Stock Code: 2520

KINDOM DEVELOPMENT CO., LTD. and Subsidiaries

Consolidated Financial Statements and Independent Auditors' Report

Year 2019 and Year 2018

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The reader is advised that these consolidated 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.

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STATEMENT OF DECLARATION

The companies that are required to be included in the combined financial statements of Kindom Development Co., Ltd. and subsidiaries for the year starting from January 1, 2019 to December 31, 2019, under the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises," are all the same as those required to be included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 "Consolidated Financial Statements" endorsed by the Financial Supervisory Commission (FSC). Relevant information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Kindom Development Co., Ltd. and subsidiaries do not prepare a separate set of combined financial statements.

Hereby declared,

Company Name:Kindom Development Co., Ltd.

Chairman: Mike, Ma

Date:March 23, 2020

Independent Auditors' Report

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

Opinion

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

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

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

Emphasis of Matter

We draw attention to Note III(a) to the consolidated financial statements which describes that the Group initially adopted the IFRS 16 "Leases" on January 1, 2019, with no restatement of comparative period financial statements. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

Refer to Note IV(18) for the accounting policies on recognizing revenue and Note VI(22) for details of related disclosure.

Description of key audit matter:

The Group engaged primarily in the sales of real estate developments. 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 of real estate sales amount to 7,848,371 thousands, which is material to the fair presentation of consolidated financial statements. Consequently, the Group’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 Group'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 prepayments in order to assess the completeness of the recognition of bank deposits and 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.

I. Revenue recognition of real estate sales

Refer to Note IV(18) for the accounting policies on recognizing revenue and Note VI(22) for details of related disclosure.

Description of key audit matter:

The Group 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 of real estate sales amount to NT$ 7,848,371 thousand, which is material to the fair presentation of consolidated financial statements. Consequently, the Group'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 Group'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. Construction contract

Refer to Note IV(18) for the accounting policies on construction contracts; Note V(1) for the uncertainty of accounting estimations and assumptions for total construction costs; and Note VI(22) for details of revenue recognition of customer contracts.

Description of key audit matters:

The evaluation of total costs of a construction contract, which are subject to changes in construction plans and inflation or deflation on prices of building materials, requires the Group's management judgements to a great extent. Errors in the evaluation of construction costs may cause significant changes to the profit and loss for the reporting period and therefore are a source of audit risk. The Group applies the percentage of completion accounting method to accounts for revenue and costs of a contract, and the percentage of completion is based on the percentage of construction projects completed as of the end of the reporting period out of the total estimated construction costs of the contract. Since the total construction costs require the Group's management judgements to a great extent, errors in such judgements may cause significant misrepresentation in the timing and the valuation of profit or loss of a contract for the year.

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, testing the design and effectiveness of the Group's internal controls over the outsourcing of construction projects and the accrual of receivables; obtaining the tables containing all details of changes in the total construction costs; performing sample testing to confirm construction contracts, agreements, and external documentations of communications with property purchasers and meeting minutes with construction crew; performing sample testing on construction bills and payments from closed property purchasers in each periods; testing and evaluating the design and effectiveness of the Group's internal controls over procurement outsourcing and construction budgeting; performing sample testing to confirm the external documentations of construction bills, contracts, daily reports, receipts, and budgets and comparing these documents with original construction budgets to verify the fair presentation and correct classifications of construction costs; performing sample testing to evaluate the management's budgeting procedures of a construction; performing sample testing on the pricing of building materials in each periods and recalculating the percentage of completion; and performing sample testing to evaluate the cutoff of construction projects taking place before and after the balance sheet date.

III. Inventory valuation

Refer to Note IV(8) for the accounting policies on inventory valuation, Note V(2) 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 Group's inventory amounts to NT$ 32,406,303 thousand and accounts for 58% 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 Group'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 Group's internal procedures and accounting processes over inventory valuation; obtaining the inventory valuation performed by the Group 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 Group's developments, or confirming and recalculating the investment return analysis of each developments, to evaluate if the net realizable value of inventory is fairly presented.

Other Matters

We have also audited the individual financial statements of the company as of and for the years ended December 31, 2019 and 2018 on which we have issued an unmodified opinion.

