Stock Code: 2520

KINDOM DEVELOPMENT CO., LTD.

Parent Company Only Financial Statements and Independent Auditors' Report

Year 2019 and Year 2018

Address: 2F., No. 131, Sec. 3, Heping E. Rd., Da'an Dist., Taipei City, Taiwan (R.O.C.)
Tel: (02)23786789

The reader is advised that these parent company only financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

Table of Contents

Independent Auditors' Report

To the Board of Directors Kindom Development Co., Ltd.:

Opinion

We have audited the accompanying parent-company-only financial statements of Kindom Development Co., Ltd. (the "company"), which comprises the parent-company-only balance sheets as of December 31, 2019 and 2018, and the parent-company-only statements of comprehensive income, changes in equity, and cash flows for the years then ended, and the notes to the parent-company-only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent-company-only financial statements present fairly, in all material respects, the parent-company-only financial position of the company as of December 31, 2019 and 2018, and its parent-company-only financial performance and its parent-company-only cash flows for the years then ended in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers."

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent-company-only financial statements for the year ended December 31, 2019. These matters were addressed in the context of our audit of the parent-company-only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In our judgment, key audit matters for the company's parent-company-only financial statements for the year ended December 31, 2019 are stated as follows:

I. Revenue recognition

Refer to Note IV(15) for the accounting policies on recognizing revenue and Note VI(21) for details of related disclosure.

Description of key audit matters:

The company engaged primarily in the sales and development of real estate. Real estate sales are easily subject to changes in overall economic conditions, tax reforms, market demands of properties and lands, and other factors. In response to the aforementioned changes, the governing authority has established relevant controls over revenue recognition and installment payments. The revenue from real estate sales amounts to 97% of the company's total revenue, which is material to the fair presentation of parent-company-only financial statements. Consequently, the company's revenue recognition has been identified as one of the key audit matters.

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

In relation to the key audit matter above, we have performed certain audit procedures including, among others, understanding the design and effectiveness of the company's internal controls over the recognition of revenue and the accrual of receivables; performing sample testing to inspect the real estate sales contracts, tables of the receivables, bank transactions, transfers of property rights, closing checklists and others; performing data analysis on real estate prepayments in order to assess the completeness of the recognition of bank deposits and procedures of prepaid installments; and performing sample testing on sales transactions taking place before and after the balance sheet date as well as confirming relevant transaction records and documentations to ensure that revenue was fairly presented in the appropriate period.

II. Inventory valuation

Refer to Note IV(7) for the accounting policies on inventory valuation, Note V(1) for the uncertainty of accounting estimations and assumptions for inventory valuation, and Note VI(5) for details of inventory valuation.

Description of key audit matters:

As of December 31, 2019, the company's inventory amounts to NT$ 32,659,659 thousand and accounts for 75% of total assets. The valuation of inventory is at the lower of cost or cost or market price, that is the price of real estate market with highly subject to large capital investment and long payback period and greatly subject to political, economic and real estate tax reforms. Consequently, identified as one of the key audit matters, the company's cost of inventory might be higher than its market price.

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

In relation to the key audit matter above, we have performed certain audit procedures including understanding the company's internal procedures and accounting processes over inventory valuation; obtaining the inventory valuation performed by the company as of the end of the reporting period; inspecting and performing sample testing on the comparable market data such as registered sales prices of real estate published by Ministry of the Interior, sales prices of the transactions in the neighborhood, and contract prices of recent sales of the company's developments, or confirming and recalculating the investment return analysis of each development, to evaluate if the net realizable value of inventory is fairly presented.

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

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

In preparing the parent-company-only financial statements, the management is responsible for assessing the company's ability to continue as a going concern, disclose matters related to going concern, and use the going concern basis of accounting unless the management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Parent-Company-Only Financial Statements

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

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

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

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

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

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

KPMG

Taipei, Taiwan

Republic of China

March 23, 2020

Notices to Readers

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

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

KINDOM DEVELOPMENT CO. LTD

Balance Sheets

December 31, 2019 and 2018

Unit: Thousands of New Taiwan Dollars

Code	ASSETS	2019.12.31 Amount	%	2018.12.31 Amount	%
	CURRENT ASSETS:				
1100	Cash and cash equivalents (Note VI(1) and (24))	$ 2,012,378	5	2,293,783	5
1110	Financial assets at fair value through profit or loss - current (Notes VI(2) and (24))	23,445	-	23,773	-
1141	Contract assets - current (Note VI(21))	151,622	-	-	-
1150	Notes receivable, net (Notes VI(4) and (24))	2,157	-	-	-
1170	Accounts receivable, net (Notes VI(4), (21) and (24))	233,089	1	500,346	1
1220	Current tax assets	-	-	29,173	-
1320	Inventories – construction (Notes VI(5) and VIII)	32,659,659	75	32,884,522	76
1410	Prepayments	78,029	-	284,314	1
1476	Other financial assets - current (Notes VI(11), (21), (24) and VIII)	3,187,328	7	1,940,390	5
1479	Other current assets -others	12,688	-	18,696	-
1480	Incremental costs of obtaining a contract – current (Note VI(11))	144,525	-	103,350	-
		38,504,920	88	38,078,347	88
	Non-current Assets:				
1517	Financial assets at fair value through other comprehensive income - non-current (Notes VI(3) and (24))	2,659	-	3,025	-
1550	Investments accounted for using the equity method (Notes VI(6) and VIII)	4,553,884	10	4,222,649	10
1600	Property, plant and equipment (Notes VI(7) and VIII)	280,822	1	288,059	1
1755	Right-of-use assets (Note (VI(8))	4,101	-	-	-
1760	Investment property Notes VI(9), (16) and VIII)	474,942	1	479,135	1
1780	Intangible assets (Note VI(10))	2,274	-	162	-
1915	Prepayments for equipment	5,222	-	6,197	-
1985	Prepaid lease (Notes VI(12) and VII)	-	-	35,765	-
		5,323,904	12	5,034,992	12
	TOTAL ASSETS	$ 43,828,824	100	43,113,339	100

Code	LIABILITIES AND EQUITY	2019.12.31 Amount	%	2018.12.31 Amount	%
	Current Liabilities:				
2100	Short-term borrowings (Notes VI(13) and (24))	$ 18,745,374	43	19,184,508	44
2130	Contract liabilities – current (Note VI(21))	5,195,802	12	3,937,293	9
2150	Notes payable (Note VI(24))	36,026	-	8,950	-
2160	Notes payable - related parties	1,287,602	3	1,899,951	5
2170	Accounts payable (Note VI(24))	470,113	1	510,065	1
2181	Accounts payable - related parties	647,267	2	780,718	2
2200	Other payables (Note VI(24))	121,079	-	150,094	-
2230	Current tax liabilities	6,242	-	94,744	-
2251	Provisions for employee benefit – current (Note VI(17))	3,104	-	2,711	-
2280	Lease liabilities - current (Notes VI(15) and (24))	4,108	-	-	-
2321	Current portion of convertible corporate bond due within one year or one operating period (Notes VI(14) and (24))	-	-	1,000,000	2
2399	Other current liability - others	145,842	-	130,047	-
		26,662,559	61	27,699,081	63
	Non-current Liabilities:				
2530	Bonds payable (Notes VI(14) and (24))	4,500,000	10	3,500,000	9
2640	Defined benefit liabilities, net - non-current (Note VI(17))	6,681	-	11,111	-
2645	Guarantee deposits (Note VI(24))	3,418	-	1,811	-
2670	Other non-current liabilities - others	28,662	-	64,343	-
		4,538,761	10	3,577,265	9
	TOTAL LIABILITIES	31,201,320	71	31,276,346	72
	EQUITY (Note VI(19)):				
3100	Share capital	5,037,910	12	5,037,910	12
3200	Capital reserve	1,379,873	3	1,368,865	3
3300	Retained earnings	6,306,721	14	5,526,960	13
3400	Other equity	(25,804)	-	(25,546)	-
3500	Treasury stock	(71,196)	-	(71,196)	-
	TOTAL EQUITY	12,627,504	29	11,836,993	28
	TOTAL LIABILITIES AND EQUITY	$ 43,828,824	100	43,113,339	100

(Refer to the subsequent Notes to Parent-Company-Only Financial Statements)

KINDOM DEVELOPMENT CO., LTD.
Statements of Comprehensive Income
January 1 to December 31, 2019 and 2018

Unit: Thousands of New Taiwan Dollars

		2019		2018	
		Amount	**%**	**Amount**	**%**
4000	**Operating Revenue (Notes VI(16) and (21))**	$ 8,117,436	100	7,502,772	100
5000	**Operating Costs (Note VI(5))**	6,085,189	75	5,540,963	74
	Gross Profit	2,032,247	25	1,961,809	26
5920	Less: Realized profit or loss on sales	85	-	(401)	-
	Gross Profit	2,032,162	25	1,962,210	26
	Operating Expenses (Notes VI(22) and VII)				
6100	Selling and marketing expenses	390,095	5	470,935	6
6200	General and administrative expenses	312,309	4	311,960	4
		702,404	9	782,895	10
	Net Operating Profit	1,329,758	16	1,179,315	16
	Non-Operating Income and Expenses:				
7010	**Other income (Note VI(23))**	10,721	-	5,911	-
7020	Other interest income and expenses (Note VI(23))	9,674	-	16,026	-
7050	Finance costs (Note VI(23))	(342,771)	(4)	(358,821)	(5)
7070	Share of the profit of subsidiaries, associates, and joint ventures accounted for using the equity method	453,404	6	(139,512)	(2)
		131,028	2	(476,396)	(7)
	Income Before Tax of Continuing Operation	1,460,786	18	702,919	9
7950	**Less: Income tax expense (Note VI(18))**	177,260	2	195,671	3
	Net income (loss)	1,283,526	16	507,248	6
8300	**Other Comprehensive Income:**				
8310	**Items that will not be reclassified subsequently to profit or loss**				
8311	Remeasurements of defined benefit plans	(284)	-	(609)	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(366)	-	1,902	-
8330	Shares of other comprehensive income of subsidiaries, associates, and joint ventures accounted for using equity method - components of other comprehensive income that will not be reclassified subsequently to profit or loss	772	-	195	-
8360	**Items that may be reclassified subsequently to profit or loss**				
8380	Shares of other comprehensive income of subsidiaries, associates, and joint ventures accounted for using equity method - components of other comprehensive income that may be reclassified subsequently to profit or loss **(Notes VI(16) and (21))**	(354)	-	6,611	-
8300	**Other comprehensive income (net amount after tax) (Note VI(5))**	(232)	-	8,099	-
	Total comprehensive income (loss)	$ 1,283,294	16	515,347	6
	Earnings Per Share				
9750	**Basic Earnings Per Share (in NT$)**	$	2.60		1.03
9850	**Diluted Earnings Per Share (in NT$) (Notes VI(22) and VII)**	$	2.60		1.03

(Refer to the subsequent Notes to Parent-Company-Only Financial Statements)

KINDOM DEVELOPMENT CO., LTD.
Statements of Changes in Equity
January 1 to December 31, 2019 and 2018

Unit: Thousands of New Taiwan Dollars

	Share capital		Retained Earnings				Other Equity			
	Share capital of common stocks	Capital reserve	Legal reserve	Special reserve	Unappropriated Earnings	Total	Exchange differences on translation of financial statements of foreign operations	Unrealized gain (loss) from financial assets measured at fair value through other comprehensive income	Treasury stock	Total equity
Balance as of January 1, 2018	$ 5,037,910	1,363,148	1,603,070	25,004	3,421,550	5,049,624	(32,521)	-	(71,196)	11,346,965
Effects of retrospective application	-	-	-	-	222,398	222,398	-	(1,538)	-	220,860
Adjusted balance as of January 1, 2018	5,037,910	1,363,148	1,603,070	25,004	3,643,948	5,272,022	(32,521)	(1,538)	(71,196)	11,567,825
Net income for the year	-	-	-	-	507,248	507,248	-	-	-	507,248
Other comprehensive income (loss) for the year	-	-	-	-	(414)	(414)	6,611	1,902	-	8,099
Total comprehensive income (loss) for the year	-	-	-	-	506,834	506,834	6,611	1,902	-	515,347
Earnings appropriation and distribution:										
Provision for Legal reserve	-	-	34,629	-	(34,629)	-	-	-	-	-
Provision for Special reserve	-	-	-	7,517	(7,517)	-	-	-	-	-
Cash dividends on common stock	-	-	-	-	(251,896)	(251,896)	-	-	-	(251,896)
Changes in equity of associates and joint ventures accounted for under the equity method	-	61	-	-	-	-	-	-	-	61
Changes in capital reserve from dividends paid to subsidiaries	-	5,313	-	-	-	-	-	-	-	5,313
Unclaimed dividends after effective period	-	343	-	-	-	-	-	-	-	343
Balance as of December 31, 2018	5,037,910	1,368,865	1,637,699	32,521	3,856,740	5,526,960	(25,910)	364	(71,196)	11,836,993
Net income (loss) for the year	-	-	-	-	1,283,526	1,283,526	-	-	-	1,283,526
Other comprehensive income (loss) for the year	-	-	-	-	26	26	(354)	96	-	(232)
Total comprehensive income (loss) for the year	-	-	-	-	1,283,552	1,283,552	(354)	96	-	1,283,294
Earnings appropriation and distribution:										
Provision for Legal reserve	-	-	50,724	-	(50,724)	-	-	-	-	-
Provision for Special reserve	-	-	-	(6,975)	6,975	-	-	-	-	-
Cash dividends on common stock	-	-	-	-	(503,791)	(503,791)	-	-	-	(503,791)
Changes in equity of associates and joint ventures accounted for under the equity method	-	11	-	-	-	-	-	-	-	11
Changes in capital reserve from dividends paid to subsidiaries	-	10,626	-	-	-	-	-	-	-	10,626
Unclaimed dividends after effective period	-	371	-	-	-	-	-	-	-	371
Balance as of December 31, 2019	**$ 5,037,910**	**1,379,873**	**1,688,423**	**25,546**	**4,592,752**	**6,306,721**	**(26,264)**	**460**	**(71,196)**	**12,627,504**

KINDOM DEVELOPMENT CO., LTD.
Statements of Cash Flows
January 1 to December 31, 2019 and 2018
Unit: Thousands of New Taiwan Dollars

	2019	2018
Cash Flows from Operating Activities:		
Income before income tax	$ 1,460,786	702,919
Adjustments :		
Adjustments to reconcile profit (loss)		
Depreciation	11,522	11,497
Amortization	466	1,298
Net loss (gain) on financial assets and liabilities measured at fair value through profit or loss	328	1,845
Interest expense	342,771	358,821
Interest income	(9,510)	(4,652)
Dividend income	(1,211)	(1,259)
Share of losses (gains) of subsidiaries, associates and joint ventures accounted for under the equity method	(453,404)	139,512
Gains on disposal of property, plant and equipment	(81)	-
Gains on disposal of investment property	-	(365)
Total adjustments for profit and loss	(109,119)	506,697
Changes in operating assets and liabilities:		
Changes in operating assets:		
Increase in contract assets	(151,622)	-
Decrease (increase) in notes receivable	(2,157)	11,219
Decrease (increase) in accounts receivable	267,257	(123,652)
Decrease (increase) in inventory	390,063	(2,936,748)
Decrease in prepayments	206,285	41,952
Increase in prepayments for equipment	-	(975)
Increase in other financial instruments - current	(1,246,938)	(753,473)
Decrease (increase) in other current assets	6,008	(13,609)
Decrease (increase) in incremental costs of obtaining a contract	(41,175)	117,510
Total changes in operating assets	(572,279)	(3,657,776)
Changes in operating liabilities:		
Increase in contract liabilities	1,258,509	2,808,820
Increase (decrease) in notes payable	27,076	(14,075)
Increase (decrease) in notes payable - related parties	(612,349)	1,393,022
Increase (decrease) in accounts payable	(39,952)	49,240
Decrease in accounts payable - related parties	(133,451)	(247,393)
Increase (decrease) in other payables	(23,793)	43,007
Increase in provisions for employee benefit - current	393	481
Increase (decrease) in guarantee deposits	1,607	(390)
Increase in other current liabilities	15,795	113,793
Decrease in net defined benefit liabilities	(4,714)	(592)
Increase (decrease) in other non-current liabilities	84	(401)
Total changes in operating liabilities	489,205	4,145,512
Total changes in operating assets and liabilities	(83,074)	487,736
Total adjustments	(192,193)	994,433
Cash generated from operations	1,268,593	1,697,352
Income taxes paid	(236,589)	(94,585)
Net Cash Generated from Operating Activities	1,032,004	1,602,767

