT\$73,500,000 (equivalent to approximately HK\$19,000,000)
72	22 land parcels at Linyuan District Kaohsiung City, the ROC	NT\$645,200,000 (equivalent to approximately HK\$167,000,000)	100%	NT\$645,200,000 (equivalent to approximately HK\$167,000,000)
73	A land parcel at Anping District Tainan City, the ROC	NT\$142,200,000 (equivalent to approximately HK\$36,800,000)	100%	NT\$142,200,000 (equivalent to approximately HK\$36,800,000)
74	3 land parcels at Luzhu District Kaohsiung City, the ROC	NT\$143,800,000 (equivalent to approximately HK\$37,200,000)	100%	NT\$143,800,000 (equivalent to approximately HK\$37,200,000)
75	A land parcel at Minsheng Section, Hunei District Kaohsiung City, the ROC	NT\$22,300,000 (equivalent to approximately HK\$5,800,000)	100%	NT\$22,300,000 (equivalent to approximately HK\$5,800,000)
76	Nos.100, 102 and 104 Lane 55 Hangyi Road, Sub-section 4 of Hangyi Section, Beitou District, Taipei City the ROC	NT\$54,500,000 (equivalent to approximately HK\$14,100,000)	100%	NT\$54,500,000 (equivalent to approximately HK\$14,100,000)

		Market Value in existing state as at 31 May 2017	Interest attributable to the Group	Market Value in existing state attributable to the Group as at 31 May 2017
77	6 land parcels at Longchang Section, Wujie Township, Yilan County, the ROC	NT\$53,900,000 (equivalent to approximately HK\$13,900,000)	100%	NT\$53,900,000 (equivalent to approximately HK\$13,900,000)
78	No.80 Yongchun Road, Yongchun Section, Suao Town, Yilan County, the ROC	NT\$23,000,000 (equivalent to approximately HK\$6,000,000)	100%	NT\$23,000,000 (equivalent to approximately HK\$6,000,000)
79	No.69-2 Huadong, Minxin Section, Hualien City, Hualien County the ROC	NT\$36,300,000 (equivalent to approximately HK\$9,400,000)	100%	NT\$36,300,000 (equivalent to approximately HK\$9,400,000)
80	No.11 Zhangbindong 1st Road, Fugui Section, Xianxi Township, Changhua County, the ROC	NT\$1,278,800,000 (equivalent to approximately HK\$330,900,000)	100%	NT\$1,278,800,000 (equivalent to approximately HK\$330,900,000)
81	4 land parcels at Pinghe Section, Shoufeng Township, Hualien County, the ROC	NT\$19,500,000 (equivalent to approximately HK\$5,000,000)	100%	NT\$19,500,000 (equivalent to approximately HK\$5,000,000)
82	3 land parcels at Sub-section 4 of Kangning Section and 2 land parcels of Sub-section 1 of Shitan Section, Neihu District, Taipei City, the ROC	NT\$267,600,000 (equivalent to approximately HK\$69,300,000)	100%	NT\$267,600,000 (equivalent to approximately HK\$69,300,000)

**APPENDIX IV****PROPERTY VALUATION OF TCC GROUP**

<b>Property</b>	<b>Market Value in existing state as at 31 May 2017</b>	<b>Interest attributable to the Group</b>	<b>Market Value in existing state attributable to the Group as at 31 May 2017</b>
83 Nos.75 and 79 Lane 220 Meishan Road, Niaosung District, Kaohsiung City, the ROC	NT\$156,200,000 (equivalent to approximately HK\$40,400,000)	100%	NT\$156,200,000 (equivalent to approximately HK\$40,400,000)
84 3 land parcels at Gaobei Section, Humei Town, Yunlin County, the ROC	NT\$456,400,000 (equivalent to approximately HK\$118,100,000)	100%	NT\$456,400,000 (equivalent to approximately HK\$118,100,000)
Sub-Total	NT\$12,182,200,000 (equivalent to approximately <u>HK\$3,152,600,000</u> )		NT\$12,182,200,000 (equivalent to approximately <u>HK\$3,152,600,000</u> )
Grant-total	NT\$71,664,000,000 (equivalent to approximately <u>HK\$18,546,100,000</u> )		NT\$71,664,000,000 (equivalent to approximately <u>HK\$18,546,100,000</u> )

## VALUATION CERTIFICATE

## Group I – Property interests held by the Group for self-occupation use in the ROC

Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 May 2017
1. No.113 Section 2 of Zhongshan Road North, Sub-section 1 of Zhongshan Section, Zhongshan District, Taipei City, the ROC	The property comprises 3 parcels of land together with a 15-storey (excluding a 5-storey basement) building completed in 1998 erected thereon.	The property was partially occupied by the Group and partially tenant-occupied for office and ancillary uses as at the date of valuation.	NT\$7,358,300,000 (equivalent to approximately HK\$1,904,300,000)
Lot Nos. 973, 973-1 and 973-2 of Sub-section 1 of Zhongshan Section, Zhongshan District Taipei City	The total site area and total gross floor area of the property are approximately 3,107 sq.m. and 34,121.79 sq.m. respectively.	The property is zoned for commercial and road uses.	Interest attributable to the Group  100%
			Market Value in existing state attributable to the Group as at 31 May 2017  NT\$7,358,300,000 (equivalent to approximately HK\$1,904,300,000)

## VALUATION CERTIFICATE

Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 May 2017
2. The entire building of No.16-5 Dehui Street and 28 Car Parking Spaces on Ground Floor and Basement Level 2 of No.16-6 Dehui Street, Sub-section 1 of Zhongshan Section, Zhongshan District, Taipei City, the ROC	The property comprises one of the 10-storey office tower and 28 car parking spaces on ground floor and basement level 2 of a 10-storey (excluding a 2-storey basement) commercial building completed in 1990.	The property was partially occupied by the Group and partially tenant-occupied for office and ancillary uses as at the date of valuation.	NT\$1,572,000,000 (equivalent to approximately HK\$406,800,000)
5,952/10,000th equal and undivided shares of and in Lot Nos. 152, 153 and 154 of Sub-section 1 of Zhongshan Section, Zhongshan District Taipei City	The total gross floor area of the property is approximately 8,038.17 sq.m.	The property is zoned for commercial use.	<p data-bbox="1225 619 1369 712"><b>Interest attributable to the Group</b></p> <p data-bbox="1313 757 1369 783">100%</p> <p data-bbox="1185 827 1369 991"><b>Market Value in existing state attributable to the Group as at 31 May 2017</b></p> <p data-bbox="1185 1036 1369 1161">NT\$1,572,000,000 (equivalent to approximately HK\$406,800,000)</p>

## VALUATION CERTIFICATE

Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 May 2017
3. No.148 Section 1 of Changan Road and No.220 Section 2 of Nanshan Road, Gongpu Section, Luzhu District, Taoyuan City, the ROC	The property comprises 50 parcels of land together with a 7-storey building (excluding a single-storey basement) and a single-storey building completed in between 1997 to 2015 erected thereon.	The property was partially occupied by the Group for cement production and ancillary uses and partially tenant-occupied for industrial and ancillary uses as at the date of valuation.	NT\$5,161,000,000 (equivalent to approximately HK\$1,335,600,000)
Lot Nos. 385, 386, 388, 390 to 410, 414 to 416 and 454 to 457 of Gongpu Section, Lot Nos. 707, 707-1, 708, 708-1, 818, 821, 821-1, 822, 822-1, 1044, 1044-1 and 1061 of Nanshan Section and Lot Nos. 85-1, 85-22, 85-23, 106-38, 106-42, 106-43 and 106-44 of Neicuo Sub-section of Nankan Neicuo Section, Luzhu District Taoyuan City	The total site area and total gross floor area of the property are approximately 92,562.83 sq.m. and 11,433.37 sq.m. respectively.	The property is zoned for industrial, railway, greenery and conservation uses.	<p data-bbox="1166 619 1370 751"><b>Interest attributable to the Group</b> 100%</p> <p data-bbox="1182 793 1370 953"><b>Market Value in existing state attributable to the Group as at 31 May 2017</b></p> <p data-bbox="1182 1002 1370 1134">NT\$5,161,000,000 (equivalent to approximately HK\$1,335,600,000)</p>

## VALUATION CERTIFICATE

Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 May 2017
<p>4. Nos.262 and 267 Gushan 2nd Road, Gushan District, Kaohsiung City, the ROC</p> <p>Lot Nos. 978, 978-2, 986, 988, 988-2, 988-3, 988-7, 988-10, 988-11, 988-13, 999, 1002, 1004, 1009, 1011, 1012, 1014, 1014-1, 1014-2, 1015, 1015-1, 1017 to 1022, 1017-1, 1018-1, 1019-1, 1020-1, 1020-2, 1022-2, 1022-3, 1024 to 1026, 1024-1, 1026-1 and 1026-2 of Sub-section 8 of Neiwei Section, Lot Nos.4, 6-1, 7, 9 to 12, 14 to 20, 16-1, 17-1, 18-1, 18-2, 19-1, 112-2, 112-3, 113 to 115 and 115-1 of Sub-section 3 of Guzhong Section and Lot No.111 to 118, 117-1, 120, 121, 121-1, 122-3, 123-3, 128-1 and 128-2 of Shoushan Section Gushan District, Kaohsiung City</p>	<p>The property comprises 82 parcels of land together with 79 single to 5-storey buildings completed in between 1915 to 1962 erected thereon.</p> <p>The total site area and total gross floor area of the property are approximately 870,985 sq.m. and 42,118.17 sq.m. respectively.</p> <p>The property is zoned for industrial, road, waterway, residential, conservation and zoo uses.</p>	<p>The property was partially occupied by the Group for cement production and ancillary uses and partially tenant-occupied for industrial and ancillary uses as at the date of valuation.</p>	<p>NT\$12,439,600,000 (equivalent to approximately HK\$3,219,300,000)</p> <p><b>Interest attributable to the Group</b></p> <p>100%</p> <p><b>Market Value in existing state attributable to the Group as at 31 May 2017</b></p> <p>NT\$12,439,600,000 (equivalent to approximately HK\$3,219,300,000)</p>



## VALUATION CERTIFICATE

Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 May 2017
5. Nos.267, 274 and 276 Gushan 2nd Road, Gushan District, Kaohsiung City, the ROC  Lot Nos.1 to 4 of Sub-section 1 of Guzhong Section and Lot Nos.1-1, 1-2, 2 to 7, 3-1, 4-1, 5-1, 6-1, 7-1, 7-2, 7-3, 7-4, 7-5, 17 to 25, 20-1, 21-1 and 27 to 34 of Sub-section 2 of Guzhong Section, Gushan District, Kaohsiung City	The property comprises 41 parcels of land together with 10 single to 4-storey buildings completed in between 1942 to 1971 erected thereon.  The total site area and total gross floor area of the property are approximately 51,684 sq.m. and 6,189.96 sq.m. respectively.  The property is designated for industrial, road, waterway and railway uses.	The property was partially occupied by the Group for cement production and ancillary uses and partially tenant-occupied for industrial and ancillary uses as at the date of valuation.	NT\$1,764,200,000 (equivalent to approximately HK\$456,600,000)  <b>Interest attributable to the Group</b>  100%  <b>Market Value in existing state attributable to the Group as at 31 May 2017</b>  NT\$1,764,200,000 (equivalent to approximately HK\$456,600,000)

## VALUATION CERTIFICATE

Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 May 2017
<p>6. The land and buildings at Suao Town, Yilan County, the ROC</p> <p>Lot Nos. 195, 237, 254, 254-1, 265, 267 to 270, 267-1, 268-1, 276 to 282, 280-1, 281-1, 282-1, 284 to 294, 299 to 312, 300-1, 301-1, 302-1, 303-1, 304-1, 305-1, 308-1, 308-2, 314, 326 to 328, 326-1, 326-2, 327-1, 327-2, 327-3, 341, 341-1, 341-2, 344, 346, 347, 350 to 352, 351-1, 351-2, 354, 354-1, 354-2, 357, 358, 362, 369 to 376, 370-1 and 378 to 381 of Changan Section, 100/181st equal and undivided shares of and in Lot No. 339 of Changan Section, Lot Nos. 30, 31, 31-1, 41, 43, 138, 151, 165, 189, 319, 372, 529, 531 to 534, 534-1, 545 to 557, 546-1, 547-1, 548-1, 549-1, 550-1, 553-1 and 573 of Yongchun Section, Lot Nos.343, 373, 378 to 394, 396 to 398, 406 to 409, 412 to 415, 424, 458, 459, 464 to 466 and 649 of Baimiweng Section, Lot Nos.638, 639, 685, 692, 694, 696, 700 to 702, 731 to 733, 735, 739, 743, 786, 787, 798, 803,817, 818, 821, 824, 825, 1009 to 1011, 1013, 1014, 1016 to 1022, 1027 to 1030, 1034 to 1036, 1039, 1049, 1050, 1070, 1072, 1081 and 1082 of Yongle Section, Lot No.71 of Susheng Section, Lot Nos.23, 23-1, 23-2 and 23-3 of Zhongyang Section and Lot Nos. 609, 611, 612, 640, 649, 651 and 699 of Guoxing Section Suao Town, Yilan County</p>	<p>The property comprises 254 parcels of land together with a 5-storey apartment building completed in 1996 erected thereon.</p> <p>The total site area and total gross floor area of the property are approximately 459,947.21 sq.m. and 5,038.42 sq.m. respectively.</p> <p>The property is zoned for industrial, residential, playground, road, waterway, conservation, transportation and railway uses.</p>	<p>The property was partially vacant, partially occupied by the Group for residential and ancillary uses, cement production and partially occupied as road as at the date of valuation.</p>	<p>NT\$3,470,100,000 (equivalent to approximately HK\$898,000,000)</p> <p><b>Interest attributable to the Group</b></p> <p>100%</p> <p><b>Market Value in existing state attributable to the Group as at 31 May 2017</b></p> <p>NT\$3,470,100,000 (equivalent to approximately HK\$898,000,000)</p>

## VALUATION CERTIFICATE

Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 May 2017
7. 7 land parcels at Hualien City Hualien County, the ROC  Lot Nos. 6, 6-1, 7, 7-2, 8 and 8-2 of Minxin Section and Lot No. 1384 of Shibi Section, Hualien City, Hualien County	The property comprises 7 parcels of land with a total site area of approximately 204,483.47 sq.m.  The property is zoned for industrial, road, religious, agricultural and transportation uses.	The property was occupied by the Group for cement production and ancillary uses as at the date of valuation.	NT\$1,971,200,000 (equivalent to approximately HK\$510,100,000)  <b>Interest attributable to the Group</b>  100%
			<b>Market Value in existing state attributable to the Group as at 31 May 2017</b>  NT\$1,971,200,000 (equivalent to approximately HK\$510,100,000)

## VALUATION CERTIFICATE

Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 May 2017
8. 4 land parcels at Gaozhou Section, Xinwu District Taoyuan City, the ROC  Lot Nos. 330, 395, 397 and 398 of Gaozhou Section, Xinwu District Taoyuan City,	The property comprises 4 parcels of land with a total site area of approximately 18,993.61 sq.m.  The property is zoned for industrial use.	The property was occupied by the Group for cement production and ancillary uses as at the date of valuation.	<p data-bbox="1185 444 1369 576">NT\$643,500,000 (equivalent to approximately HK\$166,500,000)</p> <p data-bbox="1166 619 1369 676"><b>Interest attributable to the Group</b></p> <p data-bbox="1315 725 1369 751">100%</p> <p data-bbox="1185 793 1369 953"><b>Market Value in existing state attributable to the Group as at 31 May 2017</b></p> <p data-bbox="1185 1002 1369 1127">NT\$643,500,000 (equivalent to approximately HK\$166,500,000)</p>

## VALUATION CERTIFICATE

Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 May 2017
9. A land parcel at Sub-section 2 of Yixian Section, Xinyi District, Taipei City, the ROC	The property comprises a parcel of land with a total site area of approximately 19,290 sq.m.	The property was partially occupied by the Group for cement production and ancillary uses and partially tenant-occupied for	NT\$9,103,000,000 (equivalent to approximately HK\$2,355,800,000)
Lot No. 7 of Sub-section 2 of Yixian Section, Xinyi District, Taipei City	The property is zoned for industrial use.	industrial use as at the date of valuation.	<b>Interest attributable to the Group</b>
			100%
			<b>Market Value in existing state attributable to the Group as at 31 May 2017</b>
			NT\$9,103,000,000 (equivalent to approximately HK\$2,355,800,000)

## VALUATION CERTIFICATE

<b>Property</b>	<b>Description and Tenure</b>	<b>Particulars of Occupancy</b>	<b>Market Value in existing state as at 31 May 2017</b>
10. No. 36 Taiyi 7th Street Rende District, Tainan City, the ROC	The property comprises 68 parcels of land with a total site area of approximately 12,755.67 sq.m.	The property was occupied by the Group for cement production and ancillary uses as at the date of valuation.	NT\$347,300,000 (equivalent to approximately HK\$89,900,000)
Lot Nos. 415, 629 to 648, 650 to 653 and 730 to 745 of Taixin Section, Rende District, Tainan City	The property is zoned for industrial use.		<b>Interest attributable to the Group</b>  100%
			<b>Market Value in existing state attributable to the Group as at 31 May 2017</b>  NT\$347,300,000 (equivalent to approximately HK\$89,900,000)

## VALUATION CERTIFICATE

Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 May 2017
11. No.12 Zhonglin Road Xiaogang District Kaohsiung City the ROC  Lot No. 1385 of Erqiao Section, Xiaogang District Kaohsiung City	<p>The property comprises a parcel of land together with a single to 5-storey buildings completed in between 1979 to 1994 erected thereon.</p> <p>The total site area and total gross floor area of the property are approximately 5,510sq.m. and 2,145.82 sq.m. respectively.</p> <p>The property is zoned for industrial use.</p>	<p>The property was partially occupied by the Group for cement production and ancillary uses and partially tenant-occupied as a base transceiver station as at the date of valuation.</p>	<p>NT\$180,600,000 (equivalent to approximately HK\$46,700,000)</p> <p><b>Interest attributable to the Group</b></p> <p>100%</p> <p><b>Market Value in existing state attributable to the Group as at 31 May 2017</b></p> <p>NT\$180,600,000 (equivalent to approximately HK\$46,700,000)</p>

## VALUATION CERTIFICATE

<b>Property</b>	<b>Description and Tenure</b>	<b>Particulars of Occupancy</b>	<b>Market Value in existing state as at 31 May 2017</b>
12. No.16 Gongye 1st Road Renwu District Kaohsiung City the ROC	The property comprises 4 parcels of land together with 2 single to 5-storey buildings completed in 1973 erected thereon.	The property was occupied by the Group for cement production and ancillary uses as at the date of valuation.	NT\$232,000,000 (equivalent to approximately HK\$60,000,000)
Lot Nos. 1288 and 1290 to 1292 of Zhuyuan Section, Renwu District Kaohsiung City	The total site area and total gross floor area of the property are approximately 8,696 sq.m. and 3,030.37 sq.m. respectively.		<b>Interest attributable to the Group</b>  100%
	The property is zoned for industrial use.		<b>Market Value in existing state attributable to the Group as at 31 May 2017</b>  NT\$232,000,000 (equivalent to approximately HK\$60,000,000)



## VALUATION CERTIFICATE

<b>Property</b>	<b>Description and Tenure</b>	<b>Particulars of Occupancy</b>	<b>Market Value in existing state as at 31 May 2017</b>
13. 3 land parcels at Mingong Section, Minxiong Township, Chiayi County, the ROC	The property comprises 3 parcels of land with a total site area of approximately 20,843 sq.m.	The property was partially occupied by the Group for cement production and ancillary uses and partially tenant-occupied as a base	NT\$312,100,000 (equivalent to approximately HK\$80,800,000)
Lot Nos. 591, 592 and 592-1 of Mingong Section, Minxiong Township, Chiayi County,	The property is zoned for industrial and road uses.	transceiver station as at the date of valuation.	<b>Interest attributable to the Group</b>  100%
			<b>Market Value in existing state attributable to the Group as at 31 May 2017</b>  NT\$312,100,000 (equivalent to approximately HK\$80,800,000)

## VALUATION CERTIFICATE

Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 May 2017
14. No.139 Section 1 of Zhongqing Road (also known as No. 785 Section 3 of Zhongqing Road) Siwei Section Daya District Taichung City the ROC	The property comprises 3 parcels of land together with 3 single to 2-storey buildings completed in 1974 erected thereon.	The property was partially occupied by the Group and partially tenant-occupied for storage, office and ancillary uses as at the date of valuation.	NT\$604,200,000 (equivalent to approximately HK\$156,400,000)
Lot Nos. 664, 688 and 696 of Siwei Section, Daya District Taichung City	The total site area and total gross floor area of the property are approximately 12,832 sq.m. and 3,479.68 sq.m. respectively.		<b>Interest attributable to the Group</b>  100%
	The property is zoned for industrial use.		<b>Market Value in existing state attributable to the Group as at 31 May 2017</b>  NT\$604,200,000 (equivalent to approximately HK\$156,400,000)