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

In preparing the consolidated financial statements, the management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

KPMG

Taipei, Taiwan

Republic of China

March 23, 2020

Notices to Readers

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

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

KINDOM DEVELOPMENT CO. LTD and Subsidiaries

Consolidated Balance Sheets

December 31, 2019 and 2018

Unit: Thousands of New Taiwan Dollars

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		2019.12.31		2018.12.31	
	ASSETS	**Amount**	**%**	**Amount**	**%**
	Current Assets:				
1100	Cash and cash equivalents (Note VI(1) and (25))	$ 6,229,385	11	5,539,557	11
1110	Financial assets at fair value through profit or loss – current (Note VI(2) and (25))	97,563	-	90,949	-
1140	Contract assets - current (Note VI(22))	1,349,793	3	1,028,330	2
1150	Notes receivable, net (Note VI(4) and (25))	3,201	-	1,229	-
1170	Accounts receivable, net (Note VI(4), (22) and (25))	1,412,568	3	1,427,636	3
1220	Current tax assets	33,266	-	29,183	-
1300	Inventories - trading (Note VI(5))	15,105	-	19,343	-
1320	Inventories – construction (Notes VI(5) and VIII)	32,406,303	58	32,238,166	63
1410	Prepayments	300,541	1	489,987	1
1476	Other financial assets – current (Note VI(12), (23), (25) and VIII)	3,530,868	6	2,330,035	5
1479	Other current assets - others	40,424	-	43,534	-
1480	Incremental costs of obtaining a contract – current (Note VI(12))	144,525	-	103,350	-
		45,563,542	82	43,341,299	85
	Non-current Assets:				
1517	Financial assets at fair value through other comprehensive income - non-current (Note VI(3) and (25))	8,579	-	7,596	-
1550	Investments accounted for using the equity method	20,506	-	20,505	-
1600	Property, plant and equipment (Note VI(8) and VIII)	6,703,794	12	6,979,157	14
1755	Right-of-use assets (Note VI(9))	2,789,255	5	-	-
1760	Investment property (Notes VI(10) and VIII)	510,687	1	515,199	1
1780	Intangible assets (Note VI(11))	42,830	-	52,212	-
1840	Deferred tax assets (Note VI(19))	51,446	-	39,542	-
1915	Prepayments for equipment	9,926	-	7,315	-
1975	Defined benefit assets, net - non-current (Note VI(18))	1,361	-	-	-
1980	Other financial assets - non-current Note VI(25) and VIII)	72,968	-	114,677	-
1985	Prepaid lease	-	-	35,765	-
1995	Other non-current assets - others	50,071	-	50,041	-
		10,261,423	18	7,822,009	15
	TOTAL ASSETS	**$ 55,824,965**	**100**	**51,163,308**	**100**

		2019.12.31		2018.12.31	
	LIABILITIES AND EQUITY	**Amount**	**%**	**Amount**	**%**
	Current Liabilities:				
2100	Short-term borrowings (Note VI(13) and 25))	$ 18,915,374	34	19,204,508	38
2130	Contract liabilities - current (Note VI(22))	6,187,338	11	4,590,030	9
2150	Notes payable (Note VI(25))	397,938	1	403,874	1
2170	Accounts payable (Note VI(25))	4,871,171	9	4,058,337	8
2180	Accounts payable - related parties (Note VI(25) and VII)	-	-	307	-
2200	Other payables (Note VI(25))	777,890	2	876,121	2
2230	Current tax liabilities	68,365	-	269,880	-
2250	Provisions – current (Note VI(16))	102,482	-	79,261	-
2251	Provisions for employee benefit – current (Note VI(18))	21,533	-	18,516	-
2280	Lease liabilities – current (Note VI(15) and (25))	129,914	-	-	-
2310	Payments received in advance	2,029	-	12,984	-
2320	Current portion of long-term debt due within one year or one operating period (Note VI(25))	16,336	-	16,336	-
2321	Current portion of convertible corporate bond due within one year or one operating period (Note VI(14) and (25))	-	-	1,000,000	2
2322	Current portion of long-term borrowing due within one year or one operating period (Note VI(13) and (25))	190,450	-	204,150	-
2355	Lease payable - current (Note VI(25))	-	-	1,952	-
2399	Other current liability - others (Note VI(25))	169,065	-	161,909	-
		31,849,885	57	30,898,165	60
	Non-current Liabilities:				
2530	Bonds payable (Note VI(14) and (25))	4,500,000	8	3,500,000	7
2540	Long-term borrowing (Note VI(13) and (25))	2,184,575	4	3,000,667	6
2580	Lease liabilities - non-current (Note VI(15) and (25))	2,714,817	5	-	-
2613	Lease payable - non-current (Note VI(25))	-	-	989	-
2640	Defined benefit liabilities, net - non-current (Note VI(18))	6,681	-	11,166	-
2645	Guarantee deposits (Note VI(25))	90,754	-	62,355	-
2670	Other non-current liabilities – others (Note VI(25))	65,344	-	122,403	-
		9,562,171	17	6,697,580	13
	TOTAL LIABILITIES	41,412,056	74	37,595,745	73
	Equity attributable to owners of the parent company (Note VI(20))				
3100	Share capital	5,037,910	9	5,037,910	10
3200	Capital reserve	1,379,873	3	1,368,865	3
3300	Retained earnings	6,306,721	11	5,526,960	11
3400	Other equity	(25,804)	-	(25,546)	-
3500	Treasury stock	(71,196)	-	(71,196)	-
	Total equity attributable to owners of the parent company	12,627,504	23	11,836,993	24
36XX	Non-controlling interest (Note VI(7))	1,785,405	3	1,730,570	3
	TOTAL EQUITY	14,412,909	26	13,567,563	27
	TOTAL LIABILITIES AND EQUITY	**$ 55,824,965**	**100**	**51,163,308**	**100**