KINDOM DEVELOPMENT CO. LTD
Statements of Cash Flows
January 1 to December 31, 2019 and 2018
Unit: Thousands of New Taiwan Dollars

	2019	2018
Cash Flows from Investing Activities:		
Proceeds from capital return of financial assets measured at fair value through other comprehensive income	-	51
Acquisition of property, plant and equipment	(1,199)	(943)
Disposal of property, plant and equipment	1,429	-
Acquisition of intangible assets	(1,603)	-
Disposal of investment property	-	93,022
Interests received	9,510	4,652
Dividends received	134,434	101,995
Net Cash Generated from (Used in) Investing Activities	142,571	198,777
Cash Flows from Financing Activities:		
Increase in short-term borrowings	8,938,885	11,513,731
Decrease in short-term borrowings	(9,378,019)	(12,717,989)
Increase in short-term notes	479,000	1,474,000
Decrease in short-term notes	(479,000)	(1,984,000)
Issuance of convertible corporate bonds	1,000,000	2,000,000
Redemption of convertible corporate bonds	(1,000,000)	(2,000,000)
Repayments of lease principal	(234)	-
Cash dividends paid	(503,791)	(251,896)
Interests paid	(512,821)	(560,262)
Net Cash Generated from (Used in) Financing Activities	(1,455,980)	(2,526,416)
Net decrease in cash and cash equivalents	(281,405)	(724,872)
Cash and cash equivalents at beginning of year	2,293,783	3,018,655
Cash and cash equivalents at end of year	**$ 2,012,378**	**2,293,783**

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

I. Company History

Kindom Development Co., Ltd. (the "company") was incorporated on November of 1979, as a company limited by shares under the laws of the Republic of China ("R.O.C.") and registered under the Ministry of Economic Affairs, R.O.C. The registered address is 2F., No. 131, Sec. 3, Heping E. Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.). The company primarily engages in the development of residential properties and the leases or sales of commercial buildings.

II. The Approval Date and Procedures of the Financial Report

The parent-company-only financial statements were authorized by the Board of Directors on March 23, 2020.

III. Application of Newly Issued and Revised Standards and Interpretations

(I) mpact of adoption of new, revised, and amended standards and interpretations endorsed by the Financial Supervisory Commission, R.O.C. ("FSC").

In preparing the accompanying parent-company-only financial statements, the company has adopted the following International Financial Reporting Standards ("IFRS"), International Accounting Standards ("IAS"), and Interpretations that have been issued by the International Accounting Standards Board (" IASB") (collectively, " IFRSs") and endorsed by the FSC, with effective date from January 1, 2019. The new, revised, and amended standards and interpretations are listed below:

New, Revised, and Amended Standards and Interpretations	Effective date per IASB
IFRS 16 "Leases"	January 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019
Amendments to IFRS 9, "Prepayment Features with Negative Compensation"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019
Amendments to IAS 28, "Long-term Interests in Associates and Joint Ventures"	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019

Except for the following items, the initial application of the above IFRSs did not have any material impact on the parent-company-only financial statements. The extent and impact of changes are as follows:

IFRS 16 "Leases"

International Financial Reporting Standards 16 "Leases" ("IFRS 16") replaces the existing guidance, including IAS 17 "Leases" ("IAS 17"), IFRIC 4 "Determining Whether an Arrangement Contains a Lease" ("IFRIC 4"), SIC 15 "Operating Leases – Incentives," and SIC 27 "Evaluating the Substance of Transactions in the Legal Form of a Lease."

The company applies IFRS 16 with modified retrospective approach and recognizes cumulative effect upon the initial application of this standard as an adjustment to the opening balance of its retained earnings on January 1, 2019. The following are the nature and impacts on the changes of accounting policies:

(1) Identifying a lease

Previously, at the contract commencement date, the company determined whether a contract is or contains a lease in accordance with IFRIC 4. Upon adopting the new standard, the company determined whether a contract is or contains a lease in accordance with IFRS 16 (refer to Note IV(11)).

On transition to the new standard of IFRS 16, the company elects the modified retrospective approach and applies a practical expedient that does not need any reassessment whether a contract is, or contains, a lease. IFRS 16 is applied directly to the contracts previously determined as lease. The contracts previously determined as not leases under IAS 17 and IFRIC 4 would not be reassessed. Consequently, IFRS 16 is applied to contracts signed or revised on or after the date of initial application.

(2) The company as a lessee

For transactions where the Group is the lessee, previously, the company's categorization of lease contracts depended on the transfer of the substantial risks and rewards incident to ownership of an underlying asset. Under the new standard of IFRS 16, the lessee recognizes a right-of-use asset and a lease liability in the balance sheets.

The company elects to apply a practical expedient on leases of office buildings and treats it as short-term leases.

- For contracts previously classified as operating leases under IAS 17

  In the transition, a lease liability is measured at the present value of the remaining lease payments payable with the company's incremental borrowing rate at the date of initial application. The right-of-use asset is measured at the amount of the lease liability plus adjustments of any relevant prepayments or payables by the lessee. The company applies this valuation to all other leases besides aforementioned leases.

  The company chooses to elect the following practical expedients upon transition to IFRS 16:

  a. apply a single discount rate to a portfolio of leases with similar characteristics.
  b. apply the exemption, and not to recognize the right-of-use assets and lease liabilities with any lease term that ends within 12 months after the date of initial application.
  c. exclude the initial direct costs from measuring the right-of-use assets at the date of initial application.
  d. use hindsight to determine the lease term while the contract contains options to extend or terminate the lease

(3) The company as lessor

Except for sublease, as a lessor, the company does not need to make adjustments in the transition to the new standard, and at the date of initial application, the company applies IFRS 16 to all rental transactions.

Under IFRS 16, a sublease shall be classified by reference to the right-of-use asset arising from the head lease, rather than by reference to the underlying asset.

(4) Impacts on financial statements

In transition to IFRS 16, the company does not need to recognize any right-of-use assets or lease liabilities at the date of initial application.

(II) Impact of IFRSs endorsed by the FSC but yet to come into effect

According to Order No. 1080323028 issued by the FSC on July 29, 2019, commencing from 2020, public companies are required to adopt the IFRSs that have been endorsed by the FSC with effective date from January 1, 2020. The related new, revised, and amended standards and interpretations are listed below:

New, Revised, and Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020
Amendments to IFRS 9, IAS 39, and IFRS 7 "Interest Rate Benchmark Reform"	January 1, 2020
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020

The company assessed that the adoption of the aforementioned new standards will not have significant impacts on its parent-company-only financial statements.

(III) Impact of IFRSs issued by the IASB but yet to be endorsed by the FSC

A summary of new, revised, and amended standards and interpretations issued by the IASB but yet to be endorsed by the FSC is listed below:

New, Revised, and Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 "Classification of Liabilities as Current or Non-Current"	January 1, 2022

The company is currently evaluating the impact on its parent-company-only financial position and parent-company-only financial performance upon the initial adoption of the aforementioned standards and interpretations. The results thereof will be disclosed when the company completes its evaluation.

IV. Summary of Material Accounting Policies

The significant accounting policies presented in the parent-company-only financial statements are summarized as the following and have been applied consistently to all periods presented in these financial statements, except for the changes in accounting standards disclosed in Note III.

(I) Statement of compliance

The company's financial statements have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" (the "Regulations").

(II) Basis of preparation

1. Basis of measurement

   The parent-company-only financial statements have been prepared on a historical cost basis except for the following significant accounts:

   (1) Financial assets measured at fair value through profit or loss;
   (2) Financial assets measured at fair value through other comprehensive income; and
   (3) Net defined benefit liability measured at the fair value of plan assets less present value of defined benefit obligation, and the limits disclosed in Note VI(16).

2. Functional and presentation currency

   The functional currency of the company is determined based on the primary economic environment in which the entity operates. The company's financial statements are presented in New Taiwan Dollars (the "NT$"), which is the company's functional currency. All financial information presented in NT$ has been rounded to the nearest thousand.

(III) Foreign currency

1. Foreign currency transactions

Transactions in foreign currency are translated into the functional currency at exchange rates prevailing at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the end of the period (the "reporting date") are retranslated to the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate prevailing at the date when the fair value was determined. Non-monetary assets and liabilities in a foreign currency that are measured at historical cost are retranslated using the exchange rates prevailing at the transaction dates.

2. Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising from acquisition, are translated into NT$ at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into NT$ at the average exchange rates for the period. All resulting exchange differences are recognized in other comprehensive income.

On the disposal of a foreign operation which involves a loss of control over a subsidiary or loss of significant influence over an associate that includes a foreign operation, all of the exchange differences accumulated in equity in respect of that operation are entirely reclassified to profit or loss. In the case of a partial disposal that does not result in the Group losing control over a subsidiary, the proportionate share of accumulated exchange differences is reclassified to non-controlling interests. For a partial disposal of the Group's ownership interest in an associate or joint venture, the proportionate share of the accumulated exchange differences in equity is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, the related foreign exchange gains and losses are a part of net investment in that foreign operation and thereon are recognized as other comprehensive income.

(IV) Classification of current and non-current assets and liabilities

An asset is classified as current when one of the following criteria is met; all other assets are classified as non-current assets:

1. It is expected to be realized, or intended to be sold or consumed in the normal operating cycle;
2. It is held primarily for the purpose of trading;
3. It is expected to be realized within twelve months after the reporting period; or
4. The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current when one of the following criteria is met; all other liabilities are classified as non-current liabilities:"

1. It is expected to be settled in the normal operating cycle;
2. It is held primarily for the purpose of trading;
3. It is due to be settled within twelve months after the reporting period; or
4. The settlement of such a liability that the company does not have an unconditional right to defer for at least twelve months after the reporting period.

However, terms of such a liability that, at the option of the counterparty, could be settled by issuing equity instruments do not affect its classification.

(V) Cash and cash equivalents

Cash consists of cash on hand and demand deposits. Cash equivalents consist of short-term and highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits that meet the aforesaid criteria and are not held for investing purposes are also classified as cash equivalents.

(VI) Financial instruments

Accounts receivables are initially recognized upon revenue generation, and debt securities are initially recognized upon issuance. All other financial assets and financial liabilities are initially recognized and measured at fair value through profit or loss when the company becomes a party to the contractual provisions of the instruments. Financial assets (except for accounts receivables without significant financing component) and financial liabilities that are not measured at fair value through profit or loss are initially recognized and measured at fair value plus transaction costs that are directly attributable to their acquisition or issuance. Accounts receivables without significant financing component is measured at its transaction price.

1. Financial assets

All financial assets that are purchased or sold in ordinary business transactions are recognized and derecognized on a trade-date basis.

Upon initial recognition, financial assets are classified following categories: measured at amortized cost, fair value through other comprehensive income ("FVTOCI"), and fair value through profit or loss ("FVTPL"). Only upon changes in the company's management of financial assets, the affected assets are reclassified at the beginning of the next reporting period.

(1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is to hold financial assets to collect contractual cash flows.
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost using the effective interest method, less any impairment losses. Interest income, foreign exchange gains and losses, and recognition (reversal) of impairment loss are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

(2) Financial assets measured at fair value through other comprehensive income (FVTOCI)

On initial recognition of an equity investment that is not held for trading, the company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Equity investments are subsequently measured at fair value. Dividend income derived from equity investments (except those represent the cost recovery) is recognized in profit or loss; other net gains and losses are recognized in OCI and will not be reclassified to profit or loss.

Dividend income derived from equity investments is recognized on the date that the company's right to receive the dividends is established (usually the ex-dividend date).

(3) Financial assets measured at fair value through profit or loss (FVTPL)

All financial assets not classified as measured at amortized cost or at FVTOCI described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVTOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value, and net gains and losses (including dividend and interest incomes) are recognized in profit or loss.

(4) Impairment of financial assets

The company recognizes loss allowances for expected credit losses ("ECLs") on financial assets measured at amortized cost (including cash and cash equivalents, notes and accounts receivable, other receivables, refundable deposit, and other financial assets), debt investments measured at FVTOCI and contract assets.

The company measures its loss allowances at an amount equal to lifetime ECL), except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e., the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the company considers reasonable and supportable information that is relevant and available without undue cost or effort. The information includes both quantitative and qualitative information and analysis based on the company' s historical experience and credit assessment, as well as forward-looking information.

ECLs are probability-weighted estimate of credit losses over the expected life of financial assets. Credit losses are measured as the present value of all cash shortfalls, that is, the difference between the cash flows due to the company in accordance with the contract and the cash flows that the company expects to receive. ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the company assesses whether financial assets carried at amortized cost and bonds measured at FVTOCI are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 360 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;

- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is recognized in other comprehensive income, instead of reducing the carrying amount of the asset, and the amount of expected credit losses is recognized in profit or loss, as an impairment gain or loss.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVTOCI, the loss allowance is recognized in other comprehensive income, instead of reducing the carrying amount of the asset, and the amount of expected credit losses is recognized in profit or loss, as an impairment gain or loss.

The gross carrying amount of a financial asset is reduced or written off, either partially or in full, to the extent where recovery is not reasonably expected. The company analyzes the timing and amount of individual write-offs on the basis of reasonable expectation of recovery, and the write-off cannot be reversed significantly. However, financial assets with write-off could still be subject to enforcement activities in order to comply with the company's procedures for recovery of amounts due.

(5) Derecognition of financial assets

Financial assets are derecognized when the contractual rights to the cash flows from the assets expire, when the company transfers substantially all the risks and rewards of ownership of the financial assets to other enterprises, or when the company neither retain nor transfer substantial risks and rewards of the ownership, and does not retain control of the asset. Even when it transfers the financial assets, if it retains all or some the risks and rewards of ownership of the assets, the company continues to recognize the assets in the balance sheets.

2. Financial liabilities and equity instruments

(1) Classification of debt or equity

Debt and equity instruments issued by the company are classified separately as financial liabilities and equity in accordance with the substance of contractual arrangements.

(2) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities. Equity instruments are recognized at the amount of consideration received less the direct issue costs.

(3) Treasury stock

Equity instruments repurchased by the company are recognized as reduction of equity at the amount of repurchase price (including direct costs). Shares repurchased are recorded as treasury stocks. The amount of any subsequent sales or reissuance of treasury stocks is recognized as addition to equity. Any gain (loss) realized is accounted for as an addition (reduction) of the remaining balance of capital reserve; if the remaining balance of capital reserve is insufficient to cover the deficiency, the remainder is recorded as a reduction of as retained earnings .

(4) Financial liabilities

Upon initial recognition, financial liabilities are classified following categories: measured at amortized cost and fair value through profit or loss ("FVTPL"). Financial liabilities that are held for trading, derivatives or designated upon initial recognition are recognized as FVTPL and measured at fair value, and related net gain or loss, including interest expenses, are recognized in profit or loss.

Other financial liabilities are measured at amortized cost using the effective interest method. Interest expenses and exchange gains and losses are recognized in profit or loss. Any gain or loss upon disposal are also recognized in profit or loss.

(5) Derecognition of financial liabilities

The company derecognizes a financial liability when its contractual obligation has been fulfilled or cancelled, or has expired. The company also derecognizes a financial liability when its modifications and restructurings result in significant changes in cash flows, and the liability is reclassified as financial liabilities are measured at FVTPL.

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 and included in non-operating income and loss.

(6) Offsetting of financial assets and liabilities

Financial assets and liabilities are presented on a net basis only when the company has the legally enforceable right to offset and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

(7) Financial guarantee contract

A financial guarantee contract ("FGC") 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.