## VALUATION CERTIFICATE

<b>Property</b>	<b>Description and Tenure</b>	<b>Particulars of Occupancy</b>	<b>Market Value in existing state as at 31 May 2017</b>
15. 62 land parcels at Xizhou Section, Dadu District, Taichung City, the ROC	The property comprises 62 parcels of land with a total site area of approximately 51,759 sq.m.	The property was occupied by the Group for cement production and ancillary uses as at the date of valuation.	NT\$770,400,000 (equivalent to approximately HK\$199,400,000)
Lot Nos. 65 to 80, 79-1, 91 to 111, 91-1, 92-1, 92-2, 93-1, 94-1, 95-1, 96-1, 97-1, 98-1, 99-1, 100-1, 101-1, 102-1, 103-1, 104-1, 105-1, 106-1, 107-1, 108-1, 109-1, 110-1, 111-1, 160 and 160-1 of Xizhou Section, Dadu District, Taichung City,	The property is zoned for industrial, agricultural and railway uses.		<b>Interest attributable to the Group</b>  100%
			<b>Market Value in existing state attributable to the Group as at 31 May 2017</b>  NT\$770,400,000 (equivalent to approximately HK\$199,400,000)

## VALUATION CERTIFICATE

<b>Property</b>	<b>Description and Tenure</b>	<b>Particulars of Occupancy</b>	<b>Market Value in existing state as at 31 May 2017</b>
16. 7 land parcels at Dadong Section, Dadu District, Taichung City, the ROC	The property comprises 7 parcels of land with a total site area of approximately 474.2 sq.m.	The property was occupied as road as at the date of valuation.	NT\$2,600,000 (equivalent to approximately HK\$700,000)
Lot Nos. 285, 294, 295, 329 to 331 and 52/60th equal and undivided shares Lot No. 293 of Xizhou Section, Dadu District, Taichung City	The property is zoned for residential and road uses.		<b>Interest attributable to the Group</b>  100%
			<b>Market Value in existing state attributable to the Group as at 31 May 2017</b>  NT\$2,600,000 (equivalent to approximately HK\$700,000)

## VALUATION CERTIFICATE

Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 May 2017
17. No.263 Heping, Kelaibao Section, Xiulin Township, Hualien County the ROC  Lot Nos. 371-2, 378, 380, 380-1 and 385-2 of Kelaibao Section, Xiulin Township, Hualien County	The property comprises 5 parcels of land together with 67 single to 12-storey buildings completed in between 2000 and 2001 erected thereon.  The total site area and total gross floor area of the property are approximately 560,647.81 sq.m. and 237,495.94 sq.m. respectively.	The property was partially occupied by the Group for cement production and ancillary uses and partially tenant-occupied for industrial use as at the date of valuation.	NT\$3,898,500,000 (equivalent to approximately HK\$1,008,900,000)  <b>Interest attributable to the Group</b>  100%
	The property is zoned for industrial, road and transportation uses.		<b>Market Value in existing state attributable to the Group as at 31 May 2017</b>  NT\$3,898,500,000 (equivalent to approximately HK\$1,008,900,000)

## VALUATION CERTIFICATE

Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 May 2017
18. Shop No.7 of No.70 Gangshou Street and 4 land parcels of Xiaogang District, Kaohsiung City, the ROC	The property comprises one of the shop units on ground floor of a 4-storey composite building completed in 1986 and 4 parcels of land.	The shop unit of the property was owner-occupied as a shop and the land parcels of the property were occupied as a road as at the date of valuation.	NT\$5,300,000 (equivalent to approximately HK\$1,400,000)
Lot Nos.282-21, 282-75, 1145-16 and 1145-44 of Wujia Section of Fengshan District and 777/10,000th equal and undivided shares of and in Lot No.182-5 of Gangqian Section, Xiaogang District Kaohsiung City	The property has a total gross floor area of approximately 2.45 sq.m.  The property is zoned for commercial and road uses.		<b>Interest attributable to the Group</b>  100%  <b>Market Value in existing state attributable to the Group as at 31 May 2017</b>  NT\$5,300,000 (equivalent to approximately HK\$1,400,000)

## VALUATION CERTIFICATE

<b>Property</b>	<b>Description and Tenure</b>	<b>Particulars of Occupancy</b>	<b>Market Value in existing state as at 31 May 2017</b>
19. 12 land parcels at Sub-section 2 of Ganghe Section, Xiaogang District Kaohsiung City, the ROC	The property comprises 12 parcels of land with a total site area of approximately 390 sq.m.	The property was occupied as road as at the date of valuation.	NT\$2,500,000 (equivalent to approximately HK\$600,000)
Lot Nos. 551-11, 561-1, 561-2, 561-3, 561-5, 561-6, 606, 613, 613-2, 613-2, 613-4 and 613-5 of Sub-section 2 of Ganghe Section of Xiaogang District, Kaohsiung City	The property is zoned for residential and road uses.		<b>Interest attributable to the Group</b>  100%
			<b>Market Value in existing state attributable to the Group as at 31 May 2017</b>  NT\$2,500,000 (equivalent to approximately HK\$600,000)

## VALUATION CERTIFICATE

Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 May 2017
20. No.333 Fengren Road, Renwu District, Kaohsiung City the ROC  Lot No. 229, 263, 265 to 268, 270, 275, 277 and 278-5 of Zhuyuan Section, Renwu District, Kaohsiung City	The property comprises 10 parcels of land together with 3 single to 4-storey office and warehouse buildings completed in between 1992 and 2002 erected thereon.  The total site area and total gross floor area of the property are approximately 7,449 sq.m. and 4,098.46 sq.m. respectively.  The property is zoned for industrial use.	The property was partially owner-occupied and partially tenant-occupied for industrial, office and ancillary uses as at the date of valuation.	NT\$332,400,000 (equivalent to approximately HK\$86,000,000)  <b>Interest attributable to the Group</b>  100%  <b>Market Value in existing state attributable to the Group as at 31 May 2017</b>  NT\$332,400,000 (equivalent to approximately HK\$86,000,000)



## VALUATION CERTIFICATE

<b>Property</b>	<b>Description and Tenure</b>	<b>Particulars of Occupancy</b>	<b>Market Value in existing state as at 31 May 2017</b>
21. No.46-1 Minzhi Zhuang (also known as No.1-1 of Lane 241 Zhongshan 1st Road), Taiping Section, Zhongshan District Keelung City, the ROC	The property comprises 5 parcels of land together with a single-storey commercial building completed in 1948 erected thereon.	The property was owner-occupied for residential use as at the date of valuation.	NT\$23,600,000 (equivalent to approximately HK\$6,100,000)
Lot Nos. 312 to 314, 313-1 and 314-1 of Taiping Section, Zhongshan District Keelung City	The total site area and total gross floor area of the property are approximately 179 sq.m. and 99.56 sq.m. respectively.		<b>Interest attributable to the Group</b>  100%
	The property is zoned for residential and road uses.		<b>Market Value in existing state attributable to the Group as at 31 May 2017</b>  NT\$23,600,000 (equivalent to approximately HK\$6,100,000)

## VALUATION CERTIFICATE

Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 May 2017
22. No.150 Section 2 of Wenhua Road, Wuqi Section, Wuqi District, Taichung City, the ROC  Lot Nos. 3614 and 3614-1 of Wuqi Section, Wuqi District, Taichung City	The property comprises 2 parcels of land together with 4 single-storey warehouse/commercial buildings completed in between 1984 to 1994 erected thereon.  The total site area and total gross floor area of the property are approximately 2,337 sq.m. and 1,197.14 sq.m. respectively.  The property is zoned for residential use.	The property was partially tenant-occupied as a shop and partially owner-occupied for warehouse, office and ancillary uses as at the date of valuation.	NT\$144,500,000 (equivalent to approximately HK\$37,400,000)  <b>Interest attributable to the Group</b>  100%  <b>Market Value in existing state attributable to the Group as at 31 May 2017</b>  NT\$144,500,000 (equivalent to approximately HK\$37,400,000)

## VALUATION CERTIFICATE

Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 May 2017
23. No.932 Jianfeng Road of 13th Lin and No.70 of 5th Lin, Lankeng Lane, Tengping Section, Toufen City, Miaoli County, the ROC	The property comprises 31 parcels of land together with 9 single to 2-storey industrial and ancillary buildings completed in between 1969 to 1979 erected thereon.	The property was owner-occupied for industrial and ancillary uses as at the date of valuation.	NT\$404,600,000 (equivalent to approximately HK\$104,700,000)
Lot Nos. 1010, 1011, 1018 to 1020, 1023 to 1027, 1029 to 1047 and 1066 of Tengping Section, Toufen City, Miaoli County	The total site area and total gross floor area of the property are approximately 43,649.96 sq.m. and 14,075.94 sq.m. respectively.	The property is zoned for agricultural use.	<p data-bbox="1166 619 1370 676"><b>Interest attributable to the Group</b></p> <p data-bbox="1315 725 1370 751">100%</p> <p data-bbox="1185 795 1370 953"><b>Market Value in existing state attributable to the Group as at 31 May 2017</b></p> <p data-bbox="1201 1002 1370 1125">NT\$404,600,000 (equivalent to approximately HK\$104,700,000)</p>

## VALUATION CERTIFICATE

Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 May 2017
24 No.9 Gongye 3rd Road, Linyuan District, Kaohsiung City, the ROC  Lot Nos. 3607, 3607-6 and 3608-4 of Xizhou Section, Linyuan District, Kaohsiung City	The property comprises 3 parcels of land together with 12 single to 4-storey industrial and ancillary buildings completed in between 1994 and 2012 erected thereon.  The total site area and total gross floor area of the property are approximately 131,540 sq.m. and 8,916.38 sq.m. respectively.  The property is zoned for industrial and road uses.	The property was owner-occupied for cement production and ancillary uses as at the date of valuation.	NT\$1,657,700,000 (equivalent to approximately HK\$429,000,000)  <b>Interest attributable to the Group</b>  100%  <b>Market Value in existing state attributable to the Group as at 31 May 2017</b>  NT\$1,657,700,000 (equivalent to approximately HK\$429,000,000)

## VALUATION CERTIFICATE

<b>Property</b>	<b>Description and Tenure</b>	<b>Particulars of Occupancy</b>	<b>Market Value in existing state as at 31 May 2017</b>
25. No.41 Shanzaimen Road, No.41 Shanzimen Road and No.36-29 Shanzimen, Xinyouche Section, Erlun Township, Yunlin County, the ROC	The property comprises 4 parcels of land together with 3 single to 3-storey industrial and ancillary buildings completed in between 1973 and 1977 erected thereon.	The property was owner-occupied for cement production and ancillary uses as at the date of valuation.	NT\$52,500,000 (equivalent to approximately HK\$13,600,000)
Lot Nos. 225 to 228 of Xinyouche Section, Erlun Township, Yunlin County	The total site area and total gross floor area of the property are approximately 7,595.39 sq.m. and 1,968.58 sq.m. respectively.		<b>Interest attributable to the Group</b>  100%
	The property is zoned for agricultural and building uses.		<b>Market Value in existing state attributable to the Group as at 31 May 2017</b>  NT\$52,500,000 (equivalent to approximately HK\$13,600,000)

## VALUATION CERTIFICATE

Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 May 2017
26. No.16 Puzi Industrial Zone 1st Street, Pugong Section, Puzi City, Chiayi County, the ROC  Lot No. 96 of Pugong Section, Puzi City, Chiayi County	The property comprises a parcel of land together with 4 single to 2-storey industrial and ancillary buildings completed in 1992 erected thereon.  The total site area and total gross floor area of the property are approximately 7,294 sq.m. and 906.99 sq.m. respectively.	The property was owner-occupied for cement production and ancillary uses as at the date of valuation.	<p data-bbox="1185 444 1369 576">NT\$96,100,000 (equivalent to approximately HK\$24,900,000)</p> <p data-bbox="1185 619 1369 751"><b>Interest attributable to the Group</b>  100%</p> <p data-bbox="1185 793 1369 957"><b>Market Value in existing state attributable to the Group as at 31 May 2017</b></p> <p data-bbox="1185 1000 1369 1127">NT\$96,100,000 (equivalent to approximately HK\$24,900,000)</p>

## VALUATION CERTIFICATE

Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 May 2017
27. No.150 Dongshan Street and No.158 Dongshan Road Zhongying Lane, Wanggongmiao Section, Xinying District, Tainan City, the ROC	The property comprises 4 parcels of land together with 5 single to 2-storey industrial and ancillary buildings completed in between 1978 and 1989 erected thereon.	The property was owner-occupied for cement production and ancillary uses as at the date of valuation.	NT\$66,300,000 (equivalent to approximately HK\$17,200,000)
Lot No. 63-9, 63-12, 64-8 and 64-13 of Wanggongmiao Section, Xinying District, Tainan City	The total site area and total gross floor area of the property are approximately 6,426 sq.m. and 1,497.09 sq.m. respectively.	The property is zoned for industrial use.	<b>Interest attributable to the Group</b>
			100%
			<b>Market Value in existing state attributable to the Group as at 31 May 2017</b>
			NT\$66,300,000 (equivalent to approximately HK\$17,200,000)

## VALUATION CERTIFICATE

Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 May 2017
28. No.8 Gongye 5th Road, Pingtung City, Pingtung County, the ROC  Lot No. 100 of Xinning Section, Pingtung City, Pingtung County	The property comprises a parcel of land together with 2 single-storey industrial and ancillary buildings completed in between 1980 and 1981 erected thereon.  The total site area and total gross floor area of the property are approximately 3,868 sq.m. and 421.73 sq.m. respectively.	The property was owner-occupied for cement production and ancillary uses as at the date of valuation.	NT\$64,600,000 (equivalent to approximately HK\$16,700,000)
	The property is zoned for industrial use.		<b>Interest attributable to the Group</b>
			100%
			<b>Market Value in existing state attributable to the Group as at 31 May 2017</b>
			NT\$64,600,000 (equivalent to approximately HK\$16,700,000)



## VALUATION CERTIFICATE

Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 May 2017
29. 4 land parcels at Xintianzi Section, Gaoshu Township, Pingtung County, the ROC  Lot Nos. 646 to 648 and 651 of Xintianzi Section Gaoshu Township, Pingtung County	The property comprises 4 parcels of land with a site area of approximately 18,635.53 sq.m.  The property is zoned for building and agricultural uses.	The property was owner-occupied for cement production and ancillary uses as at the date of valuation.	<p data-bbox="1185 444 1369 576">NT\$76,700,000 (equivalent to approximately HK\$19,800,000)</p> <p data-bbox="1166 619 1369 676"><b>Interest attributable to the Group</b></p> <p data-bbox="1315 725 1369 751">100%</p> <p data-bbox="1185 793 1369 953"><b>Market Value in existing state attributable to the Group as at 31 May 2017</b></p> <p data-bbox="1185 1002 1369 1127">NT\$76,700,000 (equivalent to approximately HK\$19,800,000)</p>

## VALUATION CERTIFICATE

<b>Property</b>	<b>Description and Tenure</b>	<b>Particulars of Occupancy</b>	<b>Market Value in existing state as at 31 May 2017</b>
30. No.85 Yanfa Road, Fangliao Township, Pingtung County, the ROC	The property comprises 2 parcels of land together with a 2-storey (excluding a single-storey basement) office/dormitory building completed in 1989 erected thereon.	The property was owner-occupied for cement production and ancillary uses as at the date of valuation.	NT\$37,200,000 (equivalent to approximately HK\$9,600,000)
Lot Nos. 243 and 244 of Pingnan Section, Fangliao Township, Pingtung County	The total site area and total gross floor area of the property are approximately 3,824 sq.m. and 446.97 sq.m. respectively.		<b>Interest attributable to the Group</b>  100%
	The property is zoned for industrial use.		<b>Market Value in existing state attributable to the Group as at 31 May 2017</b>  NT\$37,200,000 (equivalent to approximately HK\$9,600,000)

## VALUATION CERTIFICATE

Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 May 2017
31. No.1 Zhongshan Road, Checheng Township, Pingtung County, the ROC  Lot Nos.1056, 1057 and 1057-1 of Xingtong Section, Checheng Township, Pingtung County	The property comprises 3 parcels of land together with a 2-storey (excluding a single-storey basement) industrial/office/dormitory building completed in 1992 erected thereon.  The total site area and total gross floor area of the property are approximately 4,531.07 sq.m. and 749.5 sq.m. respectively.	The property was owner-occupied for cement production and ancillary uses as at the date of valuation.	NT\$36,700,000 (equivalent to approximately HK\$9,500,000)
			<b>Interest attributable to the Group</b>
			100%
			<b>Market Value in existing state attributable to the Group as at 31 May 2017</b>
			NT\$36,700,000 (equivalent to approximately HK\$9,500,000)

## VALUATION CERTIFICATE

Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 May 2017
32. No.294 Fengren Road, Renwu District, Kaohsiung City, the ROC  Lot Nos.1474 to 1478, 1474-1, 1475-1, 1475-2, 1476-1, 1477-1, 1483 and 1484 of Renying Section, Renwu District, Kaohsiung City	The property comprises 12 parcels of land together with a single-storey (excluding a single-storey basement) industrial/office building completed in 1993 erected thereon.  The total site area and total gross floor area of the property are approximately 9,561 sq.m. and 527.76 sq.m. respectively.	The property was owner-occupied for cement production and ancillary uses as at the date of valuation.	NT\$266,900,000 (equivalent to approximately HK\$69,100,000)
			<b>Interest attributable to the Group</b>
			100%
			<b>Market Value in existing state attributable to the Group as at 31 May 2017</b>
			NT\$266,900,000 (equivalent to approximately HK\$69,100,000)

## VALUATION CERTIFICATE

<b>Property</b>	<b>Description and Tenure</b>	<b>Particulars of Occupancy</b>	<b>Market Value in existing state as at 31 May 2017</b>
33. Nos.3 and 5 Meigong 5th Street, Minxin Section, Hualien City, Hualien County, the ROC	The property comprises 3 parcels of land together with 8 single to 2-storey (excluding a single-storey basement) industrial and ancillary buildings completed in between 1980 and 1991 erected thereon.	The property was owner-occupied for cement production and ancillary uses as at the date of valuation.	NT\$213,800,000 (equivalent to approximately HK\$55,300,000)
Lot Nos.256, 257 and 257-1 of Minxin Section, Hualien City, Hualien County, the ROC	The total site area and total gross floor area of the property are approximately 19,875 sq.m. and 2,717.57 sq.m. respectively.	The property is zoned for industrial use.	<b>Interest attributable to the Group</b>  100%  <b>Market Value in existing state attributable to the Group as at 31 May 2017</b>  NT\$213,800,000 (equivalent to approximately HK\$55,300,000)

*Notes for Properties 1 to 33:*

- Pursuant to the Land Registration Records provided by the Company, the current registered owners of the land parcels of the properties are the Company and its various subsidiaries on freehold basis.
- Pursuant to the Building Registration Records, the current registered owners of the buildings of properties are the Company and its various subsidiaries.
- According to the information provided by the Group, apart from the buildings in Note 2, various buildings are constructed on the land parcels of properties nos. 3, 6, 8, 9, 10, 13, 14, 15, 23, 26, 29 and 30, however the buildings were not registered. We have ascribed no commercial value to the building portion of the properties due to the absence of the building registration records, hence it is not entitled to be occupied, used, transferred, leased and mortgaged in the market.
- Pursuant to various tenancy agreements, portion of property nos. 1, 2, 3, 5, 6, 14 and 17 is leased to various subsidiaries of the Company at an aggregate monthly rental of NT\$3,820,556 exclusive of electricity charges, water charges and other operative outgoings.
- Pursuant to various tenancy agreements, portion of properties nos. 1, 2, 3, 4, 5, 9, 11, 13, 14, 17, 20, 22 and 23 is leased to various independent third parties at an aggregate monthly rental of NT\$4,723,831 exclusive of electricity charges, water charges and other operative outgoings.

6. The average unit rates of land parcels in various localities of the properties as at the date of valuation are as follows:

<b>Property nos.</b>	<b>Permitted Land Uses</b>	<b>Site Area Unit Rates</b> <i>(NT\$ per sq.m.)</i>
3	Industrial	50,000 to 70,000
4 and 5	Industrial	50,000 to 70,000
6	Industrial	6,000 to 8,000
7	Industrial	8,000 to 10,000
8	Industrial	30,000 to 40,000
9	Industrial	450,000 to 500,000
10	Industrial	8,000 to 10,000
11	Industrial	30,000 to 40,000
12	Industrial	20,000 to 30,000
13	Industrial	14,000 to 16,000
14	Industrial	40,000 to 50,000
15	Industrial	15,000 to 25,000
16	Road	5,000 to 7,000
17	Industrial	4,000 to 6,000
19	Road	20,000 to 30,000
20	Industrial	40,000 to 50,000
21	Residential	140,000 to 160,000
22	Residential	50,000 to 70,000
23	Agricultural	4,000 to 10,000
24	Industrial	11,000 to 13,000
25	Agricultural	5,000 to 7,000
26	Industrial	13,000 to 15,000
27	Industrial	8,000 to 10,000
28	Industrial	16,000 to 18,000
29	Agricultural	3,000 to 5,000
30	Industrial	8,000 to 10,000
31	Industrial	6,000 to 8,000
32	Industrial	40,000 to 50,000
33	Industrial	9,000 to 11,000

7. The average unit rates of various shop and office units in the locality of the properties as at the date of valuation are as follows:

<b>Property nos.</b>	<b>Permitted Uses</b>	<b>Gross Floor Area Unit Rates</b> <i>(NT\$ per sq.m.)</i>
1	Office	200,000 to 300,000
2	Office	150,000 to 250,000
18	Shop	50,000 to 70,000

8. We have been provided with a legal opinion on the properties prepared by the Group's ROC legal adviser, which contains, *inter alia*, the following information:
- (a) The land portions of the properties stated in Note 1 and the building portions of the properties stated in Note 2 are entitled to be occupied, used, transferred, leased and mortgaged in the market;
  - (b) Thirty-three of the land parcels of properties nos. 6, 24 to 28, 30 to 33 and forty-one of the buildings of property nos. 16, 17, 25 to 28 and 30 to 33 are subject to various mortgage agreements; and
  - (c) The properties are free from any mortgages, charges, orders and other legal encumbrances which may cause adverse effects on the ownership of the properties, save and except the mortgage agreements stated in Noted 8(b).