(Refer to the subsequent Notes to Consolidated Financial Statements)

KINDOM DEVELOPMENT CO., LTD. and Subsidiaries
Consolidated 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 (Note VI(22))**	$ 15,326,899	100	14,435,680	100
5000	**Operating Costs (Note VI(5))**	11,298,605	73	10,436,554	72
	Gross Profit	4,028,294	27	3,999,126	28
	Operating Expenses:				
6100	Selling and marketing expenses	390,095	3	470,935	3
6200	General and administrative expenses	1,439,470	9	1,618,290	11
		1,829,565	12	2,089,225	14
	Net Operating Profit	2,198,729	15	1,909,901	14
	Non-Operating Income and Expenses:				
7010	Other income (Note VI(24))	23,756	-	26,933	-
7020	Other interest income and expenses (Note VI(24))	42,203	-	(420,860)	(3)
7050	Finance costs (Note VI(24))	(450,425)	(3)	(435,564)	(3)
7060	Share of the profit of associates and joint ventures accounted for using the equity method	1	-	8	-
		(384,465)	(3)	(829,483)	(6)
	Income Before Tax of Continuing Operation	1,814,264	12	1,080,418	8
7950	**Less: Income tax expense** (Note VI(19))	268,041	2	407,105	3
	Net Income	1,546,223	10	673,313	5
8300	**Other Comprehensive Income:**				
8310	**Items that will not be reclassified subsequently to profit or loss:**				
8311	Remeasurements of defined benefit plans	622	-	(38)	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	984	-	960	-
8360	**Items that may be reclassified subsequently to profit or loss:**				
8361	Exchange differences on translation of financial statements of foreign operations	(421)	-	7,869	-
8300	**Other comprehensive loss (net of taxes)**	1,185	-	8,791	-
	Total comprehensive income (loss) for the years	**$ 1,547,408**	**10**	**682,104**	**5**
	Net income attributable to:				
8610	Owners of the parent company	$ 1,283,526	8	507,248	4
8620	Non-controlling interest	262,697	2	166,065	1
		$ 1,546,223	**10**	**673,313**	**5**
	Total comprehensive Income (loss) attributable to:				
8710	Owners of the parent company	$ 1,283,294	8	515,347	4
8720	Non-controlling interest	264,114	2	166,757	1
		$ 1,547,408	**10**	**682,104**	**5**
9750	**Basic Earnings Per Share (in NT$)** (Note VI(21))	**$**	**2.60**		**1.03**
9850	**Diluted Earnings Per Share (in NT$)** (Note VI(21))	**$**	**2.60**		**1.03**

(Refer to the subsequent Notes to Consolidated Financial Statements)