Upon the issuance, a FGC that is not designated as measured at FVTPL is initially recognized at fair value less any direct issue cost and subsequently measured as the greater of (a) the IFRS 9 Expected Credit Loss allowance, and (b) the amount initially recognized, when appropriate, less any cumulative amount of income recognized.

(VII) Inventories

Inventory is measured by the lower of cost and net realizable value ("NRV"). The cost includes all necessary expenditures and capitalized borrowing costs to get an asset in place and in conditions ready for use.

The NRV is the expected selling price in the ordinary course of business, less the estimated cost of construction completion and the estimated costs necessary to make the sale. The measurement of NRV is as follows:

1. Construction land

   The NRV is calculated on the basis of the expected selling price judged by the management based on the current market conditions, less cost of construction completion and selling expenses, or the most recent estimated market value (based on land development analysis approach or comparison approach).

2. Construction in progress

   The NRV is calculated on the basis of the expected selling price (based on the current market conditions) less cost of construction completion and selling costs.

3. Buildings and land held for sale

   The NRV is calculated on the basis of the expected selling price (based on the current market conditions) less the estimated selling costs.

(VIII) Investment in subsidiaries

The subsidiaries in which the company holds controlling interest are accounted for under equity method in the parent-company-only financial statements. Under equity method, the net income, other comprehensive income, and equity in the parent-company-only financial statements are the same as those attributable to controlling interest in the consolidated financial statements.

If change of ownership in the company's subsidiaries does not lead to loss of control, the change is considered equity transaction between shareholders.

(IX) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for use in the ordinary course of business (sale, production, provision of goods or services) or for administrative purposes. Investment property is initially recognized at acquisition cost and subsequently at initial acquisition cost less accumulated depreciation and accumulated impairment losses. The methods for depreciating and determining the useful life and residual value of investment property are the same as those adopted for property, plant and equipment.

Gain or loss on disposal of investment property (i.e. the difference between net proceed and the carrying amount) is recognized in profit or loss.

In the leasing period, the rental income of investment property is recognized as rental income on a straight-line basis. Lease incentives given is recognized as a part of rental income.

(X) Property, plant and equipment

1. Recognition and measurement

   Property, plant and equipment are measured at cost (including the capitalized borrowing costs) less accumulated depreciation and accumulated impairment losses.

   Each part of an item of property, plant, and equipment with a useful life that is different in relation to the total useful life of the item shall be depreciated separately.

   The gain or loss arising from the disposal of an item of property, plant, and equipment is recognized as non-operating income and loss.

2. Subsequent costs

   Subsequent expenditure is capitalized only when it is probable that future economic benefits associated with the expenditure will flow to the company.

3. Depreciation

   Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

   Land is not depreciable.

   The estimated useful lives of property, plant, and equipment for the current and comparative periods are as follows:

(1) Buildings	3～55 years
(2) Transportation, office and others	3～15 years
(3) Leasehold improvement	2～3 years

   Depreciation methods, useful lives, and residual values are reviewed at each reporting date, with the effect of any changes in estimate accounted for on a prospective basis.

(XI) Leases

Policy applicable commencing January 1, 2019

1. Identifying a lease

   At the contract commencement date, the company determines whether it is or contains a lease. A sublease containing the right to direct the use of an identified asset for a period of time in exchange for consideration is also identified as a lease. Determining whether an arrangement contains a lease, the company applies of the following assessment:

   (1) A lease contains an identified asset. An asset is identified by being explicitly specified in a contract or being implicitly specified at the time it is made available for use. A capacity portion of an asset is an identified asset only if it is physically distinct or it represents substantially all of the capacity of the asset. However, where a supplier has a substantive right of substitution throughout the period of use, then the asset is not an identified asset; and

   (2) the customer has the right to obtain substantially all of the economic benefits from use of an identified asset; and

   (3) the customer has the right to direct the use of an identified asset under one of the following conditions:

   - the customer has the right to direct how and for what purpose the asset is used throughout the period of use; or
   - regarding how and for what purpose the asset is used is predetermined, and
     - the customer has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or
     - the customer designs the asset in a way that predetermines how and for what purpose the asset will be used throughout the period of use.

   At that lease commencement date or when reassessing a contract, the company allocates consideration to separate components. The consideration in the contract is allocated to each lease component on the basis of the relative stand-alone price of the lease components. Only in leases of land and buildings, the company elects not to separate non-lease components from lease components and instead account for all components as a lease.

2. The Company as lessee

   At the lease commencement date, the company recognizes a right-of-use asset and a lease liability. The right-of-use asset is initially measured, using a cost model, at the original amount of the lease liability, plus lease payments at or before lease commencement, any initial direct costs, and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, and less lease incentives.

   The right-of-use asset is depreciated on a straight-line basis over the period from the lease commencement date to the end of the asset's useful life or end of lease, whichever is earlier. In addition, the right-of-use asset is also tested for impairment, with the effect of impairment loss accounted for against lease liability, on a regular basis.

   The lease liability is initially measured at the present value of lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the company uses its incremental borrowing rate. In general, the company adopts the interest rate for increase in borrowing as the discount rate.

The lease payments comprise as follows:

(1) fixed payments, including in-substance fixed lease payments;
(2) variable lease payments that depend on an index or a rate and initially measured at the index or rate at the lease commencement date;
(3) amounts expected to be payable by the lessee under residual value guarantees;
(4) an option to purchase the underlying asset if it is reasonably certain to be exercised, and penalty payments for terminating the lease.

The lease liability is subsequently measured on an amortized cost basis, using an effective interest method, and remeasured to reflect the following conditions:

(1) changes in future lease payments resulting from changes in an index or a rate used to determine those payments;
(2) changes in the amounts expected to be payable under a residual value guarantee;
(3) changes in the assessment of the purchase option;
(4) change in the assessment of the lease term resulting from extension or termination of the exercise of the purchase option; or
(5) lease modifications of the underlying asset, scope, and other terms and conditions.

The remeasurements made under (i), (ii) and (iii) are treated as adjustments to the right-of-use asset. When the carrying amount is reduced to zero, any further reduction is recognized immediately in profit or loss.

The changes in (iv) and (v) decreases the scope of a lease. When a lease modification decreases the scope of a lease, the carrying value of the right-of-use asset is decreased to reflect partial of full termination of the lease liability, and any gain or loss resulting from the aforementioned derecognition is immediately recognized in profit or loss.

The company records right-of-use assets and lease liabilities defined as not investment properties in a single line item in the parent-company-only balance sheets.

The company elects not to recognize short-term assets of office equipment and other low-value assets as right-of-use assets and lease liabilities, but instead recognizes payments of these leases as expenses on a straight-line basis over the lease term.

3. The Company as lessor

For transactions where the company is the lessor, the company classify a lease as a finance lease if it transfers the substantial risks and rewards of an underlying asset on the date of the lease; otherwise, an operating lease. In the assessment of a lease's classification, the company evaluates situations including whether the lease term is for the major part of the economic life of the asset.

If the company is the lessor of a sublease, the company recognizes the original lease and the sublease separately. The sublease is classified by reference to the right-of-use asset of the original lease. If the original lease is a short-term lease, a practical expedient is applicable, and the sublease is classified as an operating lease.

If the sublease includes lease and non-lease components, the consideration is allocated in accordance with IFRS 15.

Policy Applicable Before January 1, 2019

1. The Company as lessor

   Lease income from an operating lease was recognized in profit or loss on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease were added to the carrying amount of the leased asset and recognized as an expense over the lease term on a straight-line basis. Incentives granted to the lessee to enter into the operating lease were recognized as a reduction of rental income over the lease term on a straight-line basis.

   Contingent rents were recognized as an income in the period when the lease adjustments were confirmed.

2. The Company as lessee

   All other lease are operating leases, which were not recognized as a leases asset in the Parent-Company-Only Balance Sheets.

   Rental payments made under operating leases (excluding insurance and maintenance expenses) were charged to expense over the lease term on a straight-line basis. Lease incentives received from the lessor were recognized as a reduction of rental expense over the lease term on a straight-line basis.

   Contingent rents were recognized as expenses in the period when the lease adjustments were confirmed.

(XII) Intangible assets

1. Intangible assets

   Intangible assets that are acquired by the Group are measured at cost, less accumulated amortization and any accumulated impairment losses.

2. Subsequent expenses

   Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

3. Amortization

   The amortizable amount is the cost of an asset, less, its residual value. Except for goodwill and intangible assets with indefinite useful lives, amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use.

   The estimated useful lives for the current and comparative periods are as follows:

   Computer software: 3 years

   The amortization method, amortization period, and residual value are reviewed at each reporting date, with the effect of any changes in estimate accounted for on a prospective basis.

(XIII) Long term prepaid lease

When the company enters into a surface lease, both loyalties paid for the right to use the land (i.e. surface right) and acquisition costs (i.e. any necessary costs to get the land ready to use) are recognized as a prepaid lease, or other proper accounts according to the nature of the use, and also amortized in the effective time. For surface lease aimed for construction of buildings, the amortization of the loyalty is recorded as cost of construction, the balance of which is reclassified to PP&E held for sale, or other proper accounts, upon the completion of the construction.

(XIV) Impairment of non-financial assets

Non-financial assets (other than inventories, contract assets, and deferred income tax assets) are reviewed for impairment at each reporting date to determine whether there is any indication of impairment. When there exists an indication of impairment for an asset, the recoverable amount of the asset is estimated.

For the purpose of impairment testing, a cash-generating unit (CGU) is the smallest group of assets that independently generates cash flow and whose cash flow is largely independent of the cash flows generated by other assets. Goodwill arising from a business combination is allocated to each of the company's CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount for an individual asset or a CGU is the higher of its fair value, less costs to sell, and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at a pre-tax discount rate that reflects the current market assessments of the time values of money and the risks specific to the asset.

When the recoverable amount of an individual asset or a CGU is less than its carrying amount, an impairment loss is recognized .

The impairment loss is recognized immediately in profit or loss, firstly by reducing the carrying amount of any goodwill allocated to the CGU, and then proportionately allocated to the other assets of the CGU on the basis of the carrying amount of each asset in the CGU.

The impairment loss is recognized immediately in profit or loss, firstly by reducing the carrying amount of any goodwill allocated to the CGU, and then proportionately allocated to the other assets of the CGU on the basis of the carrying amount of each asset in the CGU.

(XV) Revenue recognition

1. Revenue from contracts with customers

   Revenue is measured based on the consideration to which the company expects to be entitled in exchange for transferring goods or services to a customer. The company recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the company's main types of revenue are explained below:

   (1) Development of land and buildings

   The company develops and sells real estate, often before or during construction. The company recognizes revenue when control over a piece of real estate is transferred. Due to contract restrictions, the company usually does not apply the piece of real estate to other purposes. Consequently, revenue is recognized upon either transfer of legal ownership or delivery of the piece of real estate to customers, whichever occurs first in the reporting period, despite that the other occurs in the subsequent period.

   Revenue is measured at transaction price per contract. When sales happen after construction is completed, in most cases, consideration is made upon transfer of legal ownership; however, in some cases, consideration is deferred for less than twelve months per contract terms. Consequently, no adjustment in the transaction price for the effect of financing component of the contract. When sales happen before construction is completed, consideration is payable in installments during the period from singing a contract to transfer of legal ownership of the real property. If a significant financing component is included in the contract, the installments are discounted at the interest rate of the construction loan to reflect the effect of time value of money. Prepayments are recognized as a contract liability in balance sheet, and discounts reflecting the effect of time value of money are recognized as interest expenses in profit or loss. The accumulated contract liabilities are reclassified as revenue upon the transfer of legal ownership.

(2) Construction contracts

The company is engaged in the development of residential real estate and public construction. Because assets are controlled by customers at the time of construction, revenue is recognized on the basis of stage of completion of contract activity (i.e. cost of construction completed in proportion to total construction costs). Contracts include both fixed and variable considerations. Fixed considerations are paid based on a payment schedule. Variable considerations (i.e. penalty provisions for payment overdue and purchase price concessions) are estimated base d on the management's past experience. Revenue is only recognized to the extent that accumulated payments are highly unlikely to be reversed. When the recorded revenue is yet to be made payable, it is classified as a contract asset. When the company has unconditional rights to the considerations, the contract asset is reclassified as an account payable.

When the company is unable to measure the stage of completion of a contract's performance obligations, revenue is recognized only to the extent that contract costs incurred are expected to be recoverable.

When the company estimates that the cost to complete a contract's performance obligations exceeds the expected economic benefits from the contract, a liability provision is recognized for the loss.

Estimates of revenues, costs, or extent of progress toward completion, are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period when the circumstances that give rise to the revision become known by the management.

(3) Rental income

Rental incomes from investment property are recognized in revenue on a straight-line basis during a lease term. Lease incentives, as a part of economic benefits from the lease, are recognized as a reduction to rental incomes on a straight-line basis during a lease term. Incomes from sublet properties are recognized as an operating income.

(4) Financing components

The company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and the payment by the customer exceeds one year, or where financing components have significant impact on individual contacts. Consequently, the company does not adjust any of the transaction prices for the time value of money.

2. Contract costs

Incremental costs of obtaining a contract

The company recognizes the incremental costs of obtaining a contract with a customer as an asset if the company expects to recover those costs. The incremental costs of obtaining a contract are those costs that the company incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. Costs to obtain a contract that would have been incurred, regardless of whether the contract was obtained, shall be recognized as an expense when incurred, unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained.

(XVI) Employee benefits

1. Defined contribution plans

   Obligations for contributions to defined contribution pension plans are expensed during the year in which employees render services.

2. Defined benefit plans

   The liability recognized in respect of defined benefit pension plans is the present value of the defined benefit obligation (i.e. the benefits that employees have earned in return for their service in the current and prior periods) at the reporting date less the fair value of plan assets.

   The defined benefit obligation is calculated annually by qualified actuaries using the projected unit credit method. When the calculation results in a benefit to the company, the recognized asset is limited to the total amount of the present value of the economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The minimum funding requirements of any plans applicable to the company should be taken into consideration when determining the present value of the economic benefits.

   The remeasurements of the net defined benefit liability comprise actuarial gains and losses, return on plan assets (excluding interest described below), and any change in the effect of the asset ceiling (excluding interest described below). The remeasurements of the net defined benefit liability (asset) are recognized in other comprehensive income and accumulated in retained earnings. Net interest expense (income) on the net defined benefit liability (asset) is calculated using the discount rate determined at the beginning of the reporting period on the beginning balance of the net defined benefit liability (asset). The net interest expense and other expenses are recorded in profit or loss.

   The company recognizes losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The loss is measured as any resulting change in the fair value of plan assets and any change in the present value of the defined benefit obligation.

3. Short-term employee benefits

   Short-term employee benefit obligations are expensed during the period in which employees render services. The amount expected to be paid for short-term employee benefits is recognized as a liability if the company has a present legal or constructive obligation to make such payments as a result of past service provided by the employees, and the obligation can be estimated reliably.

(XVII) Income taxes

Income tax expenses include both current taxes and deferred taxes. Current and deferred taxes are recognized in profit or loss unless they relate to business mergers or items recognized directly in equity or other comprehensive income.

Current tax is the expected tax payable or refundable on the taxable income or loss for the year and any adjustments to tax payable or refundable in the previous years. The best estimates is assessed using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are recognized for all taxable temporary differences, that is, temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts for taxation purposes. Exceptions to the requirement to recognize a deferred tax asset or liability are:

1. Temporary arising from the initial recognition of an asset/liability other than in

a business merger which, at the time of the transaction, does not affect either the accounting or the taxable profit;

2. Temporary differences arising from investments in subsidiaries, associates and joint ventures to the extent that the company is able to control the timing of the reversal of the temporary differences, and it is probable that the differences will not reverse in the foreseeable future; and
3. Temporary differences arising from initial recognition of goodwill.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities may be offset against each other if the following criteria are met:

1. The entity has the legal right to settle tax assets and liabilities on a net basis; and
2. The amounts of deferred tax assets and liabilities are:
   (1) Levied by the same taxing authority; or
   (2) Levied by different entities that intend to realize the asset and settle the liability at the same time.