## VALUATION CERTIFICATE

## Group II – Property interests held by the Group for investment purpose in the ROC

Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 May 2017
34. Unit 3 on 9/F and a car parking space on Basement Level 2. Nos.54 Chenggong Road, North District, Tainan City, the ROC	The property comprises an office unit on 9/F and a car parking space on Basement Level 2 of a 12-storey commercial building completed in 1989.	The property was tenant-occupied for commercial and car parking uses as at the date of valuation.	NT\$5,000,000 (equivalent to approximately HK\$1,300,000)
226/10,000th equal and undivided shares of and in Lot No.725-1 of Gongyuan Section, North District, Tainan City	The total gross floor area of the property is approximately 193.46 sq.m.  The property is zoned for commercial uses.		<b>Interest attributable to the Group</b>  100%  <b>Market Value in existing state attributable to the Group as at 31 May 2017</b>  NT\$5,000,000 (equivalent to approximately HK\$1,300,000)



## VALUATION CERTIFICATE

Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 May 2017
35. The land and building at Minde Section, Hualien City, Hualien County the ROC	The property comprises a parcel of land together with a single-storey residential building completed in 1951 erected thereon.	The property was tenant-occupied as a restaurant as at the date of valuation.	NT\$104,500,000 (equivalent to approximately HK\$27,000,000)
Lot No. 419 of Minde Section, Hualien City Hualien County	The total site area and total gross floor area of the property are approximately 952 sq.m. and 172.3 sq.m. respectively.	The property is zoned for residential and industrial uses.	<b>Interest attributable to the Group</b>  100%
			<b>Market Value in existing state attributable to the Group as at 31 May 2017</b>  NT\$104,500,000 (equivalent to approximately HK\$27,000,000)

## VALUATION CERTIFICATE

<b>Property</b>	<b>Description and Tenure</b>	<b>Particulars of Occupancy</b>	<b>Market Value in existing state as at 31 May 2017</b>
36. The land and building located at Sub-section 1 of Erling Section, Xiaogang District, Kaohsiung City the ROC	The property comprises a parcel of land together with a single-storey building completed in 1954 erected thereon.	The property was tenant-occupied for industrial and ancillary uses as at the date of valuation.	NT\$1,718,200,000 (equivalent to approximately HK\$444,700,000)
Lot No. 1059-1 of Erling Section, Xiaogang District, Kaohsiung City	The total site area and total gross floor area of the property are approximately 59,790 sq.m. and 172.23 sq.m. respectively.	The property is zoned for industrial use.	<b>Interest attributable to the Group</b>  100%
			<b>Market Value in existing state attributable to the Group as at 31 May 2017</b>  NT\$1,718,200,000 (equivalent to approximately HK\$444,700,000)

## VALUATION CERTIFICATE

<b>Property</b>	<b>Description and Tenure</b>	<b>Particulars of Occupancy</b>	<b>Market Value in existing state as at 31 May 2017</b>
37. Ground Floor, Level 2 and 105 car parking spaces on Basement Level 1 and Basement Level 2 of No.47 Dehang Road West, Sub-section 1 of Lanya Section, Shilin District, Taipei City, the ROC	The property comprises the entire of Ground Floor, Level 2 and 105 car parking spaces on Basement Level 1 and Basement Level 2 of a 11-storey (excluding a 2-storey basement) composite building completed in 1990.	The property was tenant occupied for shop and car parking uses as at the date of valuation.	NT\$2,519,400,000 (equivalent to approximately HK\$652,000,000)
4,600/10,000th equal and undivided shares of and in Lot No.656 of Sub-section 1 of Lanya Section, Shilin District, Taipei City	The Property has a total gross floor area of approximately 16,460.36 sq.m.		
	The property is zoned for commercial and road uses.		
			<b>Interest attributable to the Group</b>  100%
			<b>Market Value in existing state attributable to the Group as at 31 May 2017</b>  NT\$2,519,400,000 (equivalent to approximately HK\$652,000,000)

## VALUATION CERTIFICATE

Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 May 2017
38. Units 1 and 2 on Level 10 of No.58 Zhongzheng 2nd Road, Lindeguan Section, Lingya District, Kaohsiung City, the ROC  777/10,000th equal and undivided shares of and in Lot Nos.1101 and 1101-1 of Lindeguan Section, Lingya District, Kaohsiung City	The property comprises two of the office units on Level 10 of a 12-storey (excluding a single-storey basement) commercial building completed in 1991.  The Property has a total gross floor area of approximately 717.41 sq.m.  The property is zoned for commercial and residential uses.	The property was vacant as at the date of valuation.	NT\$23,200,000 (equivalent to approximately HK\$6,000,000)  <b>Interest attributable to the Group</b>  100%  <b>Market Value in existing state attributable to the Group as at 31 May 2017</b>  NT\$23,200,000 (equivalent to approximately HK\$6,000,000)

## VALUATION CERTIFICATE

<b>Property</b>	<b>Description and Tenure</b>	<b>Particulars of Occupancy</b>	<b>Market Value in existing state as at 31 May 2017</b>
39. 22 units of Nos.2 and 6 Zhongshan 2nd Road, Qianzhen District, Kaohsiung City, the ROC	The property comprises 2 banks on Level 1 and 20 office units on Levels 3 to 7, 27 and 28 of a 28-storey (excluding a 6-storey basement) commercial building completed in 1998.	The property was partially vacant and partially tenant-occupied for office use as at the date of valuation.	NT\$621,700,000 (equivalent to approximately HK\$160,900,000)
30,316/100,000th equal and undivided shares of and in Lot Nos.1081 and 83/100th equal and undivided shares of and in Lot Nos.1094-28, 1099-1, 1100-1, 1157, 1158, 1246 and 1248 of Aiqun Section, Qianzhen District, Kaohsiung City	The Property has a total gross floor area of approximately 12,792.07 sq.m.		<b>Interest attributable to the Group</b>  100%
	The property is zoned for commercial use.		<b>Market Value in existing state attributable to the Group as at 31 May 2017</b>  NT\$621,700,000 (equivalent to approximately HK\$160,900,000)

## VALUATION CERTIFICATE

<b>Property</b>	<b>Description and Tenure</b>	<b>Particulars of Occupancy</b>	<b>Market Value in existing state as at 31 May 2017</b>
40. The land and buildings located at Gushan District, Kaohsiung City the ROC	The property comprises 3 parcels of land together with 5 single to 3-storey residential, office and warehouse buildings completed in between 1958 and 1985 erected thereon.	The property was partially vacant and partially tenant-occupied for residential, office, warehouse and ancillary uses as at the date of valuation.	NT\$167,600,000 (equivalent to approximately HK\$43,400,000)
Lot Nos. 66-2, 134 and 136 of Sub-section 2 of Guzhong Section, Gushan District, Kaohsiung City	The total site area and total gross floor area of the property are approximately 2,475 sq.m. and 2,570.22 sq.m. respectively.		<b>Interest attributable to the Group</b>  100%
	The property is zoned for residential use.		<b>Market Value in existing state attributable to the Group as at 31 May 2017</b>  NT\$167,600,000 (equivalent to approximately HK\$43,400,000)

## VALUATION CERTIFICATE

<b>Property</b>	<b>Description and Tenure</b>	<b>Particulars of Occupancy</b>	<b>Market Value in existing state as at 31 May 2017</b>
41. Level 6 and 6-1 of No.15 Changchun Road, Sub-section 3 of Zhongshan Section, Taipei City, the ROC	The property comprises two office units of a 11-storey (excluding a single-storey basement) commercial building completed in 1978.	The property was tenant-occupied for office and ancillary uses as at the date of valuation.	NT\$57,000,000 (equivalent to approximately HK\$14,800,000)
Lot Nos. 428, 429, 268/10,000th equal and undivided shares of and in Lot No. 437, 3,130/100,000th equal and undivided shares of and in Lot No. 430, 313/6,269th equal and undivided shares of and in Lot Nos. 435 and 436 of Sub-section 3 of Zhongshan Section, Zhongshan District, Taipei City	The total gross floor area of the property is approximately 314.41 sq.m.  The property is zoned for commercial use.		<b>Interest attributable to the Group</b>  100%
			<b>Market Value in existing state attributable to the Group as at 31 May 2017</b>  NT\$57,000,000 (equivalent to approximately HK\$14,800,000)

## VALUATION CERTIFICATE

<b>Property</b>	<b>Description and Tenure</b>	<b>Particulars of Occupancy</b>	<b>Market Value in existing state as at 31 May 2017</b>
42. 4 car parking spaces on Basement Level 3 of No.1 Lane 28 Section 2 of Xinsheng Road North, Jilin Section, Zhongzheng District, Taipei City, the ROC	The property comprises four covered car parking spaces of a 15-storey (excluding a 3-storey basement) residential building completed in 1989.	The property was tenant-occupied for car parking use as at the date of valuation.	NT\$9,200,000 (equivalent to approximately HK\$2,400,000)
			<b>Interest attributable to the Group</b>
			100%
60/100,000th equal and undivided shares of and in Lot No. 366-1 of Sub-section 5 of Jilin Section, Zhongzheng District, Taipei City	The total gross floor area of the property is approximately 128.09 sq.m.  The property is zoned for commercial use.		<b>Market Value in existing state attributable to the Group as at 31 May 2017</b>
			NT\$9,200,000 (equivalent to approximately HK\$2,400,000)



## VALUATION CERTIFICATE

<b>Property</b>	<b>Description and Tenure</b>	<b>Particulars of Occupancy</b>	<b>Market Value in existing state as at 31 May 2017</b>
43. Level 2 of No.90 Huaining Street, Sub-section 3 of Gongyuan Section, Zhongzheng District, Taipei City, the ROC	The property comprises an office unit on Level 2 of a 10-storey (excluding a single-storey basement) commercial building completed in 1984.	The property was tenant-occupied for office and ancillary uses as at the date of valuation.	NT\$53,700,000 (equivalent to approximately HK\$13,900,000)
38/380th equal and undivided shares of and in Lot No. 177, Sub-section 3 of Gongyuan Section, Zhongzheng District, Taipei City	The total gross floor area of the property is approximately 328.27 sq.m.		<b>Interest attributable to the Group</b>  100%
	The property is zoned for commercial use.		<b>Market Value in existing state attributable to the Group as at 31 May 2017</b>  NT\$53,700,000 (equivalent to approximately HK\$13,900,000)

## VALUATION CERTIFICATE

Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 May 2017
44. No.169 Donglin Road, Jiyoulin Section, Zhudong Town, Hsinchu County, the ROC	The property comprises 2 parcels of land together with 3 single-storey commercial buildings completed in between 1961	The property was tenant-occupied for industrial and ancillary uses as at the date of valuation.	NT\$25,700,000 (equivalent to approximately HK\$6,700,000)
Lot Nos. 163-28 and 169-1 of Jiyoulin Section, Zhudong Town, Hsinchu County	and 1969 erected thereon.	The total site area and total gross floor area of the property are approximately 1,103 sq.m. and 722.4 sq.m. respectively.	<b>Interest attributable to the Group</b>
	The property is zoned for industrial use.		100%
			<b>Market Value in existing state attributable to the Group as at 31 May 2017</b>
			NT\$25,700,000 (equivalent to approximately HK\$6,700,000)

## VALUATION CERTIFICATE

<b>Property</b>	<b>Description and Tenure</b>	<b>Particulars of Occupancy</b>	<b>Market Value in existing state as at 31 May 2017</b>
45. No.241 Dongning Road and No.10 Nanning, Dongning Section, Zhudong Town, Hsinchu County, the ROC	The property comprises 18 parcels of land together with a single-storey commercial building completed in 1996 and a single-storey residential building completed in 1980 erected thereon.	The property was partially vacant and partially tenant-occupied for transportation and ancillary uses as at the date of valuation.	NT\$255,900,000 (equivalent to approximately HK\$66,200,000)
Lot Nos. 737, 739, 755, 760 to 765, 873 to 876, 878, 880 and 883 to 885 of Dongning Section, Zhudong Town, Hsinchu County	The total site area and total gross floor area of the property are approximately 6,028 sq.m. and 169.04 sq.m. respectively.		<b>Interest attributable to the Group</b>  100%
	The property is zoned for residential, road and waterway uses.		<b>Market Value in existing state attributable to the Group as at 31 May 2017</b>  NT\$255,900,000 (equivalent to approximately HK\$66,200,000)

## VALUATION CERTIFICATE

Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 May 2017
46. No.14-1 Zhongshan Road, Beibin Section, Hualien County, the ROC  Lot Nos. 1357 and 1357-1 of Beibin Section, Hualien County,	The property comprises 2 parcels of land together with a single-storey commercial building completed in 1960 erected thereon.  The total site area and total gross floor area of the property are approximately 429 sq.m. and 254.6 sq.m. respectively.  The property is zoned for residential and road uses.	The property was tenant-occupied as a shop as at the date of valuation.	NT\$33,200,000 (equivalent to approximately HK\$8,600,000)  <b>Interest attributable to the Group</b>  100%  <b>Market Value in existing state attributable to the Group as at 31 May 2017</b>  NT\$33,200,000 (equivalent to approximately HK\$8,600,000)

## VALUATION CERTIFICATE

Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 May 2017
47. No.81 Dongtang Street, Taitung City, Taitung County, the ROC  Lot Nos. 618, 618-1, 618-2, 618-3 and 618-4 of Guangming Section, Taitung City, Taitung County	The property comprises 5 parcels of land together with a single-storey industrial/office building completed in 1971 erected thereon.  The total site area and total gross floor area of the property are approximately 1,225 sq.m. and 630.49 sq.m. respectively.  The property is zoned for residential, road, railway and car parking uses.	The property was tenant-occupied for industrial use as at the date of valuation.	<p>NT\$20,400,000 (equivalent to approximately HK\$5,300,000)</p> <p><b>Interest attributable to the Group</b></p> <p>100%</p> <p><b>Market Value in existing state attributable to the Group as at 31 May 2017</b></p> <p>NT\$20,400,000 (equivalent to approximately HK\$5,300,000)</p>

## VALUATION CERTIFICATE

Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 May 2017
48. No.72 Section 1 of Zhongshan Road, Suao Town, Yilan County, the ROC	The property comprises a parcel of land together with a 4-storey composite building completed in 1971 erected thereon.	The property was partially vacant and partially tenant-occupied as a shop as at the date of valuation.	NT\$16,300,000 (equivalent to approximately HK\$4,200,000)
Lot No. 704 of Sushi Section, Suao Town, Yilan County	The total site area and total gross floor area of the property are approximately 140.18 sq.m. and 339.48 sq.m. respectively.	The property is zoned for commercial use.	<b>Interest attributable to the Group</b>  100%
			<b>Market Value in existing state attributable to the Group as at 31 May 2017</b>  NT\$16,300,000 (equivalent to approximately HK\$4,200,000)

## VALUATION CERTIFICATE

	<b>Property</b>	<b>Description and Tenure</b>	<b>Particulars of Occupancy</b>	<b>Market Value in existing state as at 31 May 2017</b>
..				
49.	No.1-2 Zhongshan 2nd Road (also known as No.9 Zhongshan 2nd Road), Dade Section, Zhongshan District Keelung City, the ROC	The property comprises 2 parcels of land together with 2 adjoining single-storey commercial buildings completed in between 1955 and 1960 erected thereon.	The property was tenant-occupied for commercial and ancillary uses as at the date of valuation.	NT\$90,200,000 (equivalent to approximately HK\$23,300,000)
	Lot Nos. 619 and 619-1 of Dade Section, Zhongshan District Keelung City	The total site area and total gross floor area of the property are approximately 300 sq.m. and 86.32 sq.m. respectively.		<b>Interest attributable to the Group</b>  100%
		The property is zoned for commercial use.		<b>Market Value in existing state attributable to the Group as at 31 May 2017</b>  NT\$90,200,000 (equivalent to approximately HK\$23,300,000)

## VALUATION CERTIFICATE

<b>Property</b>	<b>Description and Tenure</b>	<b>Particulars of Occupancy</b>	<b>Market Value in existing state as at 31 May 2017</b>
50. No.7 Gangxi Street, Sub-section 3 of Haibin Section, Renai District Keelung City, the ROC	The property comprises 4 parcels of land together with a 2-storey composite building completed in 1958 erected thereon.	The property was tenant-occupied for commercial and ancillary uses as at the date of valuation.	NT\$24,400,000 (equivalent to approximately HK\$6,300,000)
Lot Nos. 169, 169-1, 170 and 170-1 of Sub-section 3 of Haibin Section, Renai District Keelung City	The total site area and total gross floor area of the property are approximately 105 sq.m. and 137.4 sq.m. respectively.		<b>Interest attributable to the Group</b>  100%
	The property is zoned for commercial and road uses.		<b>Market Value in existing state attributable to the Group as at 31 May 2017</b>  NT\$24,400,000 (equivalent to approximately HK\$6,300,000)



## VALUATION CERTIFICATE

Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 May 2017
51. Unit 2 on Level 18, No.218 Section 1 of Wenxin Road, Dajin Section, Nantun District, Taichung City, the ROC	The property comprises an office unit on Level 18 of a 25-storey (excluding a 4-storey basement) commercial building completed in 1995	The property was partially owner-occupied and partially tenant-occupied for office use as at the date of valuation.	NT\$13,000,000 (equivalent to approximately HK\$3,400,000)
294/100,000th equal and undivided shares of and in Lot No.617 of Dajin Section, Nantun District, Taichung City	The total gross floor area of the property is approximately 240.65 sq.m.	The property is zoned for residential use.	<b>Interest attributable to the Group</b>
			100%
			<b>Market Value in existing state attributable to the Group as at 31 May 2017</b>
			NT\$13,000,000 (equivalent to approximately HK\$3,400,000)

## VALUATION CERTIFICATE

Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 May 2017
52. Unit 2 on Level 8, No.243 Yixin 1st Road, Qianzhen District, Kaohsiung City, the ROC  354/30,000th equal and undivided shares of and in Lot Nos.792 and 279-2 of Sub-section 1 of Xiande Section, Qianzhen District, Kaohsiung City	The property comprises an office unit on Level 8 of a 13-storey (excluding a single-storey basement) commercial building completed in 1990.  The total gross floor area of the property is approximately 441.1 sq.m.  The property is zoned for residential and commercial uses.	The property was vacant as at the date of valuation.	NT\$13,700,000 (equivalent to approximately HK\$3,500,000)  <b>Interest attributable to the Group</b>  100%  <b>Market Value in existing state attributable to the Group as at 31 May 2017</b>  NT\$13,700,000 (equivalent to approximately HK\$3,500,000)

## VALUATION CERTIFICATE

<b>Property</b>	<b>Description and Tenure</b>	<b>Particulars of Occupancy</b>	<b>Market Value in existing state as at 31 May 2017</b>
53. No.72 Section 3 of Yuemei, Mingyue Section, Shoufeng Township, Hualien County, the ROC	The property comprises 4 parcels of land together with a 2-storey office/warehouse building completed in 1985 and a 3-storey industrial building completed in 1991 erected thereon.	The property was tenant-occupied for office and industrial uses as at the date of valuation.	NT\$31,500,000 (equivalent to approximately HK\$8,200,000)
Lot Nos. 497, 568, 584 and 585 of Mingyue Section, Shoufeng Township, Hualien County	The total site area and total gross floor area of the property are approximately 9,070.99 sq.m. and 344.61 sq.m. respectively.	The property is zoned for building, agricultural, conservation and waterway uses.	<b>Interest attributable to the Group</b>  100%
			<b>Market Value in existing state attributable to the Group as at 31 May 2017</b>  NT\$31,500,000 (equivalent to approximately HK\$8,200,000)

## VALUATION CERTIFICATE

Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 May 2017
54. Nos.128 and 128-2 Zhongshan Road, Fengshan District, Kaohsiung City, the ROC	The property comprises 8 parcels of land together with 3 adjoining 3-storey composite buildings completed in between 1964 and 2002 erected thereon.	The property was tenant-occupied for commercial and ancillary uses as at the date of valuation.	NT\$154,300,000 (equivalent to approximately HK\$39,900,000)
Lot Nos.118-1, 118-2, 118-3, 118-4, 147-10, 147-15, 147-18 and 147-22 of Dalaoya Sub-section of Fengshan Section, Fengshen District, Kaohsiung City	The total site area and total gross floor area of the property are approximately 771 sq.m. and 1,316.91 sq.m. respectively.	The property is zoned for commercial use.	<b>Interest attributable to the Group</b>
			100%
			<b>Market Value in existing state attributable to the Group as at 31 May 2017</b>
			NT\$154,300,000 (equivalent to approximately HK\$39,900,000)