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

Unit: Thousands of New Taiwan Dollars

	Equity attributable to Shareholders of the Company											
	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 attributable to owners of the parent company	Non-controlling interest	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	1,714,443	13,061,408
Effects of retrospective application	-	-	-	-	222,398	222,398	-	(1,538)	-	220,860	-	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	1,714,443	13,282,268
Net income for the year	-	-	-	-	507,248	507,248	-	-	-	507,248	166,065	673,313
Other comprehensive income (loss) for the year	-	-	-	-	(414)	(414)	6,611	1,902	-	8,099	692	8,791
Total comprehensive income (loss) for the year	-	-	-	-	506,834	506,834	6,611	1,902	-	515,347	166,757	682,104
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)	-	(251,896)
Other changes in capital reserve:												
Change in equity of investments in associates and joint ventures	-	61	-	-	-	-	-	-	-	61	116	177
Changes in capital reserve from dividends paid to subsidiaries	-	5,313	-	-	-	-	-	-	-	5,313	-	5,313
Unclaimed dividends after effective period	-	343	-	-	-	-	-	-	-	343	-	343
Changes in non-controlling interest	-	-	-	-	-	-	-	-	-	-	(150,746)	(150,746)
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	1,730,570	13,567,563
Net income for the year	-	-	-	-	1,283,526	1,283,526	-	-	-	1,283,526	262,697	1,546,223
Other comprehensive income (loss) for the year	-	-	-	-	26	26	(354)	96	-	(232)	1,417	1,185
Total comprehensive income (loss) for the year	-	-	-	-	1,283,552	1,283,552	(354)	96	-	1,283,294	264,114	1,547,408
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)	-	(503,791)
Other changes in capital reserve:												
Changes in equity of associates and joint ventures accounted for under the equity method	-	11	-	-	-	-	-	-	-	11	22	33
Changes in capital reserve from dividends paid to subsidiaries	-	10,626	-	-	-	-	-	-	-	10,626	-	10,626
Unclaimed dividends after effective period	-	371	-	-	-	-	-	-	-	371	-	371
Changes in non-controlling interest	-	-	-	-	-	-	-	-	-	-	(209,301)	(209,301)
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**	**1,785,405**	**14,412,909**

KINDOM DEVELOPMENT CO., LTD. and Subsidiaries
Consolidated 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	$ 1,814,264	1,080,418
Adjustments:		
Adjustments to reconcile profit (loss)		
Depreciation	361,209	258,258
Amortization	14,639	19,088
Impairment loss (profit reversal)	(15,110)	515,204
Net loss (gain) on financial assets and liabilities measured at fair value through profit or loss	(6,699)	8,300
Interest expense	450,425	435,564
Interest income	(20,300)	(23,259)
Dividend income	(3,456)	(3,674)
Share of gains (loss) of associates and joint ventures accounted for using equity method	(1)	(8)
Gain on disposal of assets	(80)	(309)
Amortization of prepaid lease	-	1,578
Other income	-	(56,567)
Total adjustments to reconcile profit (loss)	780,627	1,154,175
Changes in operating assets and liabilities:		
Changes in operating assets:		
Decrease in financial instruments measured at fair value through profit or loss	84	322
Increase in contract assets	(321,463)	(209,144)
Decrease (increase) in notes receivable	(1,972)	12,894
Decrease (increase) in accounts receivable	72,121	(312,367)
Decrease in other receivables	-	26,853
Decrease (increase) in inventory	1,301	(2,031,086)
Decrease in prepayments	189,033	95,130
Decrease (increase) in other current assets	3,110	(17,609)
Increase in other financial instruments - current	(1,149,743)	(791,380)
Decrease (increase) in incremental costs of obtaining a contract	(41,175)	117,510
Increase in defined benefit assets - non-current	(1,361)	-
Decrease (increase) in other non-current assets	(30)	5
Total changes in operating assets	(1,250,095)	(3,108,872)
Changes in operating liabilities:		
Increase in contract liabilities	1,597,308	2,519,722
Increase (decrease) in notes payable	(5,936)	62,562
Increase in accounts payable	812,834	247,758
Increase (decrease) in accounts payable - related parties	(307)	307
Increase (decrease) in other payables	(66,992)	92,935
Increase in provisions for employee benefit - current	3,017	2,111
Increase in provisions - current	23,221	20,176
Decrease in payments received in advance	(10,955)	(23,085)
Increase in leases payable - current	-	38
Increase in other current liabilities	5,204	120,798
Decrease in defined benefit liabilities	(3,862)	(1,168)
Decrease in other non-current liabilities	(16,412)	(17,732)
Total changes in operating liabilities	2,337,120	3,024,422
Total changes in operating assets and liabilities	1,087,025	(84,450)
Total adjustments	1,867,652	1,069,725