   A deferred tax asset is recognized for deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. The carrying amount of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized. Any such reduction is subsequently reversed to the extent that it becomes probable that sufficient taxable profit will be available.

(XVIII) Earnings per share (the "EPS")

The basic and diluted EPS attributable to shareholders of the company are disclosed in the consolidated financial statements. Basic EPS is calculated by dividing net income attributable to shareholders of the company by the weighted-average number of common stocks outstanding during the year. In calculating diluted EPS, the net income attributable to shareholders of the company and weighted-average number of common stocks outstanding during the year are adjusted for the effects of dilutive potential common stocks. The company's dilutive potential common stocks include employee stock option warrants.

(XIX) Segment information

The company has disclosed information on operating segments in its consolidated financial statements; hence, no further information is disclosed in the parent-company-only financial statements.

V. Main Sources of Uncertainty in Material Accounting Judgments, Estimates, and Assumptions

The preparation of the parent-company-only financial statements in conformity with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" requires the management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed by the management on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in the future periods affected.

Information on critical accounting judgments resulting in a material adjustment in the consolidated financial statements of this year: None.

Information on key estimation and assumption uncertainties that have significant risks of resulting in a material adjustment in the next reporting period is included as follows:

Inventory valuation

Inventories are measured at the lower of cost or net realizable value. The company estimates the net realizable value of inventory, taking unmarketable items into account at the reporting date, and then writes down the cost of inventories to net realizable value. The estimation of net realizable value is based on current market conditions. Changes in market conditions, such as political, economic and real estate tax reforms, may have a material impact on the estimation of the net realizable value. See Note VI(5) for details of inventory valuation.

Valuation method

In its accounting policy and disclosure, the company adopts fair value to measure financial and non-financial assets as well as liabilities. To make valuation close to market conditions, the company tests measurements with independent data sources and verifies that the data sources are independent, reliable, and consistent with other data as well as represents exercisable prices. To ensure valuation results are reasonable, the company regularly calibrates valuation models, performs retrospective testing, updates valuation models with necessary inputs and data for fair value measurement. The valuation of investment property is in accordance with valuation methods and parameter assumptions published by FSC and is reassessed by the management or appraised by a third party on a regular basis.

In the fair value measurement of its assets and liabilities, the company applies observable market inputs as much as possible. A fair value hierarchy categorizes the inputs used in valuation techniques into three levels:

(I) Level 1 inputs: (unadjusted) quoted prices in active markets for identical assets or liabilities.

(II) Level 2 inputs: inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly (i.e. quoted prices of similar assets or liabilities) or indirectly (derived from such prices).

(III) Level 3 inputs: inputs for assets or liabilities not based on readily observable inputs on the market (unobservable inputs)

Any transfers between the fair value hierarchy are recorded at the reporting date.

Disclosures on assumptions applied in the fair value measurement are as below:

1. Refer to VI(9) Investment Property
2. Refer to VI(24) Financial Instruments

VI. Description of Significant Accounting Items

(I) Cash and cash equivalents

	2019.12.31	2018.12.31
Petty cash and cash on hand	$ 252	305
Bank deposits		
Checking deposits	670,405	1,396,808
Demand deposits	13,781	317,646
Cash equivalents	1,327,940	579,024
Cash and cash equivalents in the parent-company-only statement of cash flows	**$ 2,012,378**	**2,293,783**

These cash equivalents are short-term notes expiring on March 2020 and January 2019, respectively; interest rate of these cash equivalents ranges from 0.52% to 0.55% and from 0.60% to 0.61%.

Refer to Note VI(24) for the details on interest rate risk and sensitivity analysis of the financial assets and liabilities of the company.

(II) Financial assets at fair value through profit or loss (FVTPL)

	2019.12.31	2018.12.31
Financial assets mandatorily measured at fair value through profit or loss		
Listed stocks	$ 23,445	23,773

Fair value remeasurement was recognized in profit or loss. Refer to Note VI(23) for details.

As of December 31, 2019 and 2018, no financial assets were pledged as collateral.

(III) Financial assets measured at fair value through other comprehensive income (FVTOCI)

	2019.12.31	2018.12.31
Equity investments measured at FVTOCI		
Listed stock - Clientron Corp.	$ 656	351
Unlisted stock - Everterminal Co. Ltd.	2,003	2,674
Total	$ 2,659	3,025

1. Equity investments measured at FVTOCI
   The company designated the aforementioned investments as financial assets at FVTOCI because these equity instruments are held for long-term strategic purposes and not for trading.
   For the years ended December 31, 2019 and 2018, the amounts of dividend income for these equity investments were NT$ 200 thousand and NT$ 96 thousand, respectively. For the year ended on December 31, 2018, because Clientron Corp. withdrawn investment and received capital return in the amount of NT$ 51 thousand, the company recognized its proportion of capital reduction and reclassified the related profit or loss as retained earnings.
   For the years ended December 31, 2019 and 2018, no disposal of investments was conducted and hence no transfer of cumulative profit or loss was recognized.
2. Refer to Note VI(24) for details on credit risk (including impairment on debt instruments) and market risk.
3. No financial assets measured as FVTOCI were pledged as collateral.

(IV) Notes and accounts receivable

	2019.12.31	2018.12.31
Notes receivables - resulting from non-operating income	$ 2,157	-
Accounts receivables - measured at amortized cost	233,089	500,346
	$ 235,246	500,346

The company applies the simplified approach on the estimation of expected credit losses, that is, a loss allowance is recognized based on lifetime of expected credit losses. To measure the expected credit losses, notes and accounts receivables were grouped based on shared characteristics of credit risk on remaining payments before due date, and forward looking information was incorporated as well. As of December 31, 2018, analysis of expected credit losses on notes and accounts receivable in Taiwan was as follows:

	2019.12.31		
	Carrying amount	**Weighted average loss rate**	**Loss allowance for expected credit impairment of the period**
Current	$ 235,246	-	-

	2018.12.31		
	Carrying amount	**Weighted average loss rate**	**Loss allowance for expected credit impairment of the period**
Current	$ 500,346	-	-

For the years ended December 31, 2019 and 2018, no loss allowance on doubtful accounts and reversal of receivables written down were recognized.

(V) Inventory

	2019.12.31	2018.12.31
Prepayment for buildings and land	$ 4,235	5,716
Land held for construction	1,239,027	4,683,217
Construction in progress	16,647,598	12,482,269
Buildings and land held for sale	14,768,799	15,713,320
Total	$ 32,659,659	32,884,522

For the years ended December 31, 2019 and 2018, the amounts of reversal of inventory written down to net realizable value were NT$ 30,262 thousand and NT$ 4,085 thousand, respectively, and those of loss on inventory written down to net realizable value were NT$ 0 and NT$ 26,934 thousand, respectively.

For the years ended December 31, 2019 and 2018, the capitalization rates applied in the calculation of construction in progress were 2.101% and 2.218%. Refer to Note VI(23) for details on the amounts of capitalization.

Refer to Note VIII for details on collateral pledged for inventory as of December 31, 2019 and 2018.

As of December 31, 2019 and 2018, the amounts of inventory of legal parking spaces trusted to third parties were NT$ 16,332 thousand and NT$ 17,905 thousand, respectively.

(VI) Investments accounted for using equity method

Investments of the company under equity method at reporting date are listed below:

	2019.12.31	2018.12.31
Subsidiary	$ 4,553,884	4,222,649

1. Subsidiaries
   Refer to the Consolidated Financial Statements for the year ended on December 31, 2019.
2. Collateral
   Refer to Note VIII for details on the investments accounted for using equity method and pledged as collateral as of December 31, 2019 and 2018.
3. Jiayu International Co. Ltd. (the "Jiayu International") was a subsidiary of Global Mall, the company's investment accounted for using equity method. Jiayu International suffered losses from failure in business development and filed for termination of its Build-Operate-Transfer (BOT) investment contract with Hsinchu City Government on June 30, 2016. The contract was rescinded

with approval of Hsinchu City Government on July 11, 2016, and the termination was completed in September 2018.

4. Global Mall (Tianjin) Co., Ltd. (the "Global Mall Tianjin") is a subsidiary of Global Mall, the company's investments accounted for using the equity method. On May 31, 2019, Global Mall Tianjin singed with Tianjin Chongbei Property Management Co., Ltd. (Lessor) an agreement in which the lease was terminated on the same date, and the termination was to be completed by July 2019. Gains and losses in relation to this rescission were recognized in investment profit or loss according to its percentage of ownership.

(VII) Property, plant and equipment (PP&E)

The cost, depreciation, and impairment loss of PP&E of the company for the years ended on December 31, 2019 and 2018 were as follows:

	Land	Building and constructions	Leasehold improvement	Other equipment (including transportation and other equipment)	Total
Cost or identified cost:					
Balance as of January 1, 2019	$ 138,488	266,478	1,178	12,359	418,503
Additions	-	725	-	474	1,199
Disposal	-	-	-	(5,390)	(5,390)
Balance as of December 31, 2019	$ 138,488	267,203	1,178	7,443	414,312
Balance as of January 1, 2018	$ 138,488	265,322	2,195	11,555	417,560
Additions	-	139	-	804	943
Reclassifications	-	1,017	(1,017)	-	-
Balance as of December 31, 2018	$ 138,488	266,478	1,178	12,359	418,503
Depreciation and impairment loss:					
Balance as of January 1, 2019	$ -	121,504	773	8,167	130,444
Depreciation for the year	-	5,318	203	1,567	7,088
Disposal	-	-	-	(4,042)	(4,042)
Balance as of December 31, 2019	$ -	126,822	976	5,692	133,490
Balance as of January 1, 2018	$ -	116,244	570	6,642	123,456
Depreciation for the year	-	5,260	203	1,525	6,988
Balance as of December 31, 2018	$ -	121,504	773	8,167	130,444
Carrying amount:					
December 31, 2019	$ 138,488	140,381	202	1,751	280,822
December 31, 2018	$ 138,488	144,974	405	4,192	288,059

Refer to Not VIII for details on collateral pledged for financings as of December 31, 2019 and 2018.

(VIII) Right-of-use asset

The cost and depreciation of leased transportation equipment were as follows:

	Transportation equipment
Cost:	
Balance on January 1, 2019	$ -
Additions	4,342
Balance on December 31, 2019	$ 4,342
Depreciation and impairment loss:	
Balance on January 1, 2019	$ -
Depreciation	241
Balance on December 31, 2019	$ 241
Carrying amount:	
December 31, 2019	$ 4,101

(IX) Investment property

	Land and improvements	Building and construction	Total
Cost or deemed cost:			
Balance as of January 1, 2019	$ 282,087	213,814	495,901
Balance as of December 31, 2019	$ 282,087	213,814	495,901
Balance as of January 1, 2018	$ 380,564	253,938	634,502
Disposal	(98,477)	(40,124)	(138,601)
Balance as of December 31, 2018	$ 282,087	213,814	495,901
Depreciation and impairment loss:			
Balance as of January 1, 2019	$ -	16,766	16,766
Depreciation for the year	-	4,193	4,193
Balance as of December 31, 2019	$ -	20,959	20,959
Balance as of January 1, 2018	$ 25,867	32,333	58,200
Depreciation for the year	-	4,509	4,509
Disposal	(25,867)	(20,076)	(45,943)
Balance as of December 31, 2018	$ -	16,766	16,766
Carrying amount:			
December 31, 2019	$ 282,087	192,855	474,942
December 31, 2018	$ 282,087	197,048	479,135
Fair value:			
December 31, 2019			$ 1,057,839
December 31, 2018			$ 1,062,031

Investment properties are commercial real estates leased to third parties. Refer to Note VI(16) for details.

Fair value of investment properties is determined by the valuation of an independent appraiser (licensed in related professions and currently experienced in appraising similar properties) or by the company's self-assessment (referring to the sales price of similar real estate transactions in the neighborhood). These inputs used in the fair value measurement were classified to Level 3.

The fair value measurement is assessed using the market approach and income approach. When quoted prices in an active market are not available, fair value of investment properties is determined by the present value of total future cash flows generate over the property's lifetime, discount at rates reflecting special risks of such cash flows. The discount rate applied for the years ended on December 31, 2019 and 2018 were both 1.95%.

Refer to Note VIII for details on investment properties pledged as collateral as of December 31, 2019 and 2018.

(X) Intangible assets

The cost, depreciation, and impairment loss of intangible assets of the company for the years ended on December 31, 2019 and 2018 were as follows:

		Computer software
Cost:		
Balance as of January 1, 2019	$	8,520
Capitalized R&D		1,603
Reclassification of prepayments		975
Balance as of December 31, 2019	**$**	**11,098**
Balance as of January 1, 2018	**$**	**8,520**
Balance as of December 31, 2018	**$**	**8,520**
Amortization and impairment loss:		
Balance as of January 1, 2019	$	8,358
Amortization for the year		466
Balance as of December 31, 2019	**$**	**8,824**
Balance as of January 1, 2018	$	7,060
Amortization for the year		1,298
Balance as of December 31, 2018	**$**	**8,358**
Carrying amount:		
Balance as of December 31, 2019	**$**	**2,274**
Balance as of December 31, 2018	**$**	**162**

Amortization

For the years ended on December 31, 2019 and 2018, the amounts of amortization expenses of intangible assets were included in the following line items of the parent-company-only statements of comprehensive income:

		2019	2018
Operating expense	**$**	**466**	**1,298**

(XI) Other financial assets - current and incremental costs of obtaining a contract

		2019.12.31	2018.12.31
Other financial assets - current	$	3,187,328	1,940,390
Incremental costs of obtaining a contract		144,525	103,350
	$	**3,331,853**	**2,043,740**

1. Other financial assets
   Refer to Note VIII for details on collateral pledged on restricted assets (reserve accounts and trust) and refundable deposits on constructions.
2. Incremental costs of obtaining a contract - current
   The company expected to recover the commissions paid to third-party real estate agent and bonus paid to internal sales department and recognized these costs as assets. These costs are amortized upon revenue recognition of real estate sales. For the years ended on December 31, 2019 and 2018, the amount of incremental costs were NT$ 132,950 thousand and NT$ 213,168 thousand, respectively.

(XII) Prepaid lease

The cost, depreciation, and impairment loss of prepaid lease of the company for the years ended on December 31, 2018 were as follows:

	Surface right to a land in Pingtung
Cost or identified cost:	
Balance as of December 31, 2018	$ 63,000
Amortization:	
Balance as of January 1, 2018	$ 25,657
Amortization for the year	1,578
Balance as of December 31, 2018	$ 27,235
Carrying amount:	
December 31, 2018	$ 35,765

As of December 31, 2018, no prepaid lease was pledged as collateral.

(XIII) Short-term borrowings

Details of the company's short-term borrowings were as follows:

	2019.12.31	2018.12.31
Unsecured bank loans	$ 4,500,000	3,250,000
Secured bank loans	14,245,374	15,934,508
Total	$ 18,745,374	19,184,508
Range of effective rates	1.40%~2.55%	1.45%~2.64%

Refer to Note VIII for details on assets pledged as collateral for secured bank borrowings.

(XIV) Bonds payable and convertible corporate bond due within one year or one operating cycle, and current portion of convertible corporate bond

Details on bonds payable were as follows:

	2019.12.31	2018.12.31
Secured ordinary bond	$ 4,500,000	4,500,000
Less: Expiring within one year	-	(1,000,000)
Bonds payable - non-current	$ 4,500,000	3,500,000

The company issued a secured corporate bond on December 12, 2019, in the amount of NT$ 1,000,000 thousand, at the rate of 0.80%, for the duration of 5 years.
The company issued a secured ordinary bond on January 15 and October 15, 2018, in the amount of NT$ 1,000,000 thousand, at the rate of 1.05% and 0.88%, for the duration of 5 years.