## VALUATION CERTIFICATE

<b>Property</b>	<b>Description and Tenure</b>	<b>Particulars of Occupancy</b>	<b>Market Value in existing state as at 31 May 2017</b>
55. Level 5 of No.19 Lane 12 Xingzhong Road, Sub-section 1 of Nangang Section, Nangang District, Taipei City, the ROC	The property comprises an office unit on Level 5 of a 10-storey (excluding a 2-storey basement) commercial building completed in 1992	The property was tenant-occupied for office and ancillary uses as at the date of valuation.	NT\$27,000,000 (equivalent to approximately HK\$7,000,000)
325/10,000th equal and undivided shares of and in Lot No.1230 of Sub-section 1 of Nangang Section, Nangang District, Taipei City	The total gross floor area of the property is approximately 150.85 sq.m.	The property is zoned for commercial use.	<b>Interest attributable to the Group</b>  100%
			<b>Market Value in existing state attributable to the Group as at 31 May 2017</b>  NT\$27,000,000 (equivalent to approximately HK\$7,000,000)

## VALUATION CERTIFICATE

Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 May 2017
56. No.34-27 Heping, Kelaibao Section, Xiulin Township, Hualien County the ROC  Lot No. 54 of Kelaibao Section, Xiulin Township, Hualien County	The property comprises a parcel of land together with a 3-storey (excluding a single-storey basement) residential building completed in 2001 erected thereon.	The property was vacant as at the date of valuation.	NT\$6,700,000 (equivalent to approximately HK\$1,700,000)
	The total site area and total gross floor area of the property are approximately 259.16 sq.m. and 646.3 sq.m. respectively.		<b>Interest attributable to the Group</b>
	The property is zoned for residential use.		100%
			<b>Market Value in existing state attributable to the Group as at 31 May 2017</b>
			NT\$6,700,000 (equivalent to approximately HK\$1,700,000)

## VALUATION CERTIFICATE

<b>Property</b>	<b>Description and Tenure</b>	<b>Particulars of Occupancy</b>	<b>Market Value in existing state as at 31 May 2017</b>
57. No.260 Fuxing Road, Sub-section 6 of Fuxing Section, East District Taichung City, the ROC	The property comprises 6 parcels of land and a single-storey building completed in 1966 erected thereon.	The property was tenant-occupied for industrial use as at the date of valuation.	NT\$178,000,000 (equivalent to approximately HK\$46,100,000)
Lot Nos.22-5, 22-7, 23-21, 25-7, 25-9 and 26-5 of Sub-section 6 of Fuxing Section, Taichung City	The total site area and total gross floor area of the property are approximately 2,102 sq.m. and 146.73 sq.m. respectively.		<b>Interest attributable to the Group</b>  100%
	The property is zoned for residential use.		<b>Market Value in existing state attributable to the Group as at 31 May 2017</b>  NT\$178,000,000 (equivalent to approximately HK\$46,100,000)

*Notes for Properties 34 to 57:*

1. Pursuant to the Land Registration Records provided by the Company, the current registered owners of the land parcels of the properties are the Company and its various subsidiaries on freehold basis.
2. Pursuant to the Building Registration Records, the current registered owners of the buildings of properties are the Company and its various subsidiaries.
3. Pursuant to various tenancy agreements, property nos. 34 to 37, 39, 40, 42, 44 to 51, 53 and 54 is leased to various independent 3rd parties at an aggregate monthly rental of NT\$20,381,842 exclusive of electricity charges, water charges and other operative outgoings.

4. The average unit rates of land parcel in various localities of the properties as at the date of valuation are as follows:

<b>Properties nos.</b>	<b>Permitted Land Uses</b>	<b>Site Area Unit Rates</b> <i>(NT\$ per sq.m.)</i>
35	Industrial	100,000 to 120,000
36	Industrial	20,000 to 30,000
40	Industrial	60,000 to 70,000
44	Industrial	20,000 to 30,000
45	Residential	40,000 to 60,000
46	Residential	80,000 to 100,000
47	Residential	20,000 to 30,000
48	Commercial	100,000 to 120,000
49	Commercial	300,000 to 350,000
50	Commercial	200,000 to 300,000
53	Agricultural	1,000 to 2,000
54	Commercial	180,000 to 200,000
56	Residential	8,000 to 10,000
58	Commercial	80,000 to 100,000

5. The average unit rate of various shop and office units in the locality of the properties as at the date of valuation are as follows:

<b>Properties nos.</b>	<b>Permitted Uses</b>	<b>Gross Floor Area Unit Rates</b> <i>(NT\$ per sq.m.)</i>
34	Office	25,000 to 30,000
37	Shop	300,000 to 400,000 (for Level 1)
38	Office	20,000 to 35,000
39	Office	30,000 to 40,000
41	Office	150,000 to 200,000
43	Office	150,000 to 200,000
51	Office	50,000 to 60,000
52	Office	30,000 to 40,000
55	Office	150,000 to 200,000



6. The average unit rate of the car parking spaces in the locality of property no. 42 is in the range of NT\$500,000 to NT\$700,000 each as at the date of valuation.
7. We have been provided with a legal opinion on the properties prepared by the Group's ROC legal adviser, which contains, *inter alia*, the following information:
  - (a) The land portions of the properties stated in Note 1 and the building portions of the property stated in Note 2 are entitled to be occupied, used, transferred, leased and mortgaged in the market;
  - (b) Thirteen of the land parcels of properties nos. 35, 37, 53 and 54 and eight of the buildings of properties nos. 37, 46, 53 and 54 are subject to various mortgage agreements; and
  - (c) The properties are free from any mortgages, charges, orders and other legal encumbrances which may cause adverse effects on the ownership of the properties, save and except the mortgage agreements stated in Noted 7(b).

## VALUATION CERTIFICATE

## Group III – Property interests held by the Group for future development purpose in the ROC

<b>Property</b>	<b>Description and Tenure</b>	<b>Particulars of Occupancy</b>	<b>Market Value in existing state as at 31 May 2017</b>
58. No.97 Zhongzheng Road (also known as No.109 Zhongzheng Road), Sub-section 2 of Zhongshan Section, Hsinchu City, the ROC	The property comprises two parcels of land and a 3-storey residential building completed in 1966 erected thereon.	The property was vacant as at the date of valuation.	NT\$44,600,000 (equivalent to approximately HK\$11,500,000)
Lot Nos.16-9 and 16-13 of Sub-section 2 of Zhongshan Section, Hsinchu City	The total site area and total gross floor area of the property are approximately 139 sq.m. and 347.58 sq.m. respectively.		<b>Interest attributable to the Group</b>  100%
	The property is zoned for commercial use.		<b>Market Value in existing state attributable to the Group as at 31 May 2017</b>  NT\$44,600,000 (equivalent to approximately HK\$11,500,000)

## VALUATION CERTIFICATE

<b>Property</b>	<b>Description and Tenure</b>	<b>Particulars of Occupancy</b>	<b>Market Value in existing state as at 31 May 2017</b>
59. 2 land parcels at Shuishang Township, Chiayi County, the ROC	The property comprises 2 parcels of land with a total site area of approximately 5,974 sq.m.	The property was vacant as at the date of valuation.	NT\$72,300,000 (equivalent to approximately HK\$18,700,000)
Lot Nos.207-1 and 208 of Xiaoliao Sub-section of Xiaoliao Section Shuishang Township, Chiayi County	The property is zoned for agricultural and building uses.		<b>Interest attributable to the Group</b>  100%
			<b>Market Value in existing state attributable to the Group as at 31 May 2017</b>  NT\$72,300,000 (equivalent to approximately HK\$18,700,000)

## VALUATION CERTIFICATE

<b>Property</b>	<b>Description and Tenure</b>	<b>Particulars of Occupancy</b>	<b>Market Value in existing state as at 31 May 2017</b>
60. No.299-1 Zhongxiao Road, Pingtung City, Pingtung County, the ROC	The property comprises a parcel of land and a 5-storey composite building completed in 1995 erected thereon.	The property was vacant as at the date of valuation.	NT\$8,600,000 (equivalent to approximately HK\$2,200,000)
Lot No.813-16 of Beishi Section, Pingtung City, Pingtung County	The total site area and total gross floor area of the property are approximately 98 sq.m. and 345.55 sq.m. respectively.		<b>Interest attributable to the Group</b>  100%
	The property is zoned for residential use.		<b>Market Value in existing state attributable to the Group as at 31 May 2017</b>  NT\$8,600,000 (equivalent to approximately HK\$2,200,000)

## VALUATION CERTIFICATE

<b>Property</b>	<b>Description and Tenure</b>	<b>Particulars of Occupancy</b>	<b>Market Value in existing state as at 31 May 2017</b>
61. No.310 Section 1 of Datong Road, Gongjian Section Xizhi District, New Taipei City, the ROC	The property comprises 22 parcels of land and four 2 to 3-storey industrial buildings completed in between 1964 to 1984 erected thereon.	The property was partially vacant and partially tenant-occupied for car parking use as at the date of valuation.	NT\$2,665,800,000 (equivalent to approximately HK\$689,900,000)
Lot Nos.66, 66-1, 66-2, 84, 91 to 97, 106, 107, 109, 111 and 113 to 119 of Gongjian Section, Xizhi District, New Taipei City	The total site area and total gross floor area of the property are approximately 18,760.15 sq.m. and 8,723.42 sq.m. respectively.		<b>Interest attributable to the Group</b>  100%
	The property is zoned for industrial and agricultural uses.		<b>Market Value in existing state attributable to the Group as at 31 May 2017</b>  NT\$2,665,800,000 (equivalent to approximately HK\$689,900,000)

## VALUATION CERTIFICATE

<b>Property</b>	<b>Description and Tenure</b>	<b>Particulars of Occupancy</b>	<b>Market Value in existing state as at 31 May 2017</b>
62. A land parcel at Shanshang Section, Zhongli District, Taoyuan City, the ROC	The property comprises a parcel of land with a total site area of approximately 219.38 sq.m.	The property was vacant and fallow as at the date of valuation.	NT\$6,200,000 (equivalent to approximately HK\$1,600,000)
1/16th equal and undivided shares of and in Lot No. 1059 of Shanshang Section, Zhongli District, Taoyuan City,	The property is zoned for agricultural and building uses.		<b>Interest attributable to the Group</b>  100%
			<b>Market Value in existing state attributable to the Group as at 31 May 2017</b>  NT\$6,200,000 (equivalent to approximately HK\$1,600,000)

## VALUATION CERTIFICATE

<b>Property</b>	<b>Description and Tenure</b>	<b>Particulars of Occupancy</b>	<b>Market Value in existing state as at 31 May 2017</b>
63. 9 land parcels at Tianliao District, Kaohsiung City, the ROC	The property comprises 9 parcels of land with a total site area of approximately 225,012.56 sq.m.	The property was partially vacant and partially occupied as road as at the date of valuation.	NT\$94,100,000 (equivalent to approximately HK\$24,400,000)
Lot Nos. 326, 335, 376 and 382 of Dagangshan Section, Lot Nos. 1569, 1596 and 1602 of Chongxi Section and Lot Nos. 6-49 and 6-57 of Niuchoupu Section, Tianliao District, Kaohsiung City,	The property is zoned for conservation and transportation uses.		<b>Interest attributable to the Group</b>  100%
			<b>Market Value in existing state attributable to the Group as at 31 May 2017</b>  NT\$94,100,000 (equivalent to approximately HK\$24,400,000)

## VALUATION CERTIFICATE

<b>Property</b>	<b>Description and Tenure</b>	<b>Particulars of Occupancy</b>	<b>Market Value in existing state as at 31 May 2017</b>
64. 46 land parcels at Gushan District and Sanmin District, Kaohsiung City, the ROC	The property comprises 46 parcels of land with a total site area of approximately 17,315.06 sq.m.	The property was partially vacant and partially occupied as road as at the date of valuation.	NT\$350,700,000 (equivalent to approximately HK\$90,800,000)
Lot Nos. 44-4, 45-8, 46, 46-1, 66-18, 67, 132-3, 132-7, 141-3, 141-16, 141-17, 141-18, 141-22, 176, 176-3, 177, 232, 232-7, 232-9, 232-10, 232-14, 271 and 428 of Sub-section 2 of Guzhong Section, Lot Nos. 195, 195-3, 297-8, 297-11, 390 and 393 of Sub-section 3 of Guzhong Section and Lot Nos. 693, 694, 767, 909, 909-1, 909-2 and 909-5 of Sub-section 8 of Neiwei Section, Gushan District and Lot No.23 of Wanxing Section, Sanmin District, Kaohsiung City	The property is zoned for residential, commercial, road, waterway, railway and industrial uses.		<b>Interest attributable to the Group</b>  100%
			<b>Market Value in existing state attributable to the Group as at 31 May 2017</b>  NT\$350,700,000 (equivalent to approximately HK\$90,800,000)



## VALUATION CERTIFICATE

<b>Property</b>	<b>Description and Tenure</b>	<b>Particulars of Occupancy</b>	<b>Market Value in existing state as at 31 May 2017</b>
65. 5 land parcels at TCC Section, Zhudong Town, Hsinchu City, the ROC	The property comprises 5 parcels of land with a total site area of approximately 45,619.36 sq.m.	The property was vacant as at the date of valuation.	NT\$3,113,400,000 (equivalent to approximately HK\$805,700,000)
Lot Nos.4, 5, 10, 16 and 20 of TCC Section, Zhudong Town, Hsinchu City,	The property is zoned for residential and commercial uses.		<b>Interest attributable to the Group</b>  100%
			<b>Market Value in existing state attributable to the Group as at 31 May 2017</b>  NT\$3,113,400,000 (equivalent to approximately HK\$805,700,000)

## VALUATION CERTIFICATE

<b>Property</b>	<b>Description and Tenure</b>	<b>Particulars of Occupancy</b>	<b>Market Value in existing state as at 31 May 2017</b>
66. 34 land parcels at Zhudong Town, Hsinchu County, the ROC	The property comprises 34 parcels of land with a total site area of approximately 16,182 sq.m.	The property was partially vacant, partially tenant-occupied for car parking use and partially occupied as road as at the date of valuation.	NT\$362,700,000 (equivalent to approximately HK\$93,900,000)
Lot Nos.173,344 to 350, 355, 357, 357-1, 360, 454-4 and 454-5 of Zhongzheng Section and Lot Nos.47, 47-1, 57, 473, 474, 484, 526, 528, 556, 556-2, 556-3, 923, 925 to 927, 1002, 1013, 1014, 1016 and 1024 of Renai Section, Zhudong Town, Hsinchu County	The property is zoned for residential, industrial, railway, road and education uses.		<b>Interest attributable to the Group</b>  100%
			<b>Market Value in existing state attributable to the Group as at 31 May 2017</b>  NT\$362,700,000 (equivalent to approximately HK\$93,900,000)

## VALUATION CERTIFICATE

<b>Property</b>	<b>Description and Tenure</b>	<b>Particulars of Occupancy</b>	<b>Market Value in existing state as at 31 May 2017</b>
67. No.226 Section 1 of Dongning Road, Dongning Section, Zhudong Town, Hsinchu County, the ROC	The property comprises 64 parcels of land together with 9 single to 2-storey buildings completed in 1997 erected thereon.	The property was vacant as at the date of valuation.	NT\$1,878,100,000 (equivalent to approximately HK\$486,000,000)
Lot Nos.607, 607-1, 677, 715, 715-1, 716, 716-1, 727 to 729, 729-1, 881, 881-1, 882, 882-1, 886, 921, 922, 923-11, 924 to 927, 943, 943-1, 944 to 958, 944-1, 945-1, 945-2, 946-1, 947-1, 948-1, 949-1, 950-1, 950-2, 953-1, 954-1, 955-1, 966 to 968, 1013, 1014, 1021 to 1023, 1022-1 and 1022-2 of Dongning Section, Zhudong Town, Hsinchu County	The total site area and total gross floor area of the property are approximately 39,035 sq.m. and 3,822.96 sq.m. respectively.  The property is zoned for residential, road and waterway uses.		<b>Interest attributable to the Group</b>  100%  <b>Market Value in existing state attributable to the Group as at 31 May 2017</b>  NT\$1,878,100,000 (equivalent to approximately HK\$486,000,000)

## VALUATION CERTIFICATE

<b>Property</b>	<b>Description and Tenure</b>	<b>Particulars of Occupancy</b>	<b>Market Value in existing state as at 31 May 2017</b>
68. 6 land parcels at Touchongpu Section, Zhudong Town, Hsinchu County, the ROC	The property comprises 6 parcels of land with a total site area of approximately 9,369 sq.m.	The property was vacant as at the date of valuation.	NT\$195,600,000 (equivalent to approximately HK\$50,600,000)
Lot Nos.231-2, 231-18, 231-19, 231-20, 231-21 and 231-22 of Touchongpu Section, Zhudong Town, Hsinchu County	The property is zoned for industrial, park and conservation uses.		<b>Interest attributable to the Group</b>  100%
			<b>Market Value in existing state attributable to the Group as at 31 May 2017</b>  NT\$195,600,000 (equivalent to approximately HK\$50,600,000)

## VALUATION CERTIFICATE

<b>Property</b>	<b>Description and Tenure</b>	<b>Particulars of Occupancy</b>	<b>Market Value in existing state as at 31 May 2017</b>
69. Nos.639 and 641 Section 2 of Zhongxing Road, Touchongpu Section, Zhudong Town, Hsinchu County, the ROC	The property comprises 3 parcels of land together with 2 single-storey buildings completed in 1979 erected thereon.	The property was vacant as at the date of valuation.	NT\$9,300,000 (equivalent to approximately HK\$2,400,000)
Lot Nos. 99-32, 99-33 and 99-87 of Touchongpu Section Zhudong Town, Hsinchu County	The total site area and total gross floor area of the property are approximately 206 sq.m. and 143.57 sq.m. respectively.		<b>Interest attributable to the Group</b>  100%
	The property is zoned for residential and industrial uses.		<b>Market Value in existing state attributable to the Group as at 31 May 2017</b>  NT\$9,300,000 (equivalent to approximately HK\$2,400,000)

## VALUATION CERTIFICATE

<b>Property</b>	<b>Description and Tenure</b>	<b>Particulars of Occupancy</b>	<b>Market Value in existing state as at 31 May 2017</b>
70. 2 land parcels at Aofeng Section, Qingshui District, Taichung City, the ROC	The property comprises 2 parcels of land with a total site area of approximately 250.51 sq.m.	The property was vacant as at the date of valuation.	NT\$7,600,000 (equivalent to approximately HK\$2,000,000)
Lot Nos. 168 and 169 of Aofeng Section, Qingshui District, Taichung City,	The property is zoned for commercial use.		<b>Interest attributable to the Group</b>  100%
			<b>Market Value in existing state attributable to the Group as at 31 May 2017</b>  NT\$7,600,000 (equivalent to approximately HK\$2,000,000)

## VALUATION CERTIFICATE

Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 May 2017
71. 11 land parcels at Xiaogang District, Kaohsiung City, the ROC  Lot Nos. 551, 554, 554-1, 554-3, 554-4, 554-5, 560, 637, 637-1, 637-2, 637-3 of Ganghe Section, Xiaogang District, Kaohsiung City	The property comprises 11 parcels of land with a total site area of approximately 6,766 sq.m.  The property is zoned for playground, road and residential uses.	The property was partially vacant, partially tenant-occupied for storage use and partially occupied as road as at the date of valuation.	NT\$73,500,000 (equivalent to approximately HK\$19,000,000)  <b>Interest attributable to the Group</b>  100%
			<b>Market Value in existing state attributable to the Group as at 31 May 2017</b>  NT\$73,500,000 (equivalent to approximately HK\$19,000,000)

## VALUATION CERTIFICATE

Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 May 2017
72. 22 land parcels at Linyuan District Kaohsiung City, the ROC  Lot No.1419, 1419-2, 1419-59, 1420-2, 1420-3, 1420-6, 1420-8, 1420-10, 1421-1, 1422-1, 1423-2, 1424, 1424-1, 1436, 1436-1, 1436-77, 1442, 1442-210, 1442-223, 1444, 1446 and 1459 of Zhongyun Section of Linyuan District, Kaohsiung City	The property comprises 22 parcels of land with a total site area of approximately 39,656 sq.m.  The property is zoned for industrial and road uses.	The property was partially vacant and partially tenant-occupied for car parking use as at the date of valuation.	NT\$645,200,000 (equivalent to approximately HK\$167,000,000)  <b>Interest attributable to the Group</b>  100%  <b>Market Value in existing state attributable to the Group as at 31 May 2017</b>  NT\$645,200,000 (equivalent to approximately HK\$167,000,000)



## VALUATION CERTIFICATE

<b>Property</b>	<b>Description and Tenure</b>	<b>Particulars of Occupancy</b>	<b>Market Value in existing state as at 31 May 2017</b>
73. A land parcel at Anping District Tainan City, the ROC	The property comprises a parcel of land with a total site area of approximately 1,567 sq.m.	The property was vacant as at the date of valuation.	NT\$142,200,000 (equivalent to approximately HK\$36,800,000)
Lot No.61-48 of Jinhua Section of Anping District, Tainan City	The property is designated for residential use.		<b>Interest attributable to the Group</b>  100%
			<b>Market Value in existing state attributable to the Group as at 31 May 2017</b>  NT\$142,200,000 (equivalent to approximately HK\$36,800,000)