	2019	2018
Cash generated from operations	3,681,916	2,150,143
Income taxes paid	(485,543)	(202,033)
Net cash generated from operating activities	3,196,373	1,948,110
Cash flows from investing activities:		
Proceeds from capital return of financial assets measured at fair value through other comprehensive income	-	51
Disposal of non-current Assets Held for Sale	111,969	-
Acquisition of property, plant and equipment	(93,581)	(188,750)
Disposal of property, plant and equipment	1,431	874
Acquisition of intangible assets	(3,726)	(5,711)
Disposal of investment property	-	93,022
Decrease (increase) in other financial instruments - non-current	(9,858)	14,397
Increase in prepayments for equipment	(3,728)	(2,004)
Interests received	20,777	23,123
Dividends received	3,456	3,674
Net cash generated from (used in) investing activities	26,740	(61,324)
Cash flows from financing activities:		
Increase in short-term borrowings	9,399,885	12,142,810
Decrease in short-term borrowings	(9,689,019)	(13,477,068)
Increase in short-term notes	569,000	1,524,000
Decrease in short-term notes	(569,000)	(2,083,289)
Redemption or repurchase of corporate bonds	(1,000,000)	(2,000,000)
Issuance of convertible corporate bonds	1,000,000	2,000,000
Issuance of long-term debt	110,000	83,050
Redemption of long-term debt	(940,541)	(489,400)
Increase in guarantee deposits	28,399	17,748
Long-term lease payable	-	(2,519)
Repayments of lease principal	(121,212)	-
Cash dividends paid	(493,165)	(246,583)
Interests paid	(619,052)	(635,865)
Changes in non-controlling interest	(209,301)	(150,746)
Net cash generated from (used in) financing activities	(2,534,006)	(3,317,862)
Effects of exchange rate changes on the balance of cash and cash equivalents	721	8,728
Net increase (decrease) in cash and cash equivalents	689,828	(1,422,348)
Cash and cash equivalents at beginning of year	5,539,557	6,961,905
Cash and cash equivalents at end of the year	$ 6,229,385	5,539,557

KINDOM DEVELOPMENT CO., LTD. and Subsidiaries
Notes to Consolidated Financial Statements
Year 2019 and Year 2018
(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

I. Company Overview

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 and its subsidiaries (the "Group") primarily engages in the development of residential properties, the leases or sales of commercial buildings, comprehensive constructions, department stores, supermarkets, and international trading.

II. The Approval Date and Procedures of the Financial Report

The consolidated financial statements were authorized by the Board of Directors on March 23, 2020.

III. Application of Newly Issued and Revised Standards and Interpretations

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

In preparing the accompanying consolidated financial statements, the Group 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 consolidated 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 Group 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 Group determined whether a contract is or contains a lease in accordance with IFRIC 4. Upon adopting the new standard, the Group determined whether a contract is or contains a lease in accordance with IFRS 16 (Note IV(13)).

On transition to the new standard of IFRS 16, the Group elects the modified retrospective approach and apply 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 Group as a lessee

For transactions where the Group is the lessee, previously, the Group'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.

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 Group'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 Group applies this valuation to all other leases besides aforementioned leases.

The Group 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 Group as a lessor

Except for sublease, as a lessor, the Group does not need to make adjustments in the transition to the new standard, and at the date of initial application, the Group 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 Group recognizes right-of-use assets and lease liabilities in the amount of NT$ 2,911,491 thousand and NT$ 2,965,902 thousand, respectively, at the date of initial application. The lease liability is calculated by discount of lease payment using the interest rate applicable for increase in borrowing at the Group's date of initial application, and the weighted average of the interest rate adopted is 1.80%.

The adjustments of amount of operating leases for the prior year to lease liabilities at the date of initial application are listed below:

	2019.1.1
Amount of operating leases disclosed in the consolidated financial statement on December 31, 2018	$ 2,175,765
Short-term borrowing	(35,128)
Reasonably excisable options to extend or terminate	1,417,308
	3,557,945
Discount amount with incremental borrowing rate on January 1, 2019	2,965,902
Amount of finance leases on December 31, 2018	-
Amount of lease liabilities on January 1, 2019	**$ 2,965,902**

(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 Group assessed that the adoption of the aforementioned new standards will not have significant impacts on its consolidated 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 Group is currently evaluating the impact on its consolidated financial position and consolidated financial performance upon the initial adoption of the aforementioned standards and interpretations. The results thereof will be disclosed when