(XV) Lease liability

The carrying amount of lease liability is as follows:

	2019.12.31
Current	$ 4,108

Refer to Note VI(24) for the details on the analysis of maturity profile of the

company's lease liabilities.
The amount of lease liability recognized in the parent-company-only statements of comprehensive income was as follows:

	2019
Interest expense on lease liability	$ 15

The amount of lease liability recognized in the parent-company-only statements of cash flows was as follows:

	2019
Total cash used in lease	$ 249

(XVI) Operating Lease

1. The company as lessee

   As of December 31, 2019, future lease payables under non-cancellable operating leases were as follows:

	2018.12.31
Not later than 1 year	$ 15,213
Later than 1 year but not later than 5 years	19,916
Later than 5 years	-
	$ 35,129

The surface right of the land on Minzu Road in Songshan District of Taipei City was leased from Political Warfare Bureau of the Ministry of National Defense (MND) under a service concession contract. The lease payment was 3% of the value of land assessed by the Government. The contract was sold on November, 2018 and hence, the lease payment was carried by the buyer.
As of December 31, 2018, the rental expenses of NT$ 21,260 thousand were recognized in profit or loss .

2. The company as lessor

   The company leased its investment properties and recognizes the leases that do not transfer of the substantial risks and rewards incident to ownership of an underlying asset under as operating leases. Refer to Note VI(9) for details.
   The analysis of due dates and non-discounted future cash flows of lease receivable after December 31, 2019 is as follows:

	2019.12.31
Not later than 1 year	$ 10,526
Later than 1 year but not later than 2 years	10,526
Later than 2 years but not later than 3 years	6,556
Later than 3 years but not later than 4 years	4,571
Later than 4 years but not later than 5 years	4,590
Later than 5 years	9,440
Non-discounted future cash flows of lease	$ 46,209

As of December 31, 2018, future minimum lease receivables under non-cancellable operating leases were as follows:

	2018.12.31
Not later than 1 year	$ 10,526
Later than 1 year but not later than 5 years	32,179
Later than 5 years	14,030
	$ 56,735

For the years ended on December 31, 2019 and 2018, the rental income from investment property amounted to NT$ 10,526 thousand and 10,558 thousand, respectively; no significant repair and maintenance expenses were recognized.

(XVII) Employee benefits

1. Defined benefit plan

The reconciliation between the present value of defined benefit obligations and the fair value of plan assets for defined benefit plans was as follows:

	2019.12.31	2018.12.31
Present value of defined benefit obligations	$ 12,949	12,805
Fair value of plan assets	(6,268)	(1,694)
Net defined benefit (assets) liabilities	$ 6,681	11,111

Details on employee benefit liabilities were as follows:

	2019.12.31	2019.12.31
Short-term compensated absences liability	$ 3,104	$ 3,104

The company makes defined benefit plan contributions to the pension fund account at the Bank of Taiwan that provides pensions for employees upon retirement. The plans covered by the Labor Standards Act entitle a retired employee to receive retirement benefits based on years of service and average salary for the six months prior to retirement.

(1) Composition of plan assets

The company allocates pension funds in accordance with the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund," and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The company’s Bank of Taiwan labor pension reserve account balance amounted to NT$ 6,268 thousand as of December 31, 2019. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

(2) Movements in present value of the defined benefit obligations

For the years ended on December 31, 2019 and 2018, the movements in present value of the defined benefit obligations of the company were as follows:

	2019	2018
Defined benefit obligations as of January 1	$ 12,805	12,461
Current service cost and interest	147	150
Remeasurement on the net defined benefit liabilities (assets)		
- Actuarial loss (gain) arising from changes in financial assumption	197	284
- Experience adjustments	172	487
Benefits paid by the plan	(372)	(577)
Defined benefit obligations as of December 31	$ 12,949	12,805

(3) Movements in fair value of plan assets

For the years ended on December 31, 2019 and 2018, the movements in the fair value of the defined benefit plan assets for the company were as follows:

	2019	2018
Fair value of plan assets as of January 1	$ 1,694	1,368
Interest income	21	7
Remeasurement on the net defined benefit liabilities (assets)		
- Return on plan assets (excluding amounts included in net interest expense)	84	162
Contributions paid by the employer	4,841	734
Benefits paid by the plan	(372)	(577)
Fair value of plan assets as of December 31	**$ 6,268**	**1,694**

(4) For the years ended on December 31, 2019 and 2018, there was no effect of the asset ceiling.

(5) Expenses recognized in profit or loss

For the years ended on December 31, 2019 and 2018, the expenses recognized in profits or losses were as follows:

	2019	2018
Interest costs of defined benefit obligations	$ 147	150
Net interest from net defined benefit assets (liabilities)	(21)	(7)
	$ 126	**143**

(6) Remeasurement of the net defined benefit liabilities (assets) recognized in other comprehensive income

The company's remeasurements of the net defined benefit liability recognized in other comprehensive income were as follows:

	2019	2018
Cumulative balance as of January 1	$ (9,884)	(9,275)
Recognized for the year	(285)	(609)
Cumulative balance on December 31	**$ (10,169)**	**(9,884)**

(7) Actuarial assumptions

The principal assumptions of the actuarial valuation were as follows:

	2019.12.31	2018.12.31
Discount rate	1.00%	1.15%
Future salary increase rate	1.75%	1.75%

The company expects to make contribution of NT$ 200 thousand to the defined benefit plans in the year following December 31, 2019.

The weighted average lifetime of the defined benefit plans is 10.5 years.

(8) Sensitivity analysis

On December 31, 2019 and 2018, if the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

	Effect on defined benefit obligations	
	Increase by 0.25%	**Decrease by 0.25%**
December 31, 2019		
Discount rate (change by 0.25%)	(326)	337
Future salary increases rate (change by 1%)	1,394	(1,246)
December 31, 2018		
Discount rate (change by 0.25%)	(337)	350
Future salary increases rate (change by 1%)	1,454	(1,288)

Reasonably possible changes to one of the relevant actuarial assumptions, holding other assumptions remain constant, would have affected the defined benefit obligation by the amounts shown above. However, in fact, many assumptions are correlated. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There were no changes in the method and assumptions used in the preparation of sensitivity analysis for 2018 and 2017.

2. Defined contribution plans

The company allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

For the years ended December 31,2019 and 2018, the pension costs incurred from the contributions to the Bureau of the Labor Insurance amounted to NT$ 4,260 thousand and NT$ 4,321 thousand, respectively.

(XVIII) Income tax

1. Income tax expense

For the years ended on December 31, 2019 and 2018, the details of income tax expenses were as follows:

	2019	**2018**
Current tax expenses		
Current period	$ 49,998	89,680
Surtax on undistributed earnings	8,777	5,064
Adjustment for the prior periods	13,791	(42)
Land value increment tax	104,694	94,432
	177,260	189,134
Deferred tax expenses		
Origination and reversal of temporary differences	-	6,537
Deferred tax income	-	6,537
Income tax expense	**$ 177,260**	**195,671**

For the years ended on December 31, 2019 and 2018, no income tax expenses are recognized in equity or other comprehensive income.

For the years ended on December 31, 2019 and 2018, reconciliation of income tax and profit before tax is as follows:

	2019	2018
Net income before tax	$ 1,460,786	702,919
Income tax using the company's domestic tax rate	$ 292,157	140,584
Non-taxable incomes on land	(155,448)	(107,925)
Timing differences on recognition of income and cost	14,026	-
Deferred tax on interest expenses	(41,108)	(15,524)
Loss (gain) on investments accounted for using equity method	(90,681)	27,902
Impairment losses on financial assets measured at FVTPL	66	369
Changes in unrecognized temporary differences	-	6,537
Under (over) provision for the prior periods	13,791	(42)
Land value increment tax	104,694	94,432
Surtax on undistributed earnings	8,777	5,064
Others	30,986	44,274
	$ 177,260	195,671

2. Deferred tax assets

(1) Unrecognized deferred tax assets

	2019.12.31	2018.12.31
Deductible temporary difference	$ -	27,337

(2) Recognized deferred income tax assets

The deferred changes in tax assets were as follows:

	Deductible losses
Balance on January 1, 2018	$ 6,537
Debit on income statements	(6,537)
Balance on December 31, 2018	$ -

(3) The company's tax fillings was assessed for the years ended on December 31, 2017.

(XIX) Capital and other equity

As of December 31, 2019 and 2018, the total value of nominal ordinary shares amounted to NT$ 6,500,000 thousand, with a par value of 10 per share, consisting of 650,000 thousand shares issued. There was 503,791 thousand shares of ordinary shares already issued.

1. Capital reserve

The balance of capital reserve was as following:

	2019.12.31	2018.12.31
Additional paid-in capital	$ 827,906	827,906
Premium on conversion of convertible bonds	236,408	236,408
Treasury stock transactions	254,535	243,911
Gains on disposal of assets	34,912	34,912
Others	26,112	25,728
	$ 1,379,873	1,368,865

According to the Company Act, capital reserve can only be used to offset a deficit, and only the realized capital reserve can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital reserve includes capital reserve resulting from premium on issuance of capital stock and earnings from donated assets received. According to the "Regulations Governing the Offering and Issuance of Securities by Securities Issuers," capital increases by transferring capital reserve in excess of par value should not exceed 10% of the total common stock outstanding (paid-in capital).

2. Retained earnings

The company's Articles of Incorporation stipulates that the company's earnings should first be used to offset the prior years' deficits, if any, before paying any income taxes. Of the remaining balance, 10% is to be appropriated as legal reserve, and a special reserve shall be set aside in accordance with applicable laws and regulations. The remaining balance, if any, can be distributed to the shareholders as dividends, and bonus dividends according to the distribution plan proposed by the Board of Directors and submitted to the shareholders' meeting for approval.

(1) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of the paid-in capital may be distributed.

(2) Special reserve

A portion of current-period earnings and undistributed prior-period earnings shall be reclassified as special earnings reserve during earnings distribution. The amount to be reclassified should equal the current-period total net reduction of other shareholders' equity. Similarly, a portion of undistributed prior-period earnings shall be reclassified as special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions. As of December 31, 2019, the remaining amount of special reserve is NT$ 25,546 thousand.

(3) Earnings distribution

For the years ended on December 31, 2019 and 2018, the earnings distribution resolved in the shareholders meeting held on June 10, 2019 and June 27, 2018 were as follows:

	2018		**2017**	
	Dividend per share (in dollars)	**Amount**	**Dividend per share (in dollars)**	**Amount**
Dividends distributed to shareholders of common stocks:				
Cash	$ 1.00	503,791	0.50	251,896

3. Treasury stock

As of December 31, 2019 and 2018, the company's common stock held by the Group were as follows:

Unit in thousands of shares

Subsidiary name	2019.12.31 Number of shares	2019.12.31 Carrying amount	2019.12.31 Market value	2018.12.31 Number of shares	2018.12.31 Carrying amount	2018.12.31 Market value
Kedge Construction	500	$ 1,222	15,950	500	1,222	10,225
Jiequn Investment	8,518	55,384	271,739	8,518	55,384	174,202
Guanqing Electromechanical	1,607	14,590	51,263	1,607	14,590	32,863
	10,625	$ 71,196	338,952	10,625	71,196	217,290

4. Other equity items (net of tax)

	Exchange differences on translation of financial statements of foreign operations	Unrealized gain (loss) from financial assets measured at FVTOCI	Total
Balance as of January 1, 2019	$ (25,910)	364	(25,546)
Exchange differences on translation of net assets of foreign operations	(354)	-	(354)
Shares of unrealized gain (loss) from financial assets measured at FVTOCI	-	96	96
Balance as of December 31, 2019	$ (26,264)	460	(25,804)
Balance as of January 1, 2018	$ (32,521)	-	(32,521)
Effects of retrospective application of new IFRSs	-	(1,538)	(1,538)
Adjusted balance as of January 1, 2018	(32,521)	(1,538)	(34,059)
Foreign currency translation differences	6,611	-	6,611
Shares of unrealized gain (loss) from financial assets measured at FVTOCI	-	1,902	1,902
Balance as of December 31, 2018	$ (25,910)	364	(25,546)

(XX) Earnings per share

The calculation of basic earnings per share and diluted earnings per share for years ended on December 31, 2019 and 2018 were as follows:

1. Basic earnings per share

(1) Net income attributable to the shareholders of common stocks of the company

	2019 Operating units	2018 Operating units
Net income attributable to the shareholders of common stocks of the company	$ 1,283,526	507,248

(2) Weighted-average number of ordinary shares outstanding

	2019	2018
Number of ordinary shares issued as of January 1	503,791	503,791
Effects of treasury stocks	(10,625)	(10,625)
Weighted-average number of outstanding ordinary shares as of December 31	493,166	493,166
Basic earnings per share	$ 2.60	1.03

2. Diluted earnings per share
   (1) Net income attributable to the shareholders of common stocks of the company (diluted)

	2019 Units in continuing operations	2018 Units in continuing operations
Net income attributable to the shareholders of common stocks of the company (diluted)	$ 1,283,526	507,248

   (2) Weighted-average number of outstanding ordinary shares (diluted)

	2019	2018
Weighted-average number of outstanding common stocks (basic) as of December 31	493,166	493,166
Effect of employee remuneration in stock	1,049	56
Weighted-average number of outstanding common stocks (diluted) as of December 31	494,215	493,222
Diluted earnings per share	$ 2.60	1.03

(XXI) Revenue from contracts with customers

1. Disaggregation of revenue

   isaggregation of revenue for years ended on December 31, 2019 and 2018 were as follows:

	2019	2018
Revenue from contracts with customers	$ 8,103,874	7,489,121
Revenue from investment properties	13,562	13,651
	$ 8,117,436	7,502,772

2. Disaggregation of revenue from contracts with customers

	2019	2018
Primary geographical markets:		
Taiwan	$ 8,117,436	7,502,772
Main products/services:		
Sales of real estate developments	$ 7,848,371	7,489,121
Sales of construction contracts	227,813	-
Revenue from services rendered	27,690	-
Other income	13,562	13,651
	$ 8,117,436	7,502,772
Timing of revenue recognition:		
Upon transfer of products	$ 7,876,061	7,489,121
On the basis of stage of completion of contract activity	227,813	-
On the basis of time passed for services rendered	13,562	13,651
Total	$ 8,117,436	7,502,772

3. Contract balances

	2019.12.31	2018.12.31	2018.1.1
Accounts receivable	$ 233,089	500,346	376,694
Less: Loss allowance	-	-	-
Total	$ 233,089	500,346	376,694
Contract assets - construction	$ 151,622	-	-
Less: Loss allowance	-	-	-
Total	$ 151,622	-	-
Contract liabilities - construction	$ 18,415	-	-
Contract liabilities - buildings	5,177,387	3,937,293	1,128,473
Total	$ 5,195,802	3,937,293	1,128,473

Refer to Note VI(4) for details on accounts receivable and related loss allowance. The beginning balance of contract liability on January 1, 2019 and 2018, were NT$ 397,232 thousand and NT$ 737,636 thousand, respectively.

Changes in contract assets and liabilities were mainly driven by the timing difference between when the transfer of products and services rendered were completed and when client's payments were received. For the years ended on December 31, 2019 and 2018, no material changes were recognized.