## VALUATION CERTIFICATE

Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 May 2017
74. 3 land parcels at Luzhu District Kaohsiung City, the ROC	The property comprises 3 parcels of land with a total site area of approximately 3,382.31 sq.m.	The property was vacant as at the date of valuation.	NT\$143,800,000 (equivalent to approximately HK\$37,200,000)
Lot Nos. 761, 766 and 770 of Datung Section of Luzhu District, Kaohsiung City	The property is zoned for residential, road and pavement uses.		<b>Interest attributable to the Group</b>  100%
			<b>Market Value in existing state attributable to the Group as at 31 May 2017</b>
			NT\$143,800,000 (equivalent to approximately HK\$37,200,000)

## VALUATION CERTIFICATE

<b>Property</b>	<b>Description and Tenure</b>	<b>Particulars of Occupancy</b>	<b>Market Value in existing state as at 31 May 2017</b>
75. A land parcel at Minsheng Section, Hunei District Kaohsiung City, the ROC	The property comprises a parcel of land with a site area of approximately 793 sq.m.	The property was occupied for car parking use as at the date of valuation.	NT\$22,300,000 (equivalent to approximately HK\$5,800,000)
Lot No. 426 of Minsheng Section of Hunei District, Kaohsiung City	The property is zoned for residential and road uses.		<b>Interest attributable to the Group</b>  100%
			<b>Market Value in existing state attributable to the Group as at 31 May 2017</b>  NT\$22,300,000 (equivalent to approximately HK\$5,800,000)

## VALUATION CERTIFICATE

Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 May 2017
76. Nos.100, 102 and 104 Lane 55 Hangyi Road, Sub-section 4 of Hangyi Section, Beitou District, Taipei City the ROC  328,544/1,000,000th equal and undivided shares of and in Lot Nos. 183, 183-1, 183-2, 183-4, 187, 188 and 219 of Sub-section 4 of Hangyi Section, Beitou District, Taipei City	The property comprises 8 parcels of land together with 3 single-storey residential buildings completed in between 1956 and 1968 erected thereon.  The total site area and total gross floor area of the property are approximately 6,611.94 sq.m. and 105.48 sq.m. respectively.  The property is zoned for conservation use.	The property was vacant as at the date of valuation.	NT\$54,500,000 (equivalent to approximately HK\$14,100,000)  <b>Interest attributable to the Group</b>  100%  <b>Market Value in existing state attributable to the Group as at 31 May 2017</b>  NT\$54,500,000 (equivalent to approximately HK\$14,100,000)

## VALUATION CERTIFICATE

<b>Property</b>	<b>Description and Tenure</b>	<b>Particulars of Occupancy</b>	<b>Market Value in existing state as at 31 May 2017</b>
77. 6 land parcels at Longchang Section, Wujie Township, Yilan County, the ROC	The property comprises 6 parcels of land with a site area of approximately 1,690.12 sq.m.	The property was vacant as at the date of valuation.	NT\$53,900,000 (equivalent to approximately HK\$13,900,000)
Lot Nos. 6 to 11 of Longchang Section of Wujie Township, Yilan County	The property is zoned for residential, road and railway uses.		<b>Interest attributable to the Group</b>  100%
			<b>Market Value in existing state attributable to the Group as at 31 May 2017</b>  NT\$53,900,000 (equivalent to approximately HK\$13,900,000)

## VALUATION CERTIFICATE

<b>Property</b>	<b>Description and Tenure</b>	<b>Particulars of Occupancy</b>	<b>Market Value in existing state as at 31 May 2017</b>
78. No.80 Yongchun Road, Yongchun Section, Suao Town, Yilan County, the ROC	The property comprises a parcel of land together with a single-storey industrial building completed in 1989 erected thereon.	The property was partially vacant and partially owner-occupied as a guardhouse as at the date of valuation.	NT\$23,000,000 (equivalent to approximately HK\$6,000,000)
Lot No. 309 of Yongchun Section, Suao Town, Yilan County	The total site area and total gross floor area of the property are approximately 1,879.81 sq.m. and 93.43 sq.m. respectively.		<b>Interest attributable to the Group</b>  100%
	The property is zoned for industrial use.		<b>Market Value in existing state attributable to the Group as at 31 May 2017</b>  NT\$23,000,000 (equivalent to approximately HK\$6,000,000)

## VALUATION CERTIFICATE

Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 May 2017
79. No.69-2 Huadong, Minxin Section, Hualien City, Hualien County the ROC  Lot No.69 of Minxin Section, Hualien City, Hualien County	The property comprises a parcel of land together with a single-storey industrial building and a single-storey refugee chamber completed in 1974 erected thereon.  The total site area and total gross floor area of the property are approximately 2,605 sq.m. and 180.52 sq.m. respectively.	The property was vacant as at the date of valuation.	NT\$36,300,000 (equivalent to approximately HK\$9,400,000)
	The property is zoned for industrial use.		<b>Interest attributable to the Group</b>
			100%
			<b>Market Value in existing state attributable to the Group as at 31 May 2017</b>
			NT\$36,300,000 (equivalent to approximately HK\$9,400,000)

## VALUATION CERTIFICATE

<b>Property</b>	<b>Description and Tenure</b>	<b>Particulars of Occupancy</b>	<b>Market Value in existing state as at 31 May 2017</b>
80. No.11 Zhangbindong 1st Road, Fugui Section, Xianxi Township, Changhua County, the ROC	The property comprises 7 parcels of land together with 7 single to 2-storey industrial and ancillary buildings completed in between 1999 and 2000 erected thereon.	The property was vacant as at the date of valuation.	NT\$1,278,800,000 (equivalent to approximately HK\$330,900,000)
Lot Nos. 114 to 116, 114-1, 114-2, 115-1 and 118 of Fugui Section, Xianxi Township, Changhua County	The total site area and total gross floor area of the property are approximately 199,109.77 sq.m. and 5,838.12 sq.m. respectively.		<b>Interest attributable to the Group</b>  100%
	The property is zoned for industrial use.		<b>Market Value in existing state attributable to the Group as at 31 May 2017</b>  NT\$1,278,800,000 (equivalent to approximately HK\$330,900,000)



## VALUATION CERTIFICATE

<b>Property</b>	<b>Description and Tenure</b>	<b>Particulars of Occupancy</b>	<b>Market Value in existing state as at 31 May 2017</b>
81. 4 land parcels at Pinghe Section, Shoufeng Township, Hualien County, the ROC	The property comprises 4 parcels of land with a site area of approximately 6,448.15 sq.m.	The property was vacant as at the date of valuation.	NT\$19,500,000 (equivalent to approximately HK\$5,000,000)
Lot Nos. 1365 and 1395 to 1397 of Pinghe Section Shoufeng Township, Hualien County	The property is zoned for agricultural use.		<b>Interest attributable to the Group</b>  100%
			<b>Market Value in existing state attributable to the Group as at 31 May 2017</b>  NT\$19,500,000 (equivalent to approximately HK\$5,000,000)

## VALUATION CERTIFICATE

<b>Property</b>	<b>Description and Tenure</b>	<b>Particulars of Occupancy</b>	<b>Market Value in existing state as at 31 May 2017</b>
82. 3 land parcels at Sub-section 4 of Kangning Section and 2 land parcels of Sub-section 1 of Shitan Section, Neihu District, Taipei City, the ROC	The property comprises 5 parcels of land with a site area of approximately 37,656.75 sq.m.	The property was vacant as at the date of valuation.	NT\$267,600,000 (equivalent to approximately HK\$69,300,000)
Lot Nos. 34, 48-1 and 49 of Sub-section 4 of Kangning Section and Lot Nos. 97 and 112 of Sub-section 1 of Shitan Section, Neihu District, Taipei City	The property is zoned for park use.		<b>Interest attributable to the Group</b>  100%
			<b>Market Value in existing state attributable to the Group as at 31 May 2017</b>  NT\$267,600,000 (equivalent to approximately HK\$69,300,000)

## VALUATION CERTIFICATE

Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 May 2017
83. Nos.75 and 79 Lane 220 Meishan Road, Niasung District, Kaohsiung City, the ROC	The property comprises 20 parcels of land together with two 2 to 3-storey residential buildings completed in between 1969 and 1992 erected thereon.	The property was vacant as at the date of valuation.	NT\$156,200,000 (equivalent to approximately HK\$40,400,000)
Lot Nos.665, 666, 700, 702 to 711, 702-1, 705-1, 710-1, 710-2, 713, 717 and 781 of Meishan Section, Niasung District, Kaohsiung City,	The total site area and total gross floor area of the property are approximately 7,438.73 sq.m. and 809.38 sq.m. respectively.	The property is zoned for residential, agricultural and road uses.	<b>Interest attributable to the Group</b>  100%
			<b>Market Value in existing state attributable to the Group as at 31 May 2017</b>  NT\$156,200,000 (equivalent to approximately HK\$40,400,000)

## VALUATION CERTIFICATE

<b>Property</b>	<b>Description and Tenure</b>	<b>Particulars of Occupancy</b>	<b>Market Value in existing state as at 31 May 2017</b>
84. 3 land parcels at Gaobei Section, Humei Town, Yunlin County, the ROC	The property comprises 3 parcels of land with a site area of approximately 17,748.29 sq.m.	The property was vacant as at the date of valuation.	NT\$456,400,000 (equivalent to approximately HK\$118,100,000)
Lot Nos. 210, 386 and 369 of Gaobei Section Humei Town, Yunlin County	The property is zoned for residential uses.		<b>Interest attributable to the Group</b>  100%
			<b>Market Value in existing state attributable to the Group as at 31 May 2017</b>  NT\$456,400,000 (equivalent to approximately HK\$118,100,000)

*Notes for Properties 57 to 84:*

- Pursuant to the Land Registration Records provided by the Company, the current registered owners of the land parcels of the properties are the Company and its various subsidiaries on freehold basis.
- Pursuant to the Building Registration Records, the current registered owners of the buildings of properties are the Company and its various subsidiaries.
- According to the information provided by the Group, apart from the buildings in Note 2, various buildings are constructed on the land parcels of properties nos. 59, 62, 70, 72, 77 and 81, however the buildings were not registered. We have ascribed no commercial value to the building portion of the properties due to the absence of the building registration records, hence it is not entitled to be occupied, used, transferred, leased and mortgaged in the market.
- Pursuant to various tenancy agreements, portion of property no. 72 is leased to various subsidiaries of the Company at a monthly rental of NT\$71,430 exclusive of electricity charges, water charges and other operative outgoings.
- Pursuant to various tenancy agreements, portion of properties nos. 61, 66 and 71 is leased to various independent 3rd parties at an aggregate annual rental of NT\$750,598 exclusive of electricity charges, water charges and other operative outgoings.

6. The average unit rates of land parcels in various localities of the properties as at the date of valuation are as follows:

<b>Property nos.</b>	<b>Permitted Land Uses</b>	<b>Site Area Unit Rates</b> <i>(NT\$ per sq.m.)</i>
58	Residential	300,000 to 350,000
59	Agricultural	10,000 to 15,000
60	Residential	50,000 to 60,000
61	Industrial	100,000 to 150,000
62	Agricultural	20,000 to 30,000
63	Conservation	500 to 1,000
64	Residential	70,000 to 80,000
65	Residential	50,000 to 60,000
66	Industrial	20,000 to 30,000
67	Residential	40,000 to 60,000
68	Industrial	20,000 to 30,000
69	Residential	40,000 to 50,000
70	Commercial	30,000 to 40,000
71	Residential	50,000 to 60,000
72	Industrial	15,000 to 20,000
73	Residential	80,000 to 100,000
74	Residential	50,000 to 60,000
75	Residential	20,000 to 30,000
76	Conservation	5,000 to 80,000
77	Residential	40,000 to 50,000
78	Industrial	10,000 to 15,000
79	Industrial	10,000 to 15,000
80	Industrial	5,000 to 10,000
81	Agricultural	2,000 to 5,000
82	Garden	7,000 to 10,000
83	Residential	30,000 to 40,000
84	Residential	20,000 to 30,000

6. Salient points for development parameter of the properties are as follow:-

Property nos.	Permitted Land Uses	Maximum Plot Ratios	Maximum Site Coverages
58	Residential	4	80%
59	Agricultural	2.4 – 3	60% – 70%
60	Residential	1.8	60%
61	Industrial	2.1	60%
62	Agricultural	2.4	60%
63	Conservation	Subject to approval from Council of Agriculture, Executive Yuan	
64	Residential and commercial	2.4 – 6.3	50% – 60%
65	Residential and commercial	2 – 2.82	20% – 60%
66	Residential and industrial	1.5 – 2.1	50% – 60%
67	Residential	2	60%
68	Industrial	2	60%
69	Residential and industrial	2	60%
70	Commercial	5	80%
71	Residential	4.2	60%
72	Industrial	2.1	70%
73	Residential	2.4	60%
74	Residential	1.5	60%
75	Residential	1.8	60%
76	Conservation	Existing Plot Ratio	Existing Site Coverage
77	Residential	1.8	60%
78	Industrial	1.4	60%
79	Industrial	2.1	70%
80	Industrial	3	70%
81	Agricultural	0.1	660 sq.m.
82	Garden	0.6	12% – 15%
83	Residential and agricultural	1.2	60%
84	Residential	1.5 – 1.8	50%

7. We have been provided with a legal opinion on the property prepared by the Group's ROC legal adviser, which contains, *inter alia*, the following information:
- The land portions of the properties stated in Note 1 and the building portions of the properties stated in Note 2 are entitled to be occupied, used, transferred, leased and mortgaged in the market;
  - Thirty-eight of the land parcels of properties nos.66 and 80 to 83 and nine of the buildings of properties nos. 80 and 83 are subject to various mortgage agreements; and
  - The properties are free from any mortgages, charges, orders and other legal encumbrances which may cause adverse effects on the ownership of the properties, save and except the mortgage agreements stated in Noted 7(b).

## 1. RESPONSIBILITY STATEMENTS

The information contained in this Scheme Document relating to the Group has been supplied by the Company. The issue of this Scheme Document has been approved by the Directors, who jointly and severally accept full responsibility for the accuracy of the information contained in this Scheme Document (in relation to the information relating to the Group only), and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Scheme Document (in relation to opinions expressed by the Group only), have been arrived at after due and careful consideration and there are no other facts not contained in this Scheme Document, the omission of which would make any statement in this Scheme Document misleading.

The information contained in this Scheme Document relating to the Offeror has been supplied by the Offeror. The issue of this Scheme Document has been approved by the directors of the Offeror, who jointly and severally accept full responsibility for the accuracy of the information contained in this Scheme Document (other than that relating to the Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions and statements expressed in this Scheme Document (other than those expressed by the Group) have been arrived at after due and careful consideration and there are no other facts not contained in this Scheme Document, the omission of which would make any statement in this Scheme Document misleading.

## 2. SHARE CAPITAL OF THE COMPANY

As at the Latest Practicable Date:

- (a) the authorised share capital of the Company comprised 5,000,000,000 Ordinary Shares and 494,344,810 Convertible Preference Shares;
- (b) the issued share capital of the Company comprised 4,943,464,851 Ordinary Shares and 494,333,645 Convertible Preference Shares;
- (c) no other Shares were issued or bought back since December 31, 2016, being the end of the last financial year of the Company, up to the Latest Practicable Date;
- (d) all of the Ordinary Shares rank *pari passu* in all respects as regards rights to capital, dividends and voting;
- (e) all of the Convertible Preference Shares rank *pari passu* in all respects as regards rights to capital, dividends and voting;

- (f) other than the Shares as disclosed in paragraph (b) above, there were no options, derivatives, warrants or other securities convertible or exchangeable into Shares and the Company has not entered into any agreement for the issue of such options, derivatives, warrants or other securities which are convertible or exchangeable into Shares; and
- (g) there was no reorganisation of capital during the two financial years preceding the commencement of the Offer Period.

The Ordinary Shares are listed and traded on the Main Board of the Stock Exchange. None of the Ordinary Shares or the Convertible Preference Shares is listed, or dealt in, on any other stock exchange, nor is any listing of or permission to deal in the Ordinary Shares or the Convertible Preference Shares being, or proposed to be, sought on any other stock exchange.

### 3. MARKET PRICES OF THE ORDINARY SHARES AND TCC SHARES

The table below sets out the closing price of the Ordinary Shares on the Stock Exchange on: (a) the last Business Day of each of the calendar months during the Relevant Period; (b) the Last Trading Day; and (c) the Latest Practicable Date:

	<b>Closing price for each Ordinary Share (HK\$)</b>
October 31, 2016	1.97
November 30, 2016	1.90
December 30, 2016	1.81
January 27, 2017	1.88
February 28, 2017	2.13
March 31, 2017	2.46
April 18, 2017 (Last Trading Day)	2.60
April 28, 2017	3.56
May 31, 2017	3.54
June 30, 2017	3.52
July 31, 2017	3.57
August 22, 2017 (Latest Practicable Date)	3.57

During the Relevant Period, the highest closing price and the lowest closing price of the Ordinary Shares as quoted on the Stock Exchange were HK\$3.59 per Ordinary Share on August 7, 2017, August 8, 2017 and August 9, 2017 and HK\$1.71 per Ordinary Share on December 16, 2016, respectively.



The Convertible Preference Shares are not listed on any stock exchanges, so no information is available as to the number and price of transactions which have taken place during the Relevant Period.

The table below sets out the closing price of TCC Shares on the Taiwan Stock Exchange on: (a) the last Business Day of each of the calendar months during the Relevant Period; (b) the Last Trading Day; and (c) the Latest Practicable Date:

	<b>Closing price for each TCC Share (NT\$)</b>
October 31, 2016	37.85
November 30, 2016	36.85
December 30, 2016	35.15
January 27, 2017	35.40
February 28, 2017	37.65
March 31, 2017	36.30
April 18, 2017 (Last Trading Day)	36.45
April 28, 2017	35.10
May 31, 2017	34.40
June 30, 2017	35.20
July 31, 2017	35.00
August 22, 2017 (Latest Practicable Date)	34.25

During the Relevant Period, the highest closing price and the lowest closing price of TCC Shares as quoted on the Taiwan Stock Exchange were NT\$38.40 per TCC Share on March 21, 2017 and NT\$33.85 per TCC Share on June 16, 2017, respectively.

#### **4. IRREVOCABLE UNDERTAKING**

Your attention is drawn to the section headed “5. Irrevocable Undertaking to Accept the Proposal” in the Explanatory Memorandum set out in Part VII of this Scheme Document.

#### **5. DISCLOSURE OF INTERESTS IN THE SHARES**

For the purpose of this paragraph, “interested” and “interests” have the same meanings as given to them in the appropriate part of the SFO.

**(a) Interests in the Shares**

As at the Latest Practicable Date, the Directors, the Offeror, Offeror Directors, Offeror Concert Parties, Chia Hsin Cement and CHPL held, owned or controlled Shares as set out below:

Shareholder	Number of Ordinary Shares	Approximate percentage of total issued Ordinary Shares (%)	Number of Convertible Preference Shares	Approximate percentage of total issued Convertible Preference Shares (%)
<b>Offeror</b>				
TCC (through TCCI)	3,117,016,329	63.05	494,251,511	99.98
<b>Offeror Concert Parties</b>				
Chang Kang-Lung, Jason ( <i>Note</i> )	3,000,000	0.06	–	–
Estate of Koo Cheng-Yun, Leslie	99,091,528	2.00	–	–
<b>Committed Shareholders</b>				
Chia Hsin Cement	8,829,262	0.18	–	–
CHPL	479,849,250	9.71	–	–

*Note:* The 3,000,000 Ordinary Shares are held by Goldcrest Corporation, a corporation controlled by the spouse of Chang Kang-Lung, Jason. Chang Kang-Lung, Jason is (i) a non-executive Director and (ii) a director of TCC. Accordingly, controlled corporation of the spouse of Chang Kang-Lung, Jason is presumed to be acting in concert with TCC in relation to the Company and Chang Kang-Lung, Jason is deemed under Part XV of the SFO to be interested in 3,000,000 Ordinary Shares.

**(b) Other Interests in the Shares**

As at the Latest Practicable Date, save as disclosed above in paragraph 5(a) of Appendix V to this Scheme Document:

- (i) none of the Directors, the Offeror, the Offeror Directors, the Offeror Concert Parties or the Committed Shareholders owned or controlled or had any interest or short positions which they had taken or deemed to have taken under such provisions of the SFO in any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares;
- (ii) none of the subsidiaries of the Company, pension funds of the Group, or any adviser of the Company as specified in class (2) of the definition of associate under the Takeovers Code (but excluding exempt principal traders) owned or controlled any Shares or any other convertible securities, warrants, options or derivatives in respect of any Shares;

- (iii) no person who had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is an associate of the Company by virtue of classes (1), (2), (3) or (4) of the definition of associate under the Takeovers Code or with the Offeror or any Offeror Concert Party had any Shares or any other convertible securities, warrants, options or derivatives in respect of any Shares;
- (iv) no fund managers (other than exempt fund managers) connected with the Company who managed funds on a discretionary basis owned or controlled any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares;
- (v) none of the Company, the Directors, the Offeror or any Offeror Concert Party had borrowed or lent any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares save for any Shares which had been either on-lent or sold; and
- (vi) none of the Directors had, prior to the posting of this Scheme Document, irrevocably committed to accept or reject the proposal or the Scheme (save for the Irrevocable Undertaking).