As of December 31, 2019, the prepayments of real estate pre-sales and the related interests were retained in trust accounts of identified banks and recognized as other financial assets - current in the amounts of NT$ 1,454,941 thousand. Details on the trust accounts were as follows:

Project code	2019.12.31
103G	$ 656,526
105A	12,893
950B	93,521
101C	672,891
100C	5,700
980F	13,410
	$ 1,454,941

(XXII) Employee compensation and directors' and supervisors' remuneration

The company’s Articles of Incorporation stipulates that, after annual earnings first offset against any deficit, a minimum of 0.5% shall be allocated as employee compensation and a maximum of 2% as directors' remuneration. However, if the company has accumulated deficits, the profit should be reserved to offset the deficit. For the years ended December 31, 2019 and 2018, the company accrued its employee compensation amounting to NT$ 30,433 thousand and NT$ 7,247 thousand, respectively, and its directors' remuneration of NT$ 30,433 thousand in 2019 and its directors' and supervisors' remuneration of NT$ 14,493 thousand in 2018. The aforementioned amounts are calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of remuneration to employees, directors and supervisors as stipulated in the company's Articles of Incorporation. These remunerations were expensed under operating expenses for the years ended December 31, 2019 and 2018. When an issuance of common stocks for employee compensation is resolved by a Board meeting, the number of shares issued for the stock-based compensation is calculated based on the closing stock price at the date before the Board meeting. Related information is disclosed on Market Observation Post System of TWSE. The aforementioned amounts of employee compensation and directors' and supervisors' remuneration, as stated in the parent-company-only financial statements, are identical to those of the actual distributions for 2019 and 2018

(XXIII) Non-operating income and loss

1. Other incomes

Details on other incomes for the years 2019 and 2018 were as follows:

	2019	2018
Interest income		
Bank deposits, including interests on repurchasable bond and its deposit	$ 8,079	2,197
Refundable deposit on constructions	1,431	2,444
Others	-	11
Dividend income	1,211	1,259
	$ 10,721	5,911

2. Other gains and losses

Details on other gains and losses for the years 2019 and 2018 were as follows:

	2019	2018
Net losses on financial assets measured at FVTPL	$ (328)	(1,845)
Gain on disposal of assets	81	365
Foreign exchange losses	(4)	-
Other incomes	20,018	24,784
Other expenses	(10,093)	(7,278)
	$ 9,674	16,026

3. Financing cost

Details of financing costs for the years ended on December 31, 2019 and 2018 were as follows:

	2019	2018
Interest expense		
Interests on bank loans and deposits	$ 421,393	442,843
Transaction fees and interests on corporate bonds	86,563	118,726
Other financing costs	15	-
Others	-	170
Loss: Capitalization of interest	(165,200)	(202,918)
	$ 342,771	358,821

(XXIV) Financial Instruments

1. Credit risk

(1) Credit risk exposure

The carrying amount of financial assets represents the maximum amount exposed to credit risk.

(2) Concentration of credit risk

The company is engaged in the development and sales of real estate. Its clientele is primarily the vast majority of individual consumers and is not concentrated on single key accounts or in particular regions. Consequently, the credit risks in relations to these receivables are determined to have no significant concentration concerns.

2. Liquidity risk

The following table shows the contractual maturities of financial liabilities, including estimated interest payments but excluding the impact of netting agreements.

	Carrying amount	Contractual cash flows	Within a year	1-3 years-	3-5 years-
December 31, 2019					
Non-derivative financial liabilities					
Secured bank loans	$ 14,245,374	14,723,203	5,666,754	6,676,625	2,379,824
Unsecured bank loans	4,500,000	4,719,330	1,090,143	2,614,946	1,014,241
Notes , accounts and other payables	2,473,266	2,473,266	2,473,266	-	-
Ordinary corporate bonds (including current portion due within one year)	4,500,000	4,627,523	-	1,522,568	3,104,955
Lease liabilities	4,108	4,235	1,495	2,740	-
Guarantee deposits	3,418	3,418	-	3,418	-
	$ 25,726,166	26,550,975	9,231,658	10,820,297	6,499,020
December 31, 2018					
Non-derivative financial liabilities					
Secured bank loans	$ 15,934,508	16,317,017	10,343,765	5,973,252	-
Unsecured bank loans	3,250,000	3,485,681	323,622	1,616,754	1,545,305
Notes, accounts and other payables	3,292,055	3,292,055	3,292,055	-	-
Ordinary corporate bonds (including current portion due within one year)	4,500,000	4,633,138	1,010,192	1,538,318	2,084,628
Guarantee deposits	1,811	1,811	1,811	-	-
	$ 26,978,374	27,729,702	14,971,445	9,128,324	3,629,933

The company did not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

3. Interest rate analysis

Refer to the note on liquidity risk management and the interest rate exposure of the company's financial assets and liabilities.

The following sensitivity analysis is based on the exposure to the interest rate risk of derivative and non-derivative financial instruments at the reporting date. Regarding liabilities with variable interest rates, the analysis is based on the assumption that the amount of liabilities outstanding at the reporting date was outstanding throughout the year. The expected changes in interest rates at plus or minus 1% is reasonably assessed by the company's management and also used in internal reporting.

For the years ended on December 31, 2019 and 2018, an increase (decrease) of 1% in interest rates is estimated, assuming all other variables remain constant, to cause decrease (increase) in the net profit before tax by NT$ 187,454 thousand and NT$ 191,845 thousand, respectively, and after considering capitalization of interest, to cause decrease (increase) by NT$ 126,491 thousand and 103,586 thousand, respectively. This change is mainly due to the company's borrowings in variable rates.

4. Other market price risk

For the years ended December 31, 2019 and 2018, the sensitivity analyses for the changes in the price of equity securities, at the reporting date, were performed using the same basis for the profit or loss, with all other variable factors remaining constant, as illustrated below:

	2019		2018	
	Other comprehensive income after tax	Net income after tax	Other comprehensive income after tax	Net income after tax
Prices of securities at the reporting date Increasing 10%	$ 266	2,345	303	2,377
Decreasing 10%	$ (266)	(2,345)	(303)	(2,377)

5. Fair value measurement
   (1) Categories and fair value of financial instruments

   The fair value of financial assets measured at FVTPL and FVTOCI is measured on a recurring basis. Shown below are the book value and fair value of the company's financial assets and liabilities, including the information on fair value hierarchy, but excluding lease liabilities and financial instruments that are not measured at fair value but the book value of which is reasonably closely to its fair value (disclosure not required):

	2019.12.31				
		Fair value			
	Book value	Level 1	Level 2	Level 3	Total
Financial assets measured at FVTPL					
Non-derivative financial assets mandatorily measured at FVTPL	$ 23,445	23,445	-	-	23,445
Financial assets measured at FVTOCI - non-current	$ 2,659	656	-	2,003	2,659
Financial assets measured at amortized cost					
Cash and cash equivalents	$ 2,012,378	-	-	-	-
Notes and accounts receivables (including receivables from related parties)	235,246	-	-	-	-
Other financial assets - current	3,178,328	-	-	-	-
Subtotal	5,425,952	-	-	-	-
Total	$ 5,452,056	24,101	-	2,003	26,104
Financial liabilities measured at amortized costs					
Short-term borrowing	$ 18,745,374	-	-	-	-
Notes, accounts and other payables	2,473,266	-	-	-	-
Bonds payable (including current portion)	4,500,000	-	-	-	-
Lease liabilities	4,108	-	-	-	-
Guarantee deposits	3,418	-	-	-	-
Total	$ 25,726,166	-	-	-	-

	2018.12.31				
		Fair value			
	Book value	Level 1	Level 2	Level 3	Total

Financial assets measured at FVTPL					
Non-derivative financial assets mandatorily measured at FVTPL	$ 23,773	23,773	-	-	23,773
Financial assets measured at FVTOCI - non-current	$ 3,025	351	-	2,674	3,025
Financial assets measured at amortized cost					
Cash and cash equivalents	$ 2,293,783	-	-	-	-
Notes and accounts receivables (including receivables from related parties)	500,346	-	-	-	-
Other financial assets - current	1,940,390	-	-	-	-
Subtotal	4,734,519	-	-	-	-
Total	**$ 4,761,317**	**24,124**	**-**	**2,674**	**26,798**
Financial liabilities measured at amortized cost					
Short-term borrowing	$ 19,184,508	-	-	-	-
Notes, accounts and other payables	3,292,055	-	-	-	-
Bonds payable (including current portion)	4,500,000	-	-	-	-
Guarantee deposits	1,811	-	-	-	-
Total	**$ 26,978,374**	**-**	**-**	**-**	**-**

(2) Valuation techniques of financial instruments measured at fair value

(2.1) Non-derivative financial instruments

Financial instruments traded in active markets are based on quoted market prices. A quoted price of a financial instrument obtained from main exchanges and on-the-run bonds from Taipei Exchange can be used as a basis to determine the fair value of the listed companies' equity and debt instruments, as it is a quoted price in an active market. If a quoted price of a financial instrument can be obtained in time and often from exchanges, brokers, underwriters, industrial unions, pricing agencies, or governing authorities, and such price can actually reflect those traded frequently in the market, then the financial instrument is considered to have a quoted price in an active market. If a financial instrument is not in accordance with the definition mentioned above, then it is considered to be without a quoted price in an active market. In general, low trading volumes and high or increasing bid-ask spreads are indications that a market is not active.

The categories and characteristics of fair value measurement for the financial instruments with active markets were as follows:

- The fair value of financial instruments that have active markets and standard terms and conditions are determined with reference to quoted market prices (e.g., publicly traded stocks).

The categories and characteristics of fair value measurement for the financial instruments without active markets were as follows:

- Equity instruments without active market quotes: the fair value is derived from comparable companies in the market and is determined by multiplying investee's EBITDA with P/E ratio of comparable companies listed in the market. The calculation is then discounted for lack of marketability.

(3) Movement in financial assets included in Level 3 fair value hierarchy

	Financial assets measured at FVTOCI		
	Equity instruments without active market quotes	**Debt instruments**	**Total**
January 1, 2019	$ 2,674	-	2,674
December 31, 2019	$ 2,003	-	2,003
January 1, 2018	$ 421	-	421
December 31, 2018	$ 2,674	-	2,674

The aforementioned total gains or losses were included in "unrealized gain (loss) from financial assets measured at FVTOCI." Among those listed, the gains or losses attributable to the financial assets held on December 31, 2019 and 2018 were as follows:

	2019	**2018**
Total gains or losses		
Recognized in other comprehensive income (listed under "unrealized gain (loss) from financial assets measured at FVTOCI")	$ (671)	2,253

(4) Significant unobservable inputs (Level 3) of fair value measurement

Some of the company's financial assets at FVTOCI are classified as measured in Level 3. Among the financial assets classified as measured in Level 3 the majority have only one significant unobservable input, except for equity instruments without active market quotes, which have several significant unobservable inputs. The significant unobservable inputs for the equity instruments without active market quotes are independent of each other and are not correlated.

Quantitative information of significant unobservable inputs is as follows:

Item	Valuation technique	Significant unobservable inputs	Relationship of the inputs and fair value
Financial assets measured at FVTOCI - equity instruments without active market quotes	Comparable company valuation	• Price/earnings ratio (10.6 for 2019, 9.3 for 2018) • Discount for lack of marketability (15% for 2019, 27.2% for 2018)	• The higher the ratio, the greater the fair value. • The higher the discount, the lower the fair value.

(5) Sensitivity analysis of reasonably possible alternative assumptions on fair value measurements in Level 3

The company's measurement on the fair value of financial instruments may change if different valuation models or inputs are used. For fair value measurements in Level 3, changes in one or more of the assumptions would have the following effects on profit or loss or other comprehensive income:

	Input	Changes upwards or downwards	Changes of fair value in the current profit or loss		Changes of fair value in other comprehensive income	
			Favorable	Unfavorable	Favorable	Unfavorable
December 31, 2019						
Financial assets measured at FVTOCI						
Equity investments without active market quotes	Price/earnings ratio	10%	-	-	182	(182)
Equity investments without active market quotes	Discount for lack of marketability	10%	-	-	236	(236)
December 31, 2018						
Financial assets measured at FVTOCI						
Equity investments without active market quotes	Price/earnings ratio	10%	-	-	267	(267)
Equity investments without active market quotes	Discount for lack of marketability	10%	-	-	267	(267)

(6) Transfer between different levels of Fair value hierarchy

Some of equity instruments held by the company have active market quotes, and therefore, those are classified in Level 1. For the years ended on December 31, 2019 and 2018, no changes in fair value hierarchy occurred, and therefore, no transfer were recognized.

(XXV) Financial risk management

1. Overview

The company has exposure to the following risks arising from financial instruments:

(1) Credit risk
(2) Liquidity risk
(3) Market risk

The company has disclosed the information on exposure to the aforementioned risks in the previous section; the information on objectives, policies and procedures of risk measurement and management of the aforementioned risks are disclosed below. For more details, please refer to the related notes to parent-company-only financial statements.

2. Structure of risk management

(1) Risk management policy

An enterprise often face many uncertainties in its operation that can be potential threats to its existence. A good risk management policy is required to enable early detection and timely control of risks that could cause damages to operations. Considering operation strategy, business environment and planning of each business units, the company's Board of Directors established risk management policies in relation to business environment, to design and procedures of internal and external controls, and to strategy decision-making. In addition, the Board is expected to provide management reports on various resolutions, action items, monitoring and on-going performance of risk control activities, so that when facing similar circumstances, the company can propose better solutions based on past experiences.

(2) Organization structure of risk management

Every level in the organization structure or every department in the company has responsibility for risk management. A discovery of any risk shall be reported to the internal audit and senior management, who then shall take related actions in the first place.

The organization structure of risk management is as follows:

Department	Responsibilities
Board of Directors	Establish risk management policy Ensure effective operation of and sufficient resources allocated to risk management
Senior Management	Execute risk management policy determined by Board of Directors Coordinate cross-functional risk control activities
Internal Audit	Perform routine audits on risk control Monitor risk control activities and report them to Board of Directors and Audit Committee
Others	Compiling results of risk control activities Perform routine activities on risk control Evaluate risk types based on circumstances and propose corresponding action plans

3. Credit risk

Credit risk is the risk of financial losses resulting, when the company's customers or counter-parties of its financial instruments fail to meet their contractual obligations, principally from the company's receivables from clients and investment securities.

(1) Accounts receivable and other receivables

The company's exposure to credit risk varies among individual clients. Taken into considerations are client related information including, among others, the industry and nature of the client's business, country risks, and other factors that the management believes would affect the company's exposure to credit risk. The company's revenue for the years ended on December 31, 2019 and 2018, were solely from domestic consumers. The company is engaged in the development and sales of real estate. The receivables arisen from real estate sales are paid by individual consumers through wire transfers, cashier's or certified checks and mortgages. Consequently, the credit risks in relations to these receivables are estimated to be minimal.

The company also recognized losses allowance for bad debts to reflect the estimated losses of its accounts receivable, other receivables and investments. The allowance account consists of two components; the main component refers specific losses associated with individual significant exposure to credit risks; and the other component refers to a portfolio of already occurred but yet to have identified losses of a group of similar assets. The portfolio of loss allowance account is determined by historical statistics on payments eventually received for similar financial assets.

(2) Investments

The exposure to credit risk in relation to bank deposits, fixed income investments, and other financial instruments, is measured and monitored by the company's finance department. Since the company only deals with banks with good credit rating as well as financial institutions, corporations, and government agencies with investment-grade credit ratings, no concerns on the fulfillment of its counterparty's obligations and no significant exposure to credit risk were recognized.

(3) Guarantees

Policies of the company stipulates that guarantees can be made available to subsidiaries and counterparties of whom the company owns more than 50% of shares. As of December 31, 2019 and 2018, no endorsements/guarantees were recognized.

4. Liquidity risk

Liquidity risk is the risk of unfulfilled obligations occurring when the company cannot settle its financial liabilities with cash or another financial asset. The company's approach to managing liquidity is to monitor its capital demands through cash flow forecasting, maintain sufficient non-disbursable loan commitments at all times, and always ensure that it has sufficient liquid assets to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking its reputation.

5. Market risk

Market risk is the risk of changes in the company's profits or value of its financial instruments resulting from changes in market factors, such as foreign exchange rates, interest rates, and prices of equity instruments. The company's objective of market risk management is to control its market risk exposure within a bearable range while optimizing the investment return.

(1) Interest rate risk

The company adopts the most cost-effective strategy in maintaining an appropriate portfolio of fixed and floating interest rates and conducting such assessment regularly.

(2) Other market price risk

The company is exposed to the risk of market price fluctuation in its equity instruments held for sale with the intention to cover the unfunded portion of its defined benefit obligations. The company's management adjusts the ratio of equity to debt in its investment portfolio according to fluctuation in market price index. Any material investment in the portfolio is managed separately.

(XXVI) Capital management

The company’s objectives of capital management is to ensure its capacity in operation continuity, to return profits to its shareholders and other stakeholders, and to optimize its capital structure to reduce cost of capital.

In maintaining or adjusting the capital structure, the company may settle liabilities through adjustments in dividend payment or capital return to its shareholders, issuance of new shares, or disposal of assets.

The company, like its peer companies, control capital management on the basis of debt-to-capital ratio, which is net debt divided by total capital. The net debt is the total liabilities less cash and cash equivalents. The total capital is total equity (including share capital, capital reserve, retained earnings, other equity and non-controlling equity) plus net debt.

For the years ended on December 31, 2019 and 2018, the company had the same policy on capital management and maintained the debt-to-capital ratio between 69% to 71% to ensure reasonable cost of capital. As of December 31, 2019 and 2018, the debt-to-capital ratio were as follows:

		2019.12.31	**2018.12.31**
Total liabilities	$	31,201,320	31,276,346
Less: Cash and cash equivalents		(2,012,378)	(2,293,783)
Net liability		29,188,942	28,982,563
Total equity		12,627,504	11,836,993
Capital after adjustment	**$**	**41,816,446**	**40,819,556**
Debt-to-capital ratio		**70%**	**71%**

(XXVII) Non-cash investing and financing activities

The company's non-cash investing and financing activities for the year ended on December 31, 2019, are to acquire right-of-use assets through leases. Refer to Note VI(8) for details.

VII. Related Party Transactions

(I) Names of and relationship with related parties

Related parties that had transactions with the company during the reporting periods were as follows:

Name of related party	Relations with the Company
Kedge Construction Co., Ltd (the "Kedge Construction")	Subsidiary
Global Mall Co., Ltd. (the "Global Mall")	Subsidiary
Guan Cheng Co., Ltd. (GLOBAL MALL BANQIAO STORE) (the "Guan Cheng")	Subsidiary
Jiequn Investment Co., Ltd. (the "Jiequn Investment")	Subsidiary
Dingtian Co., Ltd. (the "Dingtian")	Subsidiary
Guanqing Electromechanical Co., Ltd. (the "Guanqing Electromechanical")	Subsidiary
KGM International Investment Co., Ltd. (HK) (the "KGM")	Subsidiary
Guan Hua Co., Ltd. (GLOBAL MALL NANGANG STORE) (the "Guan Hua")	Subsidiary
Global Mall (Tianjin) Co., Ltd. (Note)	Subsidiary
	Subsidiary
Guan You Co., Ltd. (GLOBAL MALL ZUOYING STORE) (the "Guan You")	Associate
ReadyCom eServices Co. Ltd.	The entity’s chairman is the second-degree relatives of the company's chairman
Retrieving data. Wait a few seconds and try to cut or copy again.	Other related party

(II) Significant related-party transactions

1. Purchases of goods from related parties

Detail of the company's significant purchases with its related parties were as follows:

2019	Total Contract Amount (before tax)	Purchase (Current Price)	Cumulative Amount
Subsidiary - Kedge Construction	$ 20,037,538	5,000,015	10,158,533
2018			
Subsidiary - Kedge Construction	$ 25,156,833	6,858,591	12,753,510

The construction projects contracted to the related parties by the company was in accordance with related party's contracting regulations, according to which, the contract price is calculated on the basis of construction budgets plus reasonable management expenses and profits and, after price comparison and negotiation processes, approved by the management.

The payment term of related-party transactions is either 95% due immediately and 5% due in 90 day or 100% due immediately or in 90 days.

2. Purchases of services from related parties

	Purchase	
	2019	**2018**
Associates	$ -	975

3. Payables to related parties

Detail of the company's significant accounts payable with its related parties were as follows:

Accounting subject	Category and Name of Related Party	2019.12.31	2018.12.31
Notes payable - related parties	Subsidiary - Kedge Construction	$ 1,287,602	1,899,951
Accounts payable - related parties	Subsidiary - Kedge Construction	642,097	770,072
Accounts payable - related parties	Subsidiary - Dingtian	5,170	10,339
Accounts payable - related parties	Associates	-	307
		$ 1,934,869	2,680,669

4. Endorsements/guarantees

Detail of the company's endorsements/guarantees provided to its related parties were as follows:

Category of related party	**2019.12.31**	**2018.12.31**
Subsidiaries	$ 28,384	28,384

5. Lease
   (1) Leasing from related parties
   The company leased office buildings and parking lots from subsidiaries in a lease term of one year. The rental incomes for the years ended on December 31, 2019 and 2018 were both NT$ 3,360 thousand.
   (2) Leasing to related parties
   Part of the company's office building was leased to subsidiaries and other related parties in a lease term of one year. The rental incomes for the years ended on December 31, 2019 and 2018 were both NT$ 2,482 thousand.
6. Others
   (1) The company signed an agreement for the surface right to a land in Pingtung in the second half of the year 2011. According to the agreement, the payments for the surface right to be received before the end of the agreement and when the agreement is extended were in the amount of NT$ 31,464 thousand and NT$ 16,000 thousand, respectively. The total amount was NT$ 47,464 thousand over a period of thirty years. As of December 31, 2018, the remaining balance after amortization was NT$ 35,765 thousand and was recognized as long-term prepaid leases. For the year ended on December 31, 2019, all rights and obligations related to the identified lease asset were transferred to the subsidiary.
   (2) For the years ended on December 31, 2019 and 2018, the amounts of donation made to Kindom Yu San Education Foundation were NT$ 4,000 thousand and NT$ 5,500 thousand, respectively, for the purpose of promoting the foundation's services.
   (3) For the year ended on December 31, 2019, sales of the company's assets to the related parties amounted to NT$ 1,429 thousand before tax, and the related payables were settled as of December 31, 2019.

(III) Transactions with key management personnel

Compensations for key management personnel were as follows:

		2019	2018
Short-term employee benefits	$	30,500	39,366
Post-employment benefits		117	83
	$	30,617	39,449

VIII. Pledged Assets

Carrying values of pledged assets were as follow:

Assets	Collaterals Pledged		2019.12.31	2018.12.31
buildings and land held for sale	Bank loans	$	9,347,838	11,257,912
Land held for construction	Bank loans		211,953	3,318,550
Construction in progress	Bank loans		13,458,598	10,085,022
Investment properties and net PP&E	Bank loans		753,810	762,597
Other financial assets - current	Bank loans, pre-sales payments in trust accounts, guarantees, and bonds payable		2,639,130	1,724,615
Long-term equity instruments accounted for using equity method	Bank loans and guarantees		3,515,098	3,201,147
		$	29,926,427	30,349,843

Assets Collaterals Pledged

IX. Material Contingent Liabilities and Unrecognized Contract Commitments

Significant unrecognized contract commitment:

1. Total amount of sales contracts signed before and after the completion of construction were as follows:

		2019.12.31	2018.12.31
Amount of sales contracts signed	$	14,898,155	13,474,401
Amount of payments received per contracts	$	5,177,387	3,937,293

2. Details on refundable deposits and notes paid for co-developments with land owners and third-party developers as follows:

		2019.12.31	2018.12.31
Refundable deposit	$	538,675	217,759
Refundable notes	$	982,599	1,040,477

3. In December, 2019 and 2018, the company's Board of Directors approved the donation to Kindom Yu San Education Foundation in the amounts of NT$ 5,500 thousand in 2020 and 4,000 thousand in 2019 for the purpose of promoting the Foundation's services.

X. Material Disaster Losses None

XI. Material Post-period Matters: None

XII. Others:

A summary of employee benefits, depreciation, depletion, and amortization expenses, by function, is as follows:

By function / By item	2019			2018		
	Operating Cost	Operating Expenses	Total	Operating Cost	Operating Expenses	Total
Employee benefits						
Salaries	-	131,527	131,527	-	119,392	119,392

Insurance	-	8,109	8,109	-	8,472	8,472
Pension	-	4,386	4,386	-	4,455	4,455
Directors' remuneration	-	32,398	32,398	-	15,645	15,645
Others	-	7,510	7,510	-	8,624	8,624
Depreciation	4,610	6,912	11,522	4,927	6,570	11,497
Amortization	-	466	466	-	1,298	1,298

Additional information of employee head counts and benefit expenses for the years ended on December 31, 2019 and 2018 were as follows:

	2019	2018
Employee head count	100	101
Number of Board members who are not employee	5	5
Average employee benefit expense	$ 1,595	1,468
Average salary expense	$ 1,384	1,244
Average salary adjustment	11.25%	

XIII. Supplementary Disclosures

(I) Information on Material Transactions

In accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers," the company discloses the information on significant transactions as follows:

1. Loaning of fund to other parties: none
2. Providing endorsements/guarantees to other parties:

No.	Endorsement/ guarantee Provider	Endorsement/guarantee Receiver		Limits on Endorsement/guarantee Provided to A Single Entity	Maximum Balance for the Period	Ending Balance	Actual Amount Drawn	Amount Collateralized with Property	Ratio of Cumulative Balance of Endorsement/guarantee to Net Equity as Stated in its Latest Financial Statement	Maximum Amount Allowable	Endorsement/ guarantee Provided by Parent Company to Subsidiary	Endorsement/ guarantee Provided by Subsidiary to Parent Company	Endorsement/ guarantee Provided to Subsidiary in China
		Company Name	Nature of Relationship (Note 1)										
1	Kedge Construction	The Company	Parent company and subsidiary	$ 5,481,922	14,192	14,192	14,192	-	0.52%	5,481,922	N	Y	N
2	Dingtian	The Company	Parent company and subsidiary	53,430	14,192	14,192	14,192	-	26.56%	53,430	N	Y	N
2	Dingtian	Kedge Construction	Parent company and subsidiary	8,014,571	1,376,500	1,376,500	1,376,500	-	2,576.27%	16,029,141	N	Y	N
3	Global Mall	Guan Yo	3	2,738,260	200,000	200,000	20,000	-	4.38%	5,476,520	Y	N	N
3	Global Mall	Guan Hu	2	2,738,260	150,000	150,000	65,000	-	3.29%	5,476,520	Y	N	N
3	Global Mall	Global Mall (Tianjin) Co., Ltd.	3	2,738,260	646,500	-	-	-	- %	5,476,520	Y	N	Y

Note 1: Types of relationship that the endorsement/guarantee provider has with the guaranteed party:

(1) An entity with which it does business.

(2) An entity in which it directly and indirectly holds more than 50 percent of the voting shares.

(3) An entity that directly and indirectly holds more than 50 percent of its voting shares.

(4) An entity in which it holds, directly or indirectly, 90% or more of the voting shares.

(5) It fulfills its contractual obligations by providing mutual endorsements/guarantees for an entity in the same industry or for joint builders for purposes of undertaking a construction project.

(6) All capital contributing shareholders make endorsements/guarantees for their jointly invested company in proportion to their shareholding percentages.

(7) Companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

Note 2: Taipei City Government requested the company to provide joint and several security, so Kedge Construction, approved by the Board on March 21, 2002 and March 25, 2010, provided endorsements/guarantees for the company.

Note 3: Per Kedge Construction's policies and procedures on endorsements/guarantees, the maximum aggregate amount allowable for endorsements/guarantees to third parties shall not exceed 200% of its net equity as stated in its latest financial statement, and limits on endorsements/guarantees provided to a single entity shall not exceed 200% of its net equity as stated in its latest financial statement. The aggregate amount of endorsements/guarantees on all construction projects shall not exceed 10 times of its net equity as stated in its latest financial statement, and the aggregate amount of endorsements/guarantees on a single construction project shall not exceed 5 times of its net equity as stated in its latest financial statement.

Note 4: Per Dingtian's policies and procedures on endorsements/guarantees, the maximum aggregate amount allowable for endorsements/guarantees to third parties shall not exceed 100% of its net equity as stated in its latest financial statement, and limits on endorsements/guarantees provided to a single entity shall not exceed 100% of its net equity as stated in its latest financial statement. The aggregate amount of endorsements/guarantees on all construction projects shall not exceed 300 times of its net equity as stated in its latest financial statement, and the aggregate amount of endorsements/guarantees on a single construction project shall not exceed 150 times of its net equity as stated in its latest financial statement.

Note 5: Per Global Mall's policies and procedures on endorsements/guarantees, the maximum aggregate amount allowable for endorsements/guarantees to third parties shall not exceed 120% of its net equity as stated in its latest financial statement, and limits on endorsements/guarantees provided to a single entity shall not exceed 60% of its net equity as stated in its latest financial statement..

3. Marketable securities (excluding equity investments in subsidiaries, associates, and joint ventures) held at the reporting date:

Unit: Thousands of New Taiwan Dollars or Thousands of Shares

Investing Company	Category and Name of Security	Relationship with the Security Issuer	Financial Statement Account	Ending Balance				Number of Shares
				Number of Shares	Carrying Amount	Percentage of Ownership	Fair Value (Note)	
The company	Stock - Fubon Financial Holding Co Ltd.	-	Financial assets measured at FVTPL - current	505	23,445	- %	23,445	
The company	Stock - Everterminal Co. Ltd.	-	Financial assets measured at FVTOCI - non-current	198	2,003	0.20 %	2,003	
The company	Stock - Clientron Corp.	-		29	656	0.05 %	656	
Kedge Construction	Beneficiary certificate - Fuh Hwa Aegis	-	Financial assets measured at FVTPL - current	733	22,474	- %	22,474	
Jiequn Investment	Stock - Fubon Financial Holding Co Ltd.	-		472	21,878	- %	21,878	
Jiequn Investment	Stock - SinoPac Securities Corporation	-		211	2,744	- %	2,744	
Jiequn Investment	Beneficiary certificate - Fuh Hwa China New Economy A Shares	-		766	7,590	- %	7,590	
Jiequn Investment	Stock - Huei Ding Computer	-	Financial assets measured at FVTOCI - non-current	405	-	0.78 %	-	
Guanqing Electromechanical	Stock - Fubon Financial Holding Co Ltd.	-	Financial assets measured at FVTPL - current	419	19,432	- %	19,432	
Guanqing Electromechanical	Stock - Commonwealth Publishing Group	-	Financial assets measured at FVTOCI - non-current	132	5,920	0.59 %	5,920	

Note: If market price is not available, the carrying amount of the security at the reporting date is determined as the market price.

4. Marketable securities for which the accumulated purchase or sale amounts for the period exceed NT$ 300 million or 20% of the paid-in capital:

Unit: Thousands of New Taiwan Dollars

Company Name	Category and name of security	Financial Statement Account	Counterparty	Nature of Relationship	Beginning Balance		Acquisitions		Disposals (note1)				Ending Balance	
					Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Sales Price	Book Value	Gain (Loss) on Disposal on Disposal	Number of Shares	Amount
Global Mall	Stock	Investment accounted for using equity method	KGM	Sub-subsidiary	-	727,517 (HKD 180,263K)	-	392,926	-	906,638	906,638	-	-	213,766 (HKD 54,435K)
KGM	Stock	Investment accounted for using equity method	Global Mall (Tianjin) Co., Ltd.	Sub-sub-subsidiary	-	727,478 (CNY 149,728K)	-	392,926	-	906,638	906,638	-	-	213,766 (CNY 48,000K)

Note 1: Capital reduction was made for the year ended on December 31, 2019 to mitigate losses in the amount of NT$ 906,638 thousand.

Note 2: Ending balance includes investment losses.Acquisition of real estate at costs exceeding NTD 300 million or 20% of the paid-in capital: None

5. Acquisition of real estate at costs exceeding NT$ 300 million or 20% of the paid-in capital: None

6. Disposal of real estate at prices exceeding NT$ 300 million or 20% of the paid-in capital:

Unit: Thousands of New Taiwan Dollars

Company Name	Property Name	Transaction Date	Acquisition Date	Carrying Amount	Transaction Amount	Receivable Collection	Gains (Losses) on Disposal	Counterparty	Nature of Relationship	Purpose of Disposal	Basis in Determination of the Sales Price	Other Conditions
The company	Inventory - buildings and land held for sale	108.05	Not applicable: inventory produced, not acquired	Not applicable	704,747	704,747	Not applicable	More than one third party	Not related	Selling inventory	Refer to Appraisal or Based on Market Price	None

Note: The amounts above are expressed before taxes.