## **6. SHARE CAPITAL OF TCC AND CAPITAL, DIVIDENDS & VOTING RIGHTS OF TCC SHARES**

### **Share capital of TCC**

As at the Latest Practicable Date:

- (a) the authorised share capital of TCC comprised 6,000,000,000 common shares;
- (b) the issued share capital of TCC was 3,692,175,869 common shares;
- (c) no other TCC Shares were issued or bought back since December 31, 2016, being the end of the last financial year of TCC, up to the Latest Practicable Date;
- (d) all of the TCC Shares rank *pari passu* in all respects as regards rights to capital, dividends and voting;
- (e) there were no options, derivatives, warrants or other securities convertible or exchangeable into TCC Shares; and
- (f) there was no reorganisation of capital during the two financial years preceding the commencement of the Offer Period.

**Rights in respect of capital**

The TCC Shares to be issued pursuant to the Proposal will be issued free from all encumbrances, credited as fully paid up and will rank *pari passu* with the existing TCC Share(s) at the date of issue.

Each TCC Share to be issued pursuant to the Proposal confers upon the shareholder the right to an equal share in the distribution of the surplus assets of TCC on its liquidation.

**Rights in respect of dividends**

TCC's articles of incorporation provides for a dividend policy in respect of the TCC Shares which states that the cash dividend pay-out ratio for dividend on TCC Shares is set at over 20% and the rest of the dividend (if the cash pay-out ratio in respect of the dividend is less than 100%) shall be paid as stock dividend. TCC Board will submit its annual dividend distribution proposal for shareholders' approval at the annual general shareholders' meeting of TCC.

There is no guarantee that any dividends will be paid nor is there any dividend payment schedule in respect of the TCC Shares. Declaration and payment of TCC Shares dividends (if any) are dependent solely on whether such payment is lawful under the laws of Taiwan and the articles of incorporation of TCC.

**Rights in respect of voting**

Holders of TCC Shares are entitled to receive notice of and attend shareholders' meetings of TCC. At any shareholders' meeting, a resolution put to the vote of the meeting shall be decided not by a show of hand, but only by poll. Except as otherwise provided by the laws of Taiwan with respect to election of directors, on a poll, every holder of TCC Share(s) shall be entitled to one vote in respect of each TCC Share held by him. Under Taiwan's Company Act, the directors of TCC are elected at a shareholders' meeting through cumulative voting.

A meeting of shareholders of TCC is duly constituted if, at the commencement of the meeting, shareholders representing more than 50% of the total issued and outstanding TCC Shares are present in person or by proxy.

**Transfer of TCC Shares**

The Securities and Exchange Act of Taiwan (a) requires each director, manager or shareholder of TCC holding more than 10% of the outstanding TCC Shares (each an "Insider") to report the amount of each Insider shareholding in TCC to TCC and (b) imposes a limit on the number of TCC Shares that can be sold or transferred on the Taiwan Stock Exchange by an Insider per day.

## 7. DISCLOSURE OF INTERESTS IN TCC SHARES AND TCCI SHARES

For the purpose of this paragraph, “interested” and “interests” have the same meanings as given to them in the appropriate part of the SFO.

### (a) Interests in TCC Shares

As at the Latest Practicable Date, Directors, the Offeror Directors, Offeror Concert Parties and the Committed Shareholders held, owned or controlled TCC Shares as set out below (the relevant interests in TCC Shares are calculated pursuant to the requirements under the SFO and the Takeovers Code):

Shareholder	Number of TCC Shares	Approximate percentage of total issued share capital of TCC (%)
Chang An-Ping, Nelson ( <i>Note 1</i> )	10,372,211	0.28
Chang Kang-Lung, Jason ( <i>Note 2</i> )	190,000	0.01
Chang Chi-Wen ( <i>Note 3</i> )	2,010,027	0.05
Chen Chien-Tong ( <i>Note 4</i> )	86,921	0.00
Eric T. Wu ( <i>Note 5</i> )	664,599	0.02
Jennifer Lin, Esq. ( <i>Note 6</i> )	400,000	0.01
Lin Nan-Chou ( <i>Note 7</i> )	2,280,642	0.06
Hsieh Chi-Chia ( <i>Note 8</i> )	400,000	0.01
Chen Chi-Te ( <i>Note 9</i> )	4,570	0.00
Koo, Jason Kung-Yi ( <i>Note 10</i> )	306,759	0.01
Kenneth C.M. Lo ( <i>Note 11</i> )	4,400,000	0.12
Estate of Koo Cheng-Yun, Leslie	225,965,686	6.12
Chia Hsin Cement ( <i>Note 12</i> )	23,105,050	0.63
CHPL	–	–
Wang, Chi-May ( <i>Note 13</i> )	285,996	0.01
Liao, Poon Huai Donald ( <i>Note 14</i> )	801,909	0.02

*Notes:*

- Chang An-Ping, Nelson is a director of each of TCC and TCCI. Accordingly, he is presumed to be a party acting in concert with the Offeror. Of the 10,372,211 TCC Shares, 156,573 TCC Shares are directly beneficially owned by Chang An-Ping, Nelson, 3,059,817 TCC Shares are held by the spouse of Chang An-Ping, Nelson and 7,155,821 TCC Shares are held by companies controlled by Chang An-Ping, Nelson.
- Chang Kang-Lung, Jason is a director of TCC. Accordingly, he is presumed to be a party acting in concert with TCC.

3. Chang Chi-Wen is a director of TCC and thus, is presumed to be a party acting in concert with TCC.
4. Chen Chien-Tong is a director of TCC and thus, is presumed to be a party acting in concert with TCC.
5. Eric T. Wu is a director of TCC and thus, is presumed to be a party acting in concert with TCC. 604,172 TCC Shares are held by the close relatives of Eric T. Wu.
6. Jennifer Lin, Esq. is a director of TCC and thus, is presumed to be a party acting in concert with TCC.
7. Lin Nan-Chou is a director of TCC and thus, is presumed to be a party acting in concert with TCC.
8. Hsieh Chi-Chia is a director of TCC and thus, is presumed to be a party acting in concert with TCC.
9. Chen Chi-Te is a director of TCC and thus, is presumed to be a party acting in concert with TCC. The 4,570 TCC Shares are held by the close relatives of Chen Chi-Te.
10. Koo, Jason Kung-Yi is a director of each of TCC and TCCI. Accordingly, he is presumed to be a party acting in concert with the Offeror. Of the 306,759 TCC Shares, 759 TCC shares are held by the close relatives of Koo, Jason Kung-Yi and 306,000 TCC Shares are held by a company controlled by the close relatives of Koo, Jason Kung-Yi and Koo, Jason Kung-Yi.
11. Kenneth C.M. Lo is a director of TCC. Accordingly, he is presumed to be a party acting in concert with TCC. Of the 4,400,000 TCC Shares, 1,400,000 TCC Shares are held by Ming Shan Investment Co., Ltd., a company controlled by the spouse and children of Kenneth C.M. Lo and Kenneth C.M. Lo, 1,000,000 TCC Shares are held by Yi Chang Investment Co., Ltd., a company controlled by the spouse and children of Kenneth C.M. Lo and Kenneth C.M. Lo, 1,000,000 TCC Shares are held by Tai-Hsuan Investment Co., Ltd., a company controlled by Kenneth C.M. Lo, 1,000,000 TCC Shares are held by Tai-Ya Investment Co., Ltd., a company controlled by the spouse of Kenneth C.M. Lo.
12. Chia Hsin Cement is a company listed on the Taiwan Stock Exchange. On April 24, 2017, Chia Hsin Cement and CHPL entered into an irrevocable undertaking in favour of the Offeror to, among other things, elect the Share Alternative as the form of consideration. For more details, please refer to the section headed “5. Irrevocable Undertaking to Accept the Proposal” in the Explanatory Memorandum in Part VII of this Scheme Document. As at the Latest Practicable Date, TCC is a shareholder of Chia Hsin Cement, holding approximately 3.54% of the total issued share capital of Chia Hsin Cement. As at the Latest Practicable Date, Chia Hsin Cement is a shareholder of TCC, holding approximately 0.63% of the issued share capital of TCC. Chang Kang-Lung, Jason and Chen Chi-Te are directors of TCC and Chia Hsin Cement.
13. Wang, Chi-May is a non-executive Director and also a senior vice president of TCC.
14. Liao, Poon Huai Donald is an independent non-executive Director.

**(b) Interests in TCCI Shares**

As at the Latest Practicable Date, TCCI, being a direct wholly-owned subsidiary of TCC, had in issue 600,875,900 shares of US\$1 each.

**(c) Other Interests in TCC Shares and TCCI Shares**

As at the Latest Practicable Date, save as disclosed above in paragraphs 7(a) and (b) of Appendix V to this Scheme Document:

- (i) none of the Company, Directors, the Offeror Directors, the Offeror Concert Parties, Chia Hsin Cement or CHPL owned or controlled or had any interests in any TCC Shares, TCCI Shares or any convertible securities, warrants, options or derivatives in respect of any TCC Shares or TCCI Shares;
- (ii) none of the Company, subsidiaries of the Company, pension funds of the Group or any adviser of the Company as specified in class (2) of the definition of associate under the Takeovers Code (but excluding exempt principal traders) owned or controlled any TCC Shares, TCCI Shares or any convertible securities, warrants, options or derivatives in respect of any TCC Shares or TCCI Shares;
- (iii) no person who had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is an associate of the Company by virtue of classes (1), (2), (3) or (4) of the definition of associate under the Takeovers Code or with the Offeror or any Offeror Concert Party had any TCC Shares, TCCI Shares or any convertible securities, warrants, options or derivatives in respect of any TCC Shares or TCCI Shares;
- (iv) no fund managers (other than exempt fund managers) connected with the Company who managed funds on a discretionary basis owned or controlled any TCC Shares, TCCI Shares or any convertible securities, warrants, options or derivatives in respect of any TCC Shares or TCCI Shares; and
- (v) none of the Company, the Directors, the Offeror or any Offeror Concert Party had borrowed or lent any TCC Shares, TCCI Shares or any convertible securities, warrants, options or derivatives in respect of these save for any TCC Shares or TCCI Shares which had been either on-lent or sold.

## 8. DEALINGS IN THE SHARES

During the Relevant Period:

- (a) save as disclosed below, none of the the Directors, the Offeror, the Offeror Directors, the Offeror Concert Parties, Chia Hsin Cement or CHPL has dealt for value in any Shares or any other convertible securities, warrants, options or derivatives in respect of any Shares:

Party	Trade Date	Purchase/Sale	Number of Ordinary Shares	Price per share (HK\$)
The Teyu Trust (Note 1)	April 25, 2017	Sale	2,000,000	3.5500
	April 26, 2017	Sale	2,000,000	3.5600
	April 27, 2017	Sale	2,000,000	3.5600
			<b>6,000,000</b>	
The TE Trust, The YU Trust (Note 2)	June 22, 2017	Sale	22,000	3.5000
	June 23, 2017	Sale	500,000	3.5000
	June 28, 2017	Sale	500,000	3.5100
	June 28, 2017	Sale	1,000,000	3.5100
	June 28, 2017	Sale	500,000	3.5100
	June 28, 2017	Sale	1,333,000	3.5099
			<b>3,855,000</b>	

Note:

- (1) The Teyu Trust is a trust of Chen Chi-Te, a director of TCC and accordingly, is presumed to be acting in concert with TCC. As at the Latest Practicable Date, The Teyu Trust does not have any interest in any Share.
- (2) The TE Trust, The YU Trust is a trust of Chen Chi-Te, a director of TCC and accordingly, is presumed to be acting in concert with TCC. As at the Latest Practicable Date, The TE Trust, The YU Trust does not have any interest in any Share.
- (b) none of the subsidiaries of the Company, pension funds of the Group and any adviser of the Company as specified in class (2) of the definition of associate under the Takeovers Code (but excluding exempt principal traders) has dealt for value in any Shares or any other convertible securities, warrants, options or derivatives in respect of any Shares;
- (c) no person who had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is an associate of the Company by virtue of classes (1), (2), (3) or (4) of the definition of associate under the Takeovers Code or with the Offeror or any Offeror Concert Party has dealt for value in Shares or any other convertible securities, warrants, options or derivatives in respect of any Shares; and



- (d) no fund managers (other than exempt fund managers) connected with the Company who managed funds on a discretionary basis have dealt for value in any Shares or any other convertible securities, warrants, options or derivatives in respect of any Shares.

## 9. DEALINGS IN TCC SHARES AND TCCI SHARES

During the Relevant Period:

- (a) save as disclosed below, none of the Offeror Directors, the Offeror Concert Parties, Chia Hsin Cement or CHPL has dealt for value in any TCC Shares, TCCI Shares or any other convertible securities, warrants, options or derivatives in respect of any TCC Shares or TCCI Shares:

### (i) Party: BNP Paribas Securities (Taiwan) Co. Ltd.

Trade date	Purchase/ Sale	Number and description of relevant securities of TCC	Reference Price (NT\$)	Maturity date
November 21, 2016	Sale	2,000 TCC Futures	36.75	January 18, 2017
November 21, 2016	Sale	2,000 TCC Futures	36.80	January 18, 2017
November 21, 2016	Purchase	4,000 TCC Futures	36.80	December 21, 2016
November 25, 2016	Purchase	2,000 TCC Futures	36.85	January 18, 2017
November 25, 2016	Purchase	4,000 TCC Futures	36.75	January 18, 2017
November 25, 2016	Purchase	4,000 TCC Futures	36.75	December 21, 2016
November 25, 2016	Sale	4,000 TCC Futures	36.70	December 21, 2016
November 25, 2016	Sale	2,000 TCC Futures	36.85	January 18, 2017
November 25, 2016	Sale	4,000 TCC Futures	36.65	December 21, 2016
December 15, 2016	Sale	44,000 TCC Futures	37.30	January 18, 2017
December 15, 2016	Purchase	2,000 TCC Futures	37.00	December 21, 2016
December 15, 2016	Sale	2,000 TCC Futures	37.05	December 21, 2016
December 23, 2016	Sale	2,000 TCC Futures	34.85	February 15, 2017
December 26, 2016	Sale	6,000 TCC Futures	34.35	February 15, 2017
December 15, 2016	Purchase	44,000 TCC Futures	37.15	January 18, 2017
December 23, 2016	Purchase	2,000 TCC Futures	34.70	February 15, 2017
December 26, 2016	Purchase	6,000 TCC Futures	34.30	February 15, 2017
January 11, 2017	Sale	8,000 TCC Futures	35.45	January 18, 2017
January 6, 2017	Sale	14,000 TCC Futures	35.10	February 15, 2017
January 6, 2017	Purchase	14,000 TCC Futures	35.20	February 15, 2017
January 19, 2017	Purchase	10,000 TCC Futures	34.75	February 15, 2017
January 20, 2017	Sale	10,000 TCC Futures	35.15	March 15, 2017
January 23, 2017	Sale	10,000 TCC Futures	34.90	February 15, 2017
January 12, 2017	Purchase	8,000 TCC Futures	35.85	January 18, 2017
January 19, 2017	Sale	10,000 TCC Futures	34.80	March 15, 2017
January 20, 2017	Purchase	10,000 TCC Futures	35.15	February 15, 2017

Trade date	Purchase/ Sale	Number and description of relevant securities of TCC	Reference Price (NT\$)	Maturity date
January 23, 2017	Purchase	20,000 TCC Futures	34.95	March 15, 2017
January 23, 2017	Sale	10,000 TCC Futures	35.00	February 15, 2017
February 9, 2017	Purchase	2,000 TCC Futures	36.20	February 15, 2017
February 13, 2017	Sale	4,000 TCC Futures	37.80	February 15, 2017
February 13, 2017	Purchase	4,000 TCC Futures	37.65	February 15, 2017
February 13, 2017	Purchase	4,000 TCC Futures	37.90	March 15, 2017
February 13, 2017	Sale	4,000 TCC Futures	37.85	March 15, 2017
February 16, 2017	Sale	2,000 TCC Futures	37.80	April 19, 2017
February 16, 2017	Sale	12,000 TCC Futures	37.90	March 15, 2017
February 18, 2017	Sale	2,000 TCC Futures	37.40	March 15, 2017
February 9, 2017	Sale	2,000 TCC Futures	36.30	February 15, 2017
February 15, 2017	Sale	2,000 TCC Futures	37.95	March 15, 2017
February 15, 2017	Purchase	2,000 TCC Futures	38.20	March 15, 2017
February 16, 2017	Purchase	14,000 TCC Futures	37.90	March 15, 2017
February 18, 2017	Purchase	2,000 TCC Futures	37.40	March 15, 2017
March 15, 2017	Purchase	2,000 TCC Futures	38.30	April 19, 2017
May 15, 2017	Sale	10,000 TCC Futures	34.65	June 21, 2017
May 16, 2017	Purchase	2,000 TCC Futures	34.75	June 21, 2017
May 16, 2017	Purchase	8,000 TCC Futures	34.80	June 21, 2017
May 17, 2017	Purchase	6,000 TCC Futures	34.85	June 21, 2017
May 17, 2017	Sale	6,000 TCC Futures	34.75	June 21, 2017

*Note:* The above trades were entered into as market maker by BNP Paribas Securities (Taiwan) Co. Ltd., an entity which is under the same control as BNP Paribas Securities, the financial adviser to the Offeror.

## (ii) Party: Ming Shan Investment Co., Ltd.

Trade Date	Purchase/Sale	Number of TCC Shares	Price per share (NT\$)
July 27, 2017	Purchase	4,000	34.70
July 27, 2017	Purchase	22,000	34.75
July 27, 2017	Purchase	50,000	34.80
July 27, 2017	Purchase	65,000	34.85
July 27, 2017	Purchase	220,000	34.90
July 27, 2017	Purchase	96,000	34.95
July 27, 2017	Purchase	136,000	35.00
July 28, 2017	Purchase	3,000	34.95
July 28, 2017	Purchase	140,000	35.00
July 31, 2017	Purchase	20,000	34.95
July 31, 2017	Purchase	<u>244,000</u>	35.00
		<u><b>1,000,000</b></u>	

Note: Ming Shan Investment Co., Ltd. is a company controlled by the spouse and children of Kenneth C.M. Lo and Kenneth C.M. Lo, a director of TCC. As at the Latest Practicable Date, Ming Shan Investment Co., Ltd. is interested in 1,400,000 TCC Shares.

## (iii) Party: Yi Chang Investment Co., Ltd.

Trade Date	Purchase/Sale	Number of TCC Shares	Price per share (NT\$)
July 27, 2017	Purchase	3,000	34.70
July 27, 2017	Purchase	26,000	34.75
July 27, 2017	Purchase	52,000	34.80
July 27, 2017	Purchase	57,000	34.85
July 27, 2017	Purchase	224,000	34.90
July 27, 2017	Purchase	95,000	34.95
July 27, 2017	Purchase	140,000	35.00
July 28, 2017	Purchase	4,000	34.95
July 28, 2017	Purchase	138,000	35.00
July 31, 2017	Purchase	13,000	34.95
July 31, 2017	Purchase	<u>248,000</u>	35.00
		<u><b>1,000,000</b></u>	

Note: Yi Chang Investment Co., Ltd. is a company controlled by the spouse and children of Kenneth C.M. Lo and Kenneth C.M. Lo, a director of TCC. As at the Latest Practicable Date, Yi Chang Investment Co., Ltd. is interested in 1,000,000 TCC Shares.

## (iv) Party: Tai-Hsuan Investment Co., Ltd.

Trade Date	Purchase/Sale	Number of TCC Shares	Price per share (NT\$)
July 27, 2017	Purchase	2,000	34.70
July 27, 2017	Purchase	22,000	34.75
July 27, 2017	Purchase	52,000	34.80
July 27, 2017	Purchase	62,000	34.85
July 27, 2017	Purchase	220,000	34.90
July 27, 2017	Purchase	94,000	34.95
July 27, 2017	Purchase	140,000	35.00
July 28, 2017	Purchase	5,000	34.95
July 28, 2017	Purchase	139,000	35.00
July 31, 2017	Purchase	25,000	34.95
July 31, 2017	Purchase	<u>239,000</u>	35.00
		<u><b>1,000,000</b></u>	

Note: Tai-Hsuan Investment Co., Ltd. is a company controlled by Kenneth C.M. Lo, a director of TCC. As at the Latest Practicable Date, Tai-Hsuan Investment Co., Ltd. is interested in 1,000,000 TCC Shares.

## (v) Party: Tai-Ya Investment Co., Ltd.

Trade Date	Purchase/Sale	Number of TCC Shares	Price per share (NT\$)
July 27, 2017	Purchase	2,000	34.70
July 27, 2017	Purchase	20,000	34.75
July 27, 2017	Purchase	53,000	34.80
July 27, 2017	Purchase	60,000	34.85
July 27, 2017	Purchase	223,000	34.90
July 27, 2017	Purchase	95,000	34.95
July 27, 2017	Purchase	136,000	35.00
July 28, 2017	Purchase	4,000	34.95
July 28, 2017	Purchase	142,000	35.00
July 31, 2017	Purchase	24,000	34.95
July 31, 2017	Purchase	<u>241,000</u>	35.00
		<u><b>1,000,000</b></u>	

Note: Tai-Ya Investment Co., Ltd. is a company controlled by the spouse of Kenneth C.M. Lo, a director of TCC. As at the Latest Practicable Date, Tai-Ya Investment Co., Ltd. is interested in 1,000,000 TCC Shares.

- (b) none of the Company, the Directors, subsidiaries of the Company, pension funds of the Group or any adviser to the Company as specified in class (2) of the definition of associate under the Takeovers Code (but excluding exempt principal trader) has dealt for value in any TCC Shares, TCCI Shares or any other convertible securities, warrants, options or derivatives in respect of any TCC Shares or TCCI Shares;
- (c) no person who had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is an associate of the Company by virtue of classes (1), (2), (3) or (4) of the definition of associate under the Takeovers Code or with the Offeror or any Offeror Concert Parties has dealt for value in any TCC Shares, TCCI Shares or any convertible securities, warrants, options or derivatives in respect of any TCC Shares or TCCI Shares; and
- (d) no fund managers (other than exempt fund managers) connected with the Company who managed funds on a discretionary basis have dealt for value in any TCC Shares, TCCI Shares or any convertible securities, warrants, options or derivatives in respect of any TCC Shares or TCCI Shares.

## 10. MATERIAL LITIGATION

As at the Latest Practicable Date, none of the members of the Group was engaged in any litigation or arbitration or claim of material importance and no litigation or claim of material importance is pending or known to the Directors to be threatened by or against any member of the Group.

As at the Latest Practicable Date, save as disclosed in “I. Overview – 2. Risk – (2) Litigation or non-litigation matters” in the Information Memorandum in Appendix X, TCC was not engaged in any litigation or arbitration or claim of material importance and no litigation or claim of material importance is pending or known to the TCC Directors to be threatened by or against TCC.

## 11. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Group) have been entered into by the Company or any of its subsidiaries after the date two years before April 20, 2017, being the commencement date of the Offer Period, up to and including the Latest Practicable Date and which are or may be material:

- (a) an underwriting agreement dated June 1, 2015 (the “**Underwriting Agreement**”) entered into among the Company, BNP Paribas Securities, J.P. Morgan Securities Plc (“**JP Morgan**”) and TCCI relating to a rights issue of new Ordinary Shares of the Company, pursuant to which, among others, (i) up to 417,494,847 Ordinary Shares to be issued by the Company were fully underwritten by BNP Paribas Securities, JP Morgan and TCCI; (ii) a commission of 1.2% of a sum equal to the multiple of HK\$2.2 per Ordinary Share and 417,494,847 Ordinary Shares was payable by the Company to BNP Paribas Securities and JP Morgan; and

- (b) a supplemental agreement dated June 18, 2015 (the “**Supplemental Agreement**”) to the Underwriting Agreement entered into among the Company, BNP Paribas Securities, JP Morgan and TCCI, pursuant to which the parties agreed to clarify their respective commitments to the underwriting of the Ordinary Shares to be issued.

The following contracts (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the TCC Group) have been entered into by TCC or any of its subsidiaries (excluding the Group) after the date two years before April 20, 2017, being the commencement date of the Offer Period, up to and including the Latest Practicable Date and which are or may be material:

- (a) the Irrevocable Undertaking;
- (b) the Irrevocable Undertaking Amendment;
- (c) the facility agreement in relation to the Facility between, among others, BNP Paribas acting through its offshore banking branch in the Republic of China and the Offeror dated April 20, 2017;
- (d) the Underwriting Agreement;
- (e) the Supplemental Agreement; and
- (f) a share sale agreement dated July 15, 2015 entered into between TCCI, BNP Paribas Securities and JP Morgan, pursuant to which, among others, TCCI agreed to sell 24,504,000 Ordinary Shares to JP Morgan at a total price of HK\$53,908,800 and JP Morgan shall be paid a fee of 0.5% of the total price.

## 12. EXPERTS

The following are the qualifications of each of the experts who has given opinions or advice which are contained in this Scheme Document:

Name	Qualifications
BNP Paribas Securities (Asia) Limited	a registered institution under the SFO, licensed to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Deloitte & Touche Taiwan	certified public accountant
Fubon Securities Co., Ltd.	consolidated securities firm approved for establishment by the competent authority in Taiwan

Name	Qualifications
Grant Sherman Appraisal Limited	property valuer
KenWill United CPAs Firm	certified public accountant in Taiwan
Lee and Li, Attorneys-at-Law	a registered law firm in Taiwan
Somerley Capital Limited	a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

### 13. CONSENTS

Each of (a) BNP Paribas Securities; (b) Deloitte & Touche Taiwan; (c) Fubon Securities Co., Ltd.; (d) Grant Sherman Appraisal Limited; (e) KenWill United CPAs Firm; (f) Lee and Li, Attorneys-at-Law; and (g) Somerley has given and has not withdrawn its written consent to the issue of this Scheme Document with the inclusion therein of the opinions and/or letters and/or the references to its name and/or opinions and/or letters in the form and context in which they respectively appear.

### 14. MISCELLANEOUS

- (a) The Directors are:

*Executive Directors*

Chang An-Ping, Nelson  
Koo, Jason Kung Yi

*Non-executive Directors*

Shan Weijian  
Chang, Kang-Lung, Jason  
Wang, Lishin, Elizabeth  
Wang, Chi-May

*Independent Non-executive Directors*

Liao Poon Huai, Donald  
Chih Ching Kang, Kenneth  
Shieh, Jen-Chung, Roger

- (b) The Company Secretary of the Company is Chan Wai Ling, FCIS, FCS (PE).
- (c) The registered office of the Company is situated at P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.
- (d) The principal place of business of the Company in Hong Kong is at 16th Floor, Hong Kong Diamond Exchange Building, 8-10 Duddell Street, Central, Hong Kong.
- (e) The principal share registrar of the Company is Royal Bank of Canada Trust Company (Cayman) Limited situated at 4th Floor, Royal Bank House, 24 Shedden Road, George Town, Grand Cayman KY1-1110, Cayman Islands.
- (f) The Hong Kong branch share registrar of the Company is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.
- (g) The TCC Directors are:

*Chairman*

Chang An-Ping, Nelson

*Executive Directors*

Koo, Jason Kung Yi

Kenneth C.M. Lo

Chi-Wen Chang

Wang, Por-yuan

Yu, Tzun-yen

Chen Chien-Tong

Eric T. Wu

Lin Ming Sheng

Jennifer Lin, Esq.

Chang, Kang-Lung Jason

Lin Nan-Chou

Hsieh Chi-Chia

Chen Chi-Te

David Carr Michael



*Independent Directors*

Arthur Yu-Cheng Chiao

Victor Wang

Cheng-Ming Yeh

Sheng, Chih-Jen

- (h) The registered office of TCC is situated at No 113, Sec 2, Zhongshan North Road, Taipei, Taiwan.
- (i) The principal place of business of TCC and TCCI in Hong Kong is situated at 16th Floor, Hong Kong Diamond Exchange Building, 8-10 Duddell Street, Central, Hong Kong.
- (j) The TCCI Directors are Chang An-Ping, Nelson and Koo, Jason Kung Yi.
- (k) The registered office of TCCI is Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands.
- (l) The TCC Directors and TCCI Directors have stated that neither TCC nor TCCI has any intention to transfer, charge or pledge any Scheme Shares received pursuant to the Scheme to any other person.
- (m) The registered office and principal place of business of BNP Paribas Securities is situated at 59/F-63/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong.
- (n) The principal place of business of Somerley is situated at 20th Floor, China Building, 29 Queen's Road Central, Hong Kong.
- (o) None of the existing Directors will be given any benefit (other than statutory compensation) as compensation for loss of office or otherwise in connection with the Scheme.
- (p) The emoluments of the Offeror Directors will not be affected by the Scheme or by any other associated transactions.
- (q) There is no agreement or arrangement between any of the Directors and any other person which is conditional on or dependent upon the outcome of the Scheme or otherwise connected with the Scheme.

- (r) Other than the Irrevocable Undertaking, there is no agreement or arrangement or understanding (including any compensation arrangement) between the Offeror or any Offeror Concert Party (on the one part) and any of the Directors, recent Directors, Shareholders or recent Shareholders (on the other part) having any connection with or dependence upon the Scheme.
- (s) There was no material contract entered into by TCC and/or TCCI in which any of the Directors had a material personal interest.
- (t) As at the Latest Practicable Date, save for the Proposal, the Scheme and the Irrevocable Undertaking, there is no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code between the Offeror, or any Offeror Concert Party, and any other person.
- (u) As at the Latest Practicable Date, save for the Proposal, the Scheme and the Irrevocable Undertaking, neither the Company nor any of its associates by virtue of classes (1), (2), (3) or (4) of the definition of associate under the Takeovers Code had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with any person.
- (v) As at the Latest Practicable Date, none of the Directors has entered into any service contract with the Company or any of its subsidiaries or associated companies which (a) (including both continuous and fixed term contracts) have been entered into or amended within six months before the commencement of the Offer Period; or (b) is a continuous contract with a notice period of 12 months or more; or (c) is a fixed term contract with more than 12 months to run irrespective of notice period.
- (w) There are no arrangements or agreements to which the Offeror is a party which relate to the circumstances in which it may or may not invoke or seek to invoke a condition to the Proposal, save for the Conditions, and the circumstances in which the Conditions can be waived, set out in the section headed “4. Conditions of the Proposal” in the Explanatory Memorandum.
- (x) The English language text of this Scheme Document shall prevail over the Chinese language text.

**15. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the office of the Company at 16th Floor, Hong Kong Diamond Exchange Building, 8-10 Duddell Street, Central, Hong Kong, from 9:30 a.m. to 5:30 p.m., Monday to Friday and on the website of the Company at <http://www.tcchk.com/>, the website of TCC at <http://www.taiwancement.com/> and the website of SFC at [www.sfc.hk](http://www.sfc.hk) from the date of this Scheme Document until the Effective Date or the date on which the Scheme lapses or is withdrawn, whichever is earlier:

- (a) the memorandum and articles of association of the Company;
- (b) the articles of incorporation of TCC;
- (c) the memorandum and articles of association of TCCI and amendment to the memorandum of association of TCCI;
- (d) the annual reports of the Company for the two years ended December 31, 2015 and 2016;
- (e) the interim financial results announcement of the Company dated August 11, 2017 for the six months ended June 30, 2017;
- (f) the financial reports of TCC for the two years ended December 31, 2015 and 2016 and the financial report of TCC for the six-month period ended June 30, 2017;
- (g) the letter from the Board, the text of which is set out in Part IV of this Scheme Document;
- (h) the letter from the Independent Board Committee, the text of which is set out in Part V of this Scheme Document;
- (i) the letter from Somerley, the text of which is set out in Part VI of this Scheme Document;
- (j) the letters and summaries of valuation from Grant Sherman Appraisal Limited, the text of which is set out in “Appendix III – Property Valuation of the Group” to this Scheme Document;
- (k) the letters and summaries of valuation from Grant Sherman Appraisal Limited, the text of which is set out in “Appendix IV – Property Valuation of TCC Group” to this Scheme Document;

- (l) the Information Memorandum, the text of which is set out in “Appendix X – Information Memorandum” to this Scheme Document;
- (m) the advanced draft opinion from Fubon Securities Co., Ltd., the text of which is set out in the Information Memorandum;
- (n) the letter from KenWill United CPAs Firm, the text of which is set out in the Information Memorandum;
- (o) the advanced draft opinion from Lee and Li, Attorneys-at-Law, the text of which is set out in the Information Memorandum;
- (p) written consents referred to in the section headed “13. Consents” in “Appendix V – General Information” to this Scheme Document;
- (q) the material contracts referred to in the section headed “11. Material Contracts” in “Appendix V – General Information” to this Scheme Document;
- (r) the Irrevocable Undertaking referred to in the section headed “5. Irrevocable Undertaking to Accept the Proposal” in the Explanatory Memorandum; and
- (s) this Scheme Document.

IN THE GRAND COURT OF THE CAYMAN ISLANDS

FINANCIAL SERVICES DIVISION

CAUSE NO. FSD 152 OF 2017 (CQJ)

IN THE MATTER OF SECTIONS 15 AND 86 OF THE COMPANIES LAW (2016 REVISION)  
(AS AMENDED)

AND IN THE MATTER OF ORDER 102 OF THE GRAND COURT RULES 1995

AND IN THE MATTER OF TCC INTERNATIONAL HOLDINGS LIMITED

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**PRELIMINARY**

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A In this Scheme, unless inconsistent with the subject or context, the following expressions shall have the meanings respectively set opposite them:

<b>“acting in concert”</b>	has the meaning given to it in the Takeovers Code, and “persons acting in concert” and “concert parties” will be construed accordingly
<b>“Articles”</b>	the articles of association of the Company (as amended from time to time)
<b>“Beneficial Owner”</b>	any beneficial owner of the Shares registered in the name of any nominee, trustee, depository or any other authorised custodian or third party
<b>“Board”</b>	the board of directors of the Company
<b>“Business Day”</b>	a day on which the Stock Exchange is open for the transaction of business
<b>“Cancellation Consideration”</b>	the Cash Alternative or the Share Alternative
<b>“Cash Alternative”</b>	the cash consideration alternative under the Proposal, being HK\$3.60 in cash for each Ordinary Scheme Share and Ordinary Share underlying the Convertible Preference Scheme Shares (as the case may be)

<b>“Companies Law”</b>	the Companies Law (2016 Revision) of the Cayman Islands
<b>“Company”</b>	TCC International Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the Ordinary Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1136.HK)
<b>“Conversion Rate”</b>	the rate of conversion of the Convertible Preference Shares into Ordinary Shares, calculated by dividing the issue price of the Convertible Preference Shares of HK\$4.90 by its conversion price of HK\$4.49 in accordance with the terms of the Convertible Preference Shares as set out in the Articles
<b>“Convertible Preference Scheme Share(s)”</b>	Convertible Preference Share(s) other than those held by the Offeror
<b>“Convertible Preference Share(s)”</b>	the non-redeemable restricted voting convertible preference shares of par value HK\$0.10 each in the capital of the Company, which conversion rights are currently exercisable
<b>“Disinterested Scheme Share(s)”</b>	the Scheme Shares held by the Disinterested Scheme Shareholders
<b>“Disinterested Scheme Shareholder(s)”</b>	the Scheme Shareholder(s) other than the Offeror Concert Parties
<b>“Effective Date”</b>	the date on which the Scheme, if approved and sanctioned by the Grand Court, becomes effective in accordance with its terms and the Companies Law, being the date on which a copy of the Court Order is delivered to the Registrar of Companies for registration pursuant to Section 86(3) of the Companies Law, and which is expected to be November 16, 2017 (Cayman Islands time)
<b>“Election Form”</b>	the blue form of election to be completed by the Scheme Shareholders in order to elect the Share Alternative enclosed with the Scheme Document

<b>“Election Time”</b>	4:30 p.m. (Hong Kong time) on October 3, 2017, being the latest time when the Scheme Shareholders may elect the Share Alternative
<b>“Eligible Taiwanese Account”</b>	valid account to hold and trade securities listed on the Taiwan Stock Exchange
<b>“Grand Court”</b>	the Grand Court of the Cayman Islands
<b>“HK\$”</b>	Hong Kong dollar(s), the lawful currency of Hong Kong
<b>“Hong Kong”</b>	the Hong Kong Special Administrative Region of the PRC
<b>“Independent Board Committee”</b>	the independent board committee of the Company, comprising all the non-executive directors and independent non-executive directors (other than Mr. Chang Kang-Lung, Jason, Ms. Wang, Lishin, Elizabeth, Ms. Wang, Chi-May and Dr. Liao Poon Huai, Donald) established by the Board to make a recommendation to the Disinterested Scheme Shareholders in respect of the Proposal
<b>“Independent Financial Adviser”</b>	Somerley, the independent financial adviser appointed by the Independent Board Committee to advise the Independent Board Committee on the Proposal
<b>“Latest Practicable Date”</b>	August 22, 2017, being the latest practicable date prior to the despatch of the Scheme Document for the purpose of ascertaining certain information contained in the Scheme Document
<b>“Offeror”</b>	TCC and TCCI
<b>“Offeror Concert Parties”</b>	all parties acting in concert with the Offeror in relation to the Company as defined under the Takeovers Code
<b>“Ordinary Scheme Share(s)”</b>	Ordinary Share(s) other than those held by the Offeror

<b>“Ordinary Share(s)”</b>	ordinary shares of par value HK\$0.10 each in the capital of the Company
<b>“PRC”</b>	the People’s Republic of China, but for the purpose of the Scheme, excluding Hong Kong, Macau Special Administrative Region and Taiwan
<b>“Proposal”</b>	the proposal for the privatisation of the Company by the Offeror by way of the Scheme
<b>“Register”</b>	the register of members of the Company
<b>“Registered Owner(s)”</b>	Registered Shareholder(s) other than any person or entity holding the Shares who is a Beneficial Owner, for example, a nominee, trustee, depository or any other authorised custodian
<b>“Registered Shareholder(s)”</b>	holder(s) of Shares whose name appears on the Register
<b>“Registrar of Companies”</b>	the registrar of companies appointed under the Companies Law
<b>“Scheme”</b>	a scheme of arrangement under section 86 of the Companies Law involving the cancellation of all the Scheme Shares, and the simultaneous issuance of an equivalent number of new Shares to TCC and TCCI (as the case may be)
<b>“Scheme Document”</b>	the composite scheme document, including each of the letters, statements, appendices and notices in it, as may be amended or supplemented from time to time
<b>“Scheme Record Date”</b>	September 25, 2017, being the record date for determining entitlements under the Scheme, or such other date as announced by the Company
<b>“Scheme Share(s)”</b>	Ordinary Scheme Share(s) and Convertible Preference Scheme Share(s)
<b>“Scheme Shareholder(s)”</b>	holder(s) of Scheme Shares as at the Scheme Record Date



“SFO”	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“Share Alternative”	the share alternative under the Proposal, being 0.420 TCC Share for each Ordinary Scheme Share and Ordinary Share underlying the Convertible Preference Scheme Shares (as the case may be)
“Shares”	the Ordinary Shares and the Convertible Preference Shares
“Sommerley”	Sommerley Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, which is the independent financial adviser to the Independent Board Committee in connection with the Proposal
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Taiwan Stock Exchange”	Taiwan Stock Exchange Corporation
“Takeovers Code”	the Code on Takeovers and Mergers of Hong Kong
“TCC”	Taiwan Cement Corporation (台灣水泥股份有限公司), a joint stock company incorporated in Taiwan, the shares of which are listed on the Taiwan Stock Exchange (stock code: 1101.TWSE)
“TCC Share(s)”	the listed common share(s) in the share capital of TCC
“TCCI”	TCC International Limited, a company incorporated in the British Virgin Islands with limited liability, being a direct wholly-owned subsidiary of TCC

- B The Company was incorporated as an exempted company on July 4, 1997 with limited liability in the Cayman Islands under the Companies Law.
- C TCC, together with its direct wholly-owned subsidiary, TCCI, have proposed the privatisation of the Company by way of this Scheme.
- D The primary purpose of this Scheme is to privatise the Company by cancelling and extinguishing all of the Scheme Shares in consideration for the Cancellation Consideration so that thereafter, the Company will become a wholly-owned subsidiary of TCC. Simultaneously with the cancellation of the Scheme Shares, the issued share capital of the Company will be restored to its former amount by the issue to TCC and TCCI (as the case may be) at par, credited as fully paid, such number of Shares as is equal to the number of Scheme Shares cancelled and extinguished on the Effective Date.
- E As at the Latest Practicable Date, the authorised share capital of the Company was HK\$549,434,481 divided into 5,000,000,000 Ordinary Shares of HK\$0.10 each and 494,344,810 Convertible Preference Shares of HK\$0.10 each, of which 4,943,464,851 Ordinary Shares and 494,333,645 Convertible Preference Shares are in issue.
- F Of the 4,943,464,851 Ordinary Shares in issue, TCC (through TCCI) and other Offeror Concert Parties held in aggregate 3,219,107,857 Ordinary Shares. The Scheme Shareholders hold 1,826,448,522 Ordinary Shares, of which 102,091,528 Ordinary Shares are held by the Offeror Concert Parties and 1,724,356,994 Ordinary Shares are held by the Disinterested Scheme Shareholders. Of the 494,333,645 Convertible Preference Shares in issue, TCC (through TCCI) held in aggregate 494,251,511 Convertible Preference Shares. No Offeror Concert Party holds any Convertible Preference Shares.
- G TCC and TCCI have agreed to undertake to the Grand Court (whether at the hearing or before-hand) to be bound by this Scheme and will execute and do and procure to be executed and done all such documents, acts and things as may be necessary or desirable for the purpose of giving effect to this Scheme.
- H In accordance with the Takeovers Code, parties holding Scheme Shares that are Offeror Concert Parties will not be entitled to be counted in the vote required for the purposes of the Takeovers Code at the meeting to be convened by order of the Grand Court for the purpose of considering and, if thought fit, approving (with or without modification(s)) the Scheme.

**SCHEME OF ARRANGEMENT****PART I****Cancellation of Scheme Shares and issue of new Shares  
credited as fully paid at par to TCC and TCCI (as the case may be)**

- 1 On the Effective Date:
  - (a) the issued share capital of the Company shall be reduced by cancelling and extinguishing the Scheme Shares and the Scheme Shareholders shall cease to have any right with respect to the Scheme Shares except the right to receive the Cancellation Consideration;
  - (b) subject to and forthwith upon such reduction of capital taking effect, the share capital of the Company will be increased to its former amount by issuing to TCC and TCCI (as the case may be) the same number of Shares as the number of Scheme Shares cancelled and extinguished; and
  - (c) the Company shall apply the credit arising in its books of account as a result of the capital reduction referred to in paragraph 1(a) above in paying up in full at par the new Shares issued to TCC and TCCI (as the case may be) pursuant to paragraph 1(b) above, credited as fully paid.

**PART II****Consideration for the cancellation and extinguishment of the Scheme Shares**

- 2 In consideration of the cancellation and extinguishment of the Scheme Shares, the Offeror shall pay (or procure that there shall be paid) to each person who is a Scheme Shareholder (as appears on the Register on the Scheme Record Date) the Cancellation Consideration. Scheme Shareholders are entitled to, at their election, either the Cash Alternative or the Share Alternative as the form of Cancellation Consideration in respect of their entire holdings of Scheme Shares (but not, for the avoidance of doubt, a combination of the two, save for HKSCC Nominees Limited, who may make different elections in respect of Scheme Shares held on behalf of Beneficial Owners). Scheme Shareholders who wish to receive the Share Alternative may make an election for the Share Alternative. Scheme Shareholders who do not make any election, or fail to make a valid election, for the Share Alternative in accordance with the Scheme Document will receive the Cash Alternative.

## PART III

## Election Form

- 3 (a) Scheme Shareholders electing for the Share Alternative referred to in Part II above must have an Eligible Taiwanese Account before 4:30 p.m. on October 3, 2017, being the Election Time, in order to receive the Share Alternative.

- (b) *For Registered Shareholders:*

The election for the Share Alternative may be made by the Scheme Shareholders who are Registered Shareholders in connection with their respective shareholdings in the Company by properly completing and signing the Election Form in accordance with the instructions appearing thereon (and, in the case of joint holders, signed by all the joint holders to which it relates, and in the case of a holder or a joint holder which is a body corporate, signed on its behalf by one of its directors or a duly authorised signatory with company chop (if applicable) in respect of their entire holdings of Scheme Shares (save for HKSCC Nominees Limited, who may make different elections in respect of Scheme Shares held on behalf of Beneficial Owners) registered under their names on the Scheme Record Date, and deliver the duly completed and executed Election Form to Computershare Hong Kong Investor Services Limited, the Hong Kong branch share registrar of the Company at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on October 3, 2017 or such later date and time as may be notified through announcement.

- (c) *For Beneficial Owners holding Shares through a nominee (other than HKSCC Nominees Limited):*

Beneficial Owners holding Scheme Shares through a nominee (other than HKSCC Nominees Limited) should consult the Registered Owner and any other professional advisers on making the election and subsequent arrangement of the entitlements.

- (d) *For Beneficial Owners holding Shares through HKSCC Nominees Limited:*

Beneficial Owners whose Scheme Shares are deposited in CCASS and registered in the name of HKSCC Nominees Limited should consult his/her/its broker, custodian, nominee or other relevant person as soon as practicable as to the timing and procedures for the election of the Share Alternative. They may set a timeline which may be earlier than the Election Time to allow them sufficient time to submit the election to HKSCC Nominees Limited by the deadline set by HKSCC Nominees Limited.

- (e) No acknowledgement of receipt of any Election Form will be given. An Election Form so completed and delivered shall be irrevocable and incapable of being amended or withdrawn.
- (f) The Offeror and the Company shall have the right to reject any or all of the Election Forms that they determine to be not duly completed or executed in accordance with the instructions thereon or containing inaccurate, incorrect, invalid or incomplete information or illegible writing or otherwise not valid in accordance with the terms of the Scheme (including but not limited to the failure to provide complete and correct information of an Eligible Taiwanese Account). In such case, the relevant Scheme Shareholder will receive the Cash Alternative. The Offeror and the Company are not obliged to give notice to any Scheme Shareholder of any such defects or irregularities and disclaim any and all liabilities arising from not giving such notification. In addition, the Offeror and the Company shall also have the right to treat any Election Form that has not been duly completed in accordance with the instructions thereon, or has otherwise been completed incorrectly, as being valid, provided that the Offeror and the Company in their absolute discretion consider the omissions or errors to be immaterial.

## PART IV

## GENERAL

- 4 (a) The Company shall issue a share certificate to TCC and TCCI (as the case may be) as soon as practicable.
- (b) Not later than seven (7) Business Days after the Effective Date, TCCI shall send or cause to be sent cheques representing the sums payable to the Scheme Shareholders and TCC shall allot or cause to be allotted TCC Shares to the Scheme Shareholders pursuant to Clause 2 of this Scheme.
- (c) Unless otherwise indicated in writing to the Hong Kong branch share registrar of the Company, being Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, all cheques to be despatched to Scheme Shareholders who are subject to the Cash Alternative shall be sent by post in pre-paid envelopes addressed to Scheme Shareholders at their respective addresses as appearing in the Register on the Scheme Record Date or, in the case of joint holders, at the address appearing in the Register on the Scheme Record Date of the joint holder whose name then stands first in the Register in respect of the relevant joint holding. For Beneficial Owners that hold Scheme Shares through a nominee (other than HKSCC Nominees Limited), cheques for the cash entitlements will be sent by post in pre-paid envelopes addressed to the Registered Owner. For Beneficial Owners whose Scheme Shares are deposited in CCASS and registered under the name of HKSCC Nominees Limited, cheques for the cash entitlements will be sent by post in pre-paid envelopes addressed to HKSCC Nominees Limited. Upon receipt of cheque for the cash entitlement, HKSCC will cause such payment to be credited to the designated bank accounts of the relevant CCASS Participants in accordance with the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.
- (d) Cheques shall be posted at the risk of the addressees and none of the Offeror, the Company, BNP Paribas Securities, the Hong Kong branch share registrar of the Company or any of them shall be responsible for any loss or delay in despatch.
- (e) Cheques shall be in favour of the person to whom, in accordance with the provisions of this Clause 4, the envelope containing the same is addressed and the encashment of any such cheques shall be a good discharge to the Offeror for the monies represented thereby.

- (f) For Scheme Shareholders who are Registered Shareholders who have elected to receive the Share Alternative, the TCC Shares will be issued and allotted to the Eligible Taiwanese Account of the relevant Scheme Shareholder specified in the respective Election Form provided that the Registered Shareholders have validly elected to receive the Share Alternative in accordance with the instructions set out in the Election Form.
- (g) For Beneficial Owners that hold Scheme Shares through a nominee (other than HKSCC Nominees Limited) who have validly elected to receive the Share Alternative, the TCC Shares will be issued and allotted to the Eligible Taiwanese Account of the relevant Registered Owners specified in the Election Form, provided that the Registered Owner has validly elected to receive the Share Alternative in accordance with the instructions set out in the Election Form. For Beneficial Owners whose Scheme Shares are deposited in CCASS and registered in the name of HKSCC Nominees Limited who have validly elected to receive the Share Alternative, the TCC Shares under the Share Alternative will be issued and allotted to these Beneficial Owners (instead of being issued to HKSCC Nominees Limited for subsequent transfer).
- (h) On or after the day being six calendar months after the posting of the cheques pursuant to this Clause 4, the Offeror shall have the right to cause the cancellation of any cheque which has not been cashed or has been returned uncashed and shall place all monies represented thereby in a deposit account in the name of TCCI (or any of its subsidiaries) with a licensed bank in Hong Kong selected by the Offeror. The Offeror shall hold such monies on trust for those entitled under the terms of this Scheme until the expiration of six years from the Effective Date and shall, prior to such date, make payments therefrom of the sums, together with interest thereon, to persons who satisfy the Offeror that they are respectively entitled thereto, provided that such cheques referred to above of which they are payees have not been cashed. The Offeror shall exercise its absolute discretion in determining whether or not it is satisfied that any person is so entitled and a certificate of the Offeror to the effect that any particular person is so entitled or not so entitled, as the case may be, shall be conclusive and binding upon all persons claiming an interest in the relevant monies.
- (i) On the expiration of six years from the Effective Date, the Offeror shall be released from any further obligation to make any payments under this Scheme and shall be absolutely entitled to the balance (if any) of the sums then standing to the credit of the deposit account in the name of TCCI (or the name of any of its subsidiaries), including accrued interest subject, if applicable, to the deduction of any interest or withholding or other tax or any other deduction required by law and subject to the deduction of any expenses incurred.

- (j) Upon cancellation of the Scheme Shares, the Register shall be updated to reflect such cancellation.
- 5 As from the Effective Date, any instruments of transfer relating to and all certificates representing, the Scheme Shares shall cease to be valid for any purpose as an instrument of transfer or a certificate for such shares and every Scheme Shareholder shall be bound, upon the request of the Company, to deliver up to the Company the certificates relating to the Scheme Shares for cancellation.
- 6 All mandates or relevant instructions to or by the Company in force at the Scheme Record Date relating to any of the Scheme Shares shall cease to be valid as effective mandates or instructions.
- 7 This Scheme shall become effective as soon as a copy of the Order of the Grand Court sanctioning this Scheme has been delivered to the Registrar of Companies for registration pursuant to section 86(3) of the Companies Law.
- 8 Unless this Scheme shall have become effective on or before December 31, 2017 or such later date, if any, as the Offeror and the Company may agree and the Grand Court may allow, this Scheme shall lapse and be of no effect.
- 9 The Company and the Offeror may jointly consent for and on behalf of all concerned to any modification of or addition to this Scheme or to any condition which the Grand Court may think fit to approve or impose.
- 10 The Offeror and the Company have agreed that all costs, charges and expenses of the advisers and counsels appointed by the Company, including the Independent Financial Adviser, will be borne by the Company, and all costs, charges and expenses of advisors and counsels appointed by the Offeror will be borne by the Offeror, and the Offeror and the Company will each bear its other costs, charges and expenses of the Scheme.

Date August 24, 2017



IN THE GRAND COURT OF THE CAYMAN ISLANDS

FINANCIAL SERVICES DIVISION

CAUSE NO. FSD 152 OF 2017 (CQJ)

IN THE MATTER OF SECTIONS 15 AND 86 OF THE COMPANIES LAW  
(2016 REVISION)

AND

IN THE MATTER OF TCC INTERNATIONAL HOLDINGS LIMITED

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NOTICE OF COURT MEETING

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**NOTICE IS HEREBY GIVEN** that, by an order dated August 18, 2017 (the “**Order**”) made in the above matter, the Grand Court of the Cayman Islands (the “**Court**”) has directed a meeting (the “**Court Meeting**”) to be convened of the registered holders of ordinary shares of HK\$0.10 par value each and registered holders of non-redeemable restricted voting convertible preference shares of HK\$0.10 par value each in the capital of TCC International Holdings Limited (the “**Company**”), other than the Offeror (as defined in the Scheme Document hereinafter mentioned) (the “**Scheme Shareholders**”), for the purposes of considering and, if thought fit, approving a scheme of arrangement (the “**Scheme of Arrangement**”) between the Company and the Scheme Shareholders under section 86 of the Companies Law (2016 Revision) of the Cayman Islands (with or without modification, addition or condition approved or imposed by the Court).

The Court Meeting will be held at Alexandra Room, 2/F Mandarin Oriental Hotel, 5 Connaught Road, Central, Hong Kong on Monday, September 18, 2017 at 9:00 a.m. (Hong Kong time) at which place and time all Scheme Shareholders are requested to attend.

A copy of the Scheme of Arrangement and a copy of an explanatory memorandum explaining the effect of the Scheme of Arrangement are incorporated in the composite scheme document (the “**Scheme Document**”) of which this Notice forms part. A copy of the Scheme Document can also be obtained by the Scheme Shareholders from the Hong Kong branch share registrar of the Company, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong.

**Voting Procedures**

Voting will be by way of poll. Scheme Shareholders may vote in person at the Court Meeting or they may appoint another person (who must be an individual), whether a member of the Company or not, as their proxy to attend and vote on their behalf. A **pink** form of proxy for use at the Court Meeting is enclosed with the Scheme Document dated August 24, 2017 and despatched to the Scheme Shareholders on August 24, 2017. Completion and return of the proxy form will not prevent a Scheme Shareholder from attending and voting at the Court Meeting, or any adjournment thereof, in person if he/she wishes to do so. In that event, the forms of proxy will be deemed to have been revoked.

In case of joint holders of a share, any one of such persons may vote at the Court Meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto. However, if more than one of such joint holders be present at the Court Meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding. For this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register of members of the Company in respect of such joint holding, the first named shareholder being the senior.

It is requested that forms appointing proxies be deposited at the Hong Kong branch share registrar of the Company, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 9:00 a.m. (Hong Kong time) on Saturday, September 16, 2017.

**Chairman**

By Order of the Court, the Chairman of the Court Meeting shall be appointed by the Directors of the Company in accordance with Article 78 of the Company's Articles of Association. The Chairman shall report the results of the Court Meeting to the Court within seven days after the date fixed for the Court Meeting.

The Scheme of Arrangement will be subject to a subsequent application seeking the sanction of the Court.

By Order of the Court  
**TCC International Holdings Limited**

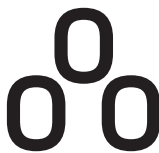
Dated August 24, 2017

*Principal Place of Business in Hong Kong*

16th Floor, Hong Kong Diamond Exchange Building  
8-10 Duddell Street  
Central  
Hong Kong

*Registered Office*

P.O. Box 309, Uglan House  
Grand Cayman  
KY10-1104  
Cayman Islands

**TCC INTERNATIONAL HOLDINGS LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1136.HK)**

**NOTICE OF EXTRAORDINARY GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “EGM”) of TCC International Holdings Limited (the “**Company**”) will be held at Alexandra Room, 2/F Mandarin Oriental Hotel, 5 Connaught Road, Central, Hong Kong at 9:30 a.m. on Monday, September 18, 2017 for the following purposes:

**SPECIAL RESOLUTION**

To consider and, if thought fit, passing with or without amendments, the following resolution as a special resolution of the Company:

- (1) THAT:
- (a) pursuant to the scheme of arrangement dated August 24, 2017 (the “**Scheme**”) between the Company and the Scheme Shareholders (as defined in the Scheme) in the form of the print thereof, which has been produced to this meeting and for the purposes of identification signed by the chairman of this meeting, or in such other form and on such terms and conditions as may be approved or imposed by the Grand Court of the Cayman Islands, on the Effective Date (as defined in the Scheme), the issued share capital of the Company shall be reduced by the cancellation and extinguishment of the Scheme Shares (as defined in the Scheme); and
  - (b) the directors of the Company be and are hereby authorised to do all acts and things considered by them to be necessary or desirable in connection with the implementation of the Scheme and the reduction of capital pursuant to the Scheme, including without limitation, giving consent to any modification of, or addition to, the Scheme or the reduction of capital which the Grand Court of the Cayman Islands may see fit to impose.

**ORDINARY RESOLUTION**

To consider and, if thought fit, passing with or without amendments, the following resolution as an ordinary resolution of the Company:

(2) THAT:

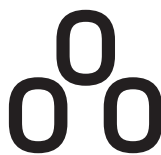
- (a) subject to and simultaneously with the cancellation and extinguishment of the Scheme Shares referred to in resolution (1)(a) taking effect, the issued share capital of the Company be restored to its former amount prior to the reduction of capital by allotting and issuing to Taiwan Cement Corporation and TCC International Limited (as the case may be), credited as fully paid at par, the same number of new Shares (as defined in the Scheme) of the Company as the number of Scheme Shares cancelled and extinguished;
- (b) the credit arising in the books of account of the Company consequent upon the reduction of its issued share capital resulting from the cancellation and extinguishment of the Scheme Shares referred to in resolution (1)(a) shall be applied to pay up in full at par the Shares (as defined in the Scheme) allotted and issued to Taiwan Cement Corporation and TCC International Limited (as the case may be) pursuant to resolution 2(a) above;
- (c) any one of the directors of the Company be and is hereby authorised to do all acts and things considered by him/her to be necessary or desirable in connection with the implementation of the Scheme, including without limitation the giving of consent to any modification of, or addition to, the Scheme, which the Grand Court of the Cayman Islands may see fit to impose; and
- (d) any one of the directors of the Company be and is hereby authorised to apply to The Stock Exchange of Hong Kong Limited for the withdrawal of the listing of the Ordinary Shares (as defined in the Scheme) of the Company.

By Order of the Board of  
**TCC International Holdings Limited**  
**Chang, An-Ping, Nelson**  
*Chairman*

Hong Kong, August 24, 2017

*Notes:*

1. In order to determine the entitlement of Shareholders to attend and vote at the EGM, the register of members of the Company will be closed from Tuesday, September 12, 2017 to Monday, September 18, 2017, both days inclusive, during which period no transfer of Shares will be effected. In order to be eligible to attend and vote at the EGM, all share transfer documents in connection with the Shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, September 11, 2017.
2. A Shareholder entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not be a member of the Company. Completion and return of the form of proxy shall not preclude a Shareholder from attending the meeting and vote in person. In such event, the instrument appointing a proxy shall be deemed to be revoked.
3. In order to be valid, the form of proxy together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power of attorney or authority, must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time fixed for holding the meeting (i.e. not later than 9:30 a.m. on Saturday, September 16, 2017) or any adjournment thereof.
4. The votes of the Shareholders on the special and ordinary resolutions as set out above will be taken by poll.
5. Reference to time and dates in this notice are to Hong Kong time and dates.
6. As at the date of this announcement, the board of directors of the Company comprises Mr. Chang, An-Ping, Nelson as the Chairman and an executive Director; Mr. Koo, Jason Kung Yi as the Managing Director and an executive Director; Dr. Shan Weijian, Mr. Chang, Kang-Lung, Jason, Ms. Wang, Lishin, Elizabeth and Ms. Wang, Chi-May as non-executive Directors; and Dr. Liao Poon Huai, Donald, Dr. Chih Ching Kang, Kenneth and Mr. Shieh, Jen-Chung, Roger as independent non-executive Directors.

**TCC INTERNATIONAL HOLDINGS LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1136.HK)**

**NOTICE OF EXTRAORDINARY GENERAL MEETING OF  
HOLDERS OF CONVERTIBLE PREFERENCE SHARES**

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “**Special EGM**”) of the holders of the non-redeemable restricted voting convertible preference shares of par value HK\$0.10 each (the “**Convertible Preference Shareholders**”) of TCC International Holdings Limited (the “**Company**”) will be held at Alexandra Room, 2/F Mandarin Oriental Hotel, 5 Connaught Road, Central, Hong Kong at 10:00 a.m. on Monday, September 18, 2017 to consider and, if thought fit, passing the following resolution as a special resolution:

**SPECIAL RESOLUTION**

(1) **THAT:**

- (a) pursuant to the scheme of arrangement dated August 24, 2017 (the “**Scheme**”) between the Company and the Scheme Shareholders (as defined in the Scheme) in the form of the print thereof, which has been produced to this meeting and for the purposes of identification signed by the chairman of this meeting, or in such other form and on such terms and conditions as may be approved or imposed by the Grand Court of the Cayman Islands, the Convertible Preference Scheme Shares (as defined in the Scheme) be cancelled; and
- (b) the directors of the Company be and are hereby authorised to do all acts and things considered by them to be necessary or desirable in connection with the cancellation of the Convertible Preference Scheme Shares.

By Order of the Board of  
**TCC International Holdings Limited**  
**Chang, An-Ping, Nelson**  
*Chairman*

Hong Kong, August 24, 2017

*Notes:*

1. In order to determine the entitlement of Convertible Preference Shareholders to attend and vote at the Special EGM, the register of members of the Company will be closed from Tuesday, September 12, 2017 to Monday, September 18, 2017, both days inclusive, during which period no transfer of Convertible Preference Shares will be effected. In order to be eligible to attend and vote at the Special EGM, all share transfer documents in respect of the Convertible Preference Shares accompanied by the relevant share certificates must be lodged with the Company's transfer agent in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, September 11, 2017.
2. A Convertible Preference Shareholder entitled to attend and vote at the Special EGM is entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not be a Convertible Preference Shareholder. Completion and return of the form of proxy shall not preclude a Convertible Preference Shareholder from attending the meeting and vote in person. In such event, the instrument appointing a proxy shall be deemed to be revoked.
3. In order to be valid, the form of proxy together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power of attorney or authority, must be lodged with the Company's transfer agent in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time fixed for holding the meeting (i.e. not later than 10:00 a.m. on Saturday, September 16, 2017) or any adjournment thereof.
4. The votes of the Convertible Preference Shareholders on the special resolution as set out above will be taken by poll.
5. Reference to time and dates in this notice are to Hong Kong time and dates.
6. As at the date of this announcement, the board of directors of the Company comprises Mr. Chang, An-Ping, Nelson as the Chairman and an executive Director; Mr. Koo, Jason Kung Yi as the Managing Director and an executive Director; Dr. Shan Weijian, Mr. Chang, Kang-Lung, Jason, Ms. Wang, Lishin, Elizabeth and Ms. Wang, Chi-May as non-executive Directors; and Dr. Liao Poon Huai, Donald, Dr. Chih Ching Kang, Kenneth and Mr. Shieh, Jen-Chung, Roger as independent non-executive Directors.