7. Receivables from related parties with amounts exceeding NTD 100 million or 20% of the paid-in capital:

Unit: Thousands of New Taiwan Dollars

Company Name	Name of Counterparty	Nature of Relationship	Transaction Details: Purchases/sales	Transaction Details: Amount (note 1)	Transaction Details: % of Total Purchases (Sales)	Transaction Details: Payment Terms	Transactions with Terms Different from Others: Unit Price	Transactions with Terms Different from Others: Payment Terms	Notes or Accounts Receivable (Payable): Ending Balance	Notes or Accounts Receivable (Payable): % of Total Notes or Accounts Receivable (Payable)	Note
The Company	Kedge Construction	Investee accounted for using equity method	Purchases for 101C and other project codes	5000,015	88.84 %	50% due immediately and 50% due in 90 days/100% due immediately and 100% due in 90 days	Equivalent to Other Transactions	Equivalent to Other Transactions	(1,929,699)	79.05%	Note 2
Kedge Construction	The company	Investor in which Kedge Construction is accounted for using equity method	Purchases for 041B and other project codes	(5,000,015)	(47.24) %	Per Payment Schedule in Contract or Equivalent to Other Transactions	Equivalent to Other Transactions	Equivalent to Other Transactions	1,929,699	63.56%	

Note 1: Amount as of December 31, 2019.

Note 2: The difference in receivables (payables) is recognized in contract assets.

8. Receivables from related parties with amounts exceeding NT$ 100 million or 20% of the paid-in capital:

Unit: Thousands of New Taiwan Dollars

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Receivable Overdue: Amount	Receivable Overdue: Action Taken	Amount Received in Subsequent Period	Loss Allowance
Kedge Construction	The company	Investor in which Kedge Construction is accounted for using equity method	1,929,699	2.47	-	-	445,601	-

9. Engaging in the trading in derivative instruments: none

(II) Information on Reinvestment

Investments of the company and its investees for the year ended on December 31, 2019 is as follows:

Unit: Thousands of New Taiwan Dollars or Thousands of Shares

Investor	Investee	Location	Main Businesses and Products	Original Investment Amount: December 31, 2019	Original Investment Amount: December 31, 2018	Balance as of December 31, 2019: Number of Shares	Balance as of December 31, 2019: Percentage of Ownership	Balance as of December 31, 2019: Carrying Amount	Net Income (Loss) of the Investee	Share of Investee's Profit (Loss) Recognized	Note
The company	Kedge Construction	Taiwan	Comprehensive constructions	374,353	374,353	36,248	34.18%	558,791	402,348	103,642	Subsidiary
The company	Global Mall	Taiwan	Supermarkets, department stores, international trading, and wholesales and retails of medical equipment	3,209,395	3,209,395	320,105	84.02%	3,859,352	395,098	331,950	Subsidiary
The company	Guan Cheng	Taiwan	Department stores, supermarkets, and non-store retailing	102,000	102,000	10,200	51.00%	135,741	34,926	17,812	Subsidiary
Kedge Construction	Jiequn Investment	Taiwan	Investment	163,935	163,935	16,396	99.98%	369,801	11,617	11,614	Second-tier subsidiary
Kedge Construction	Guanqing Electromechanical	Taiwan	Installation and engineering of electrical and fire safety equipment	81,326	81,326	7,747	99.96%	203,204	11,976	11,972	Second-tier subsidiary
Jiequn Investment	Dingtian	Taiwan	Comprehensive constructions	16,500	16,500	-	30.00%	16,029	5,592	1,678	Third-tier subsidiary
Guanqing Electromechanical	Dingtian	Taiwan	Comprehensive constructions	11,105	11,105	-	70.00%	37,401	5,592	3,914	Third-tier subsidiary
Dingtian	ReadyCom eServices Co. Ltd.	Taiwan	Information software services and business consultation	15,000	15,000	1,400	46.67%	20,506	2	1	-
Global Mall	Guan Cheng	Taiwan	Department stores, supermarkets, and non-store retailing	98,000	98,000	9,800	49.00%	130,418	34,926	17,114	Subsidiary
Global Mall	Guan You	Taiwan	Department stores, supermarkets, and non-store retailing	5,000	5,000	500	3.70%	1,640	(33,725)	(1,248)	Second-tier subsidiary
Global Mall	Guan Hua	Taiwan	Department stores, supermarkets, and non-store retailing	140,000	140,000	14,000	100.00%	137,359	(3,201)	(3,201)	Second-tier subsidiary

Investor	Investee	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2019			Net Income (Loss) of the Investee	Share of Investee's Profit (Loss) Recognized	Note
				December 31, 2019	December 31, 2018	Number of Shares	Percentage of Ownership	Carrying Amount			
Global Mall	KGM	Hong Kong	Investment and operation of shopping mall in China, including master planning, supporting engineering consulting, and leasing planning and consulting	213,766 (HKD 54,435K)	727,517 (HKD 180,263K)	- (Co. Ltd.)	100.00%	29,975	55,671	55,671	Second-tier subsidiary
Guan Cheng	Guan You	Taiwan	Department stores, supermarkets, and non-store retailing	130,000	130,000	13,000	96.30%	42,680	(33,725)	(32,477)	Second-tier subsidiary

(III) Information on Investments in Mainland China:

1. Names, main businesses and products, and other information of investees in mainland China:

Unit: Thousands of USD, HKD, CNY or NTD

Name of Investee	Main Business Items	Amount of Paid-in Capital	Investment Method	Cumulative Investment Outflow from Taiwan as of January 1, 2019	Investment Cash Flows		Cumulative Investment Outflow from Taiwan as of December 31, 2019	Net Income (Loss) of the Investee	Percentage of the Company's Direct or Indirect Ownership	Share of Investee's Profit (Loss) Recognized	Carrying Amount as of December 31, 2019	Cumulative Remittance of Earnings as of December 31, 2019
					Outflow	Inflow						
Global Mall (Tianjin) Co., Ltd.	Business management (including rentals of commercial facilities) in wholesales, retails and import/export of household items and appliances, sports goods, office supplies, watches, glasses, textiles, etc.; property management; business consulting; corporate marketing planning; conference services; exhibition services ; parking lot management	213,766 (CNY 48,000)	Note 2	727,478 (CNY 149,728)	392,926 (CNY 88,059)	906,638 (CNY 189,787)	213,766 (CNY 48,000)	55,667 (HKD 14,111)	100.00%	55,667 (HKD 14,111)	30,270 (HKD 7,864)	-

Note 1: Capital reduction was made for loss mitigation.

Note 2: The investment in mainland China is made through an investee outside of Taiwan and mainland China.Limitation on investment in mainland China:

2. Limitation on investment in mainland China:

Cumulative Investment Outflow from Taiwan as of December 31, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment Authorized by Investment Commission, MOEA
CNY 48,000	USD 11,100	7,576,502

Note: The limited amount is capped at 60% of the company's net equity.

3. Significant transactions with investees in mainland China: none

XIV. Segment Information

Please refer to the Consolidated Financial Statements for the year ended on December 31, 2019.

KINDOM DEVELOPMENT CO., LTD.
Statement of Cash and Cash Equivalents
For the Year Ended December 31, 2019

Unit: Thousands of New Taiwan Dollars

Refer to Note VI(1) for details.

Statement of Other Financial Assets - Current

Item	Description	Amount	Note
Bank accounts	Trust and reserve accounts	$ 2,639,130	
Refundable deposits	Refundable deposits for co-developments	538,985	
Others	Other receivables	9,213	
		$ 3,187,328	

KINDOM DEVELOPMENT CO., LTD.
Statement of Inventories
For the Year Ended December 31, 2019

Unit: Thousands of New Taiwan Dollars

Item	Description	Amount
Prepayment for buildings and land		$ 4,235
	870C	11,656
Land held for construction	970D	446,233
	980M	12,412
	990D	112,996
	990J	211,953
	103A	166,522
	103D	119,039
	103E	156,781
	Others	6,438
	Less: Loss allowance	(5,003)
	Subtotal	1,239,027
Construction in progress	950B	676,667
	980F	3,048,237
	100C	1,101,073
	101A	3,609,061
	101B	304,613
	103B	3,461,991
	103C	217,191
	103G	3,359,424
	105A	219,320
	106A	75,409
	106B	481,148
	Others	93,464
	Subtotal	16,647,598
Buildings and land held for sale	970A	50,531
	970I	555,680
	101C	2,911,367
	101D	53,204
	102B	520,474
	830I	2,977,625
	960B	38,036
	960C	17,724
	980C	124,181
	980K	2,274,210
	980L	3,268,517
	980M	1,970,582
	Others	17,047
	Less: Loss allowance	(10,379)
	Subtotal	14,768,799
Total		**$ 32,659,659**

KINDOM DEVELOPMENT CO. LTD
Statement of Changes in Investments Accounted for Using Equity Method
For the Year Ended December 31, 2019

Unit: Thousands of New Taiwan Dollars

	Beginning Balance		Increase		Decrease		Ending Balance			Market Value or Net Equity		
Company Name	Shares (in thousand of shares)	Amount	Shares	Amount	Shares	Amount	Shares	Percentage of Ownership	Amount	Unit Price	Total Amount	Collateral or Guarantee Provided
Kedge Construction Co., Ltd.	36,248	$ 552,485	-	115,049	-	108,743	36,248	34.18%	558,791	-	-	No
Global Mall Co., Ltd.	320,105	3,527,755	-	331,951	-	354	320,105	84.02%	3,859,352	-	-	Yes
Guan Cheng Co., Ltd.	10,200	142,409	-	17,812	-	24,480	10,200	51.00%	135,741	-	-	No
		$ 4,222,649		464,812		133,577			4,553,884		-	

Note 1: The increases for the year 2019 were the total of gains on investment accounted for using equity method in the amount of NT$ 453,403 thousand, capital reserve of subsidiaries accounted for using equity method in the amount of NT$ 11 thousand, cash dividends paid by the parent company to subsidiaries in the amount of NT$ 10,626 thousand, and other comprehensive income of subsidiaries accounted for using equity method in the amount of NT$ 772 thousand.

.

Note 2: The decreases for the year 2019 were the total of cash dividends received in the amount of NT$ 133,233 thousand and other comprehensive income of subsidiaries accounted for using equity method in the amount of NT$ 354 thousand.

KINDOM DEVELOPMENT CO. LTD
Statement of Short-term Borrowings
For the Year Ended December 31, 2019

Unit: Thousands of New Taiwan Dollars

Description	Type of Borrowing	Ending Balance	Term	Interest Rate	Collateral
Financial Institution	Credit loan	$ 3,000,000	2015.07.27~2023.05.24	Note 1	Other financial assets
Financial Institution	Credit loan	500,000	2019.07.30~2020.07.30	Note 1	-
Financial Institution	Credit loan	1,000,000	2019.08.28~2022.08.28	Note 1	-
	Subtotal	4,500,000			
Financial Institution	Secured bank borrowings	1,677,900	2016.08.25~2021.08.25	note 2	Construction in progress and long-term equity instruments
Financial Institution	Secured bank borrowings	1,259,012	2009.07.07~2020.10.31	note 2	Construction in progress and buildings and land held for sale
Financial Institution	Secured bank borrowings	2,329,600	2014.06.19~2023.12.31	note 2	Construction in progress
Financial Institution	Secured bank borrowings	2,670,956	2018.07.26~2021.07.26	note 2	Buildings and land held for sale
Financial Institution	Secured bank borrowings	516,700	2013.04.26~2021.06.30	note 2	Construction in progress, buildings and land held for sale, and PP&E
Financial Institution	Secured bank borrowings	20,000	2017.11.27~2022.11.27	note 2	Construction in progress
Financial Institution	Secured bank borrowings	2,437,000	2018.03.27~2021.06.14	note 2	Construction in progress and buildings and land held for sale
Financial Institution	Secured bank borrowings	686,285	2019.07.19~2020.07.18	note 2	Buildings and land held for sale
Financial Institution	Secured bank borrowings	2,647,921	2019.11.12~2020.11.12	note 2	Buildings and land held for sale
	Subtotal	14,245,374			
		$ 18,745,374			

Note 1: 1.40%～2.55%

Note 2: 1.69%～2.20%

KINDOM DEVELOPMENT CO. LTD
Statement of Contract Liabilities
For the Year Ended December 31, 2019

Unit: Thousands of New Taiwan Dollars

Item	Description	Amount	Note
Payments received in advance for sales of land and buildings	101C	$ 294,843	
	103G	1,494,107	
	105A	130,919	
	830I	30,140	
	950B	91,193	
	960B	41,362	
	960C	23,263	
	103B	3,044,000	
	Others	27,560	
Construction Payments	101B	18,415	
		$ 5,195,802	

KINDOM DEVELOPMENT CO. LTD
Statement of Bonds Payable
For the Year Ended December 31, 2019

Unit: Thousands of New Taiwan Dollars

Name of Security	Trustee	Issuance Date	Payment Term	Issued Amount	Repaid Amount	Ending Balance	Current Portion	Carrying Amount	Repayment Method	Collateral
Ordinary Bond 1031-	Financial Institution	2014.08	Annual	1,000,000	(1,000,000)	-	-	-	Repayment in lump sum upon maturity	Secured by bank
Ordinary Bond 1051-	Financial Institution	2016.06	Annual	1,500,000	-	1,500,000	-	1,500,000	Repayment in lump sum upon maturity	Secured by bank
Ordinary Bond 1061-	Financial institution	2018.01	Annual	1,000,000	-	1,000,000	-	1,000,000	Repayment in lump sum upon maturity	Reserve accounts
Ordinary Bond 1071-	Financial institution	2018.10	Annual	1,000,000	-	1,000,000	-	1,000,000	Repayment in lump sum upon maturity	Reserve accounts
Ordinary Bond 1081-	Financial institution	2019.12	Annual	1,000,000	-	1,000,000	-	1,000,000	Repayment in lump sum upon maturity	Secured by bank
Total				$ 5,500,000	(1,000,000)	4,500,000	-	4,500,000		

KINDOM DEVELOPMENT CO. LTD
Statement of Operating Revenue
For the Year Ended December 31, 2019

Unit: Thousands of New Taiwan Dollars

Item	Description	Amount	Note
Revenue from sales of land		$ 4,589,299	
Revenue from sales of building		3,275,263	
Less: Sales return or discount		(16,191)	
Subtotal		7,848,371	
Rental income	Investment property	13,562	
Revenue from construction contract		227,813	
Other revenues	Commission income	27,690	
Total		**$ 8,117,436**	

Statement of Operating Costs

Item	Description	Amount	Note
Cost of land		$ 2,902,362	
Cost of building		2,938,708	
Subtotal		5,841,070	
Cost of lease	Depreciation of investment property	4,610	
Cost of construction contract		239,509	
Total		**$ 6,085,189**	

KINDOM DEVELOPMENT CO. LTD
Statement of Selling and Marketing Expenses
For the Year Ended December 31, 2019

Unit: Thousands of New Taiwan Dollars

Item	Description	Amount	Note
Salary expenses	Salaries and bonus	$ 26,510	
Rental expenses		47,768	
Taxes		41,130	
Advertising and commission expenses		238,229	
Others		36,458	
		$ 390,095	

Statement of General and Administrative Expenses

Item	Description	Amount	Note
Salaries and pensions		$ 158,512	
Insurances		8,809	
Labor costs		11,943	
Taxes and donations		88,117	
Depreciations		6,912	
Employee benefits		5,160	
Others		32,856	
		$ 312,309	

KINDOM DEVELOPMENT CO. LTD
Statement of Other Incomes
For the Year Ended December 31, 2019

Unit: Thousands of New Taiwan Dollars

Refer to Note VI(23) for more details.

Statement of Net Other Gains and Losses

Refer to Note VI(23) for more details.

Statement of Financing Costs

Refer to Note VI(23) for more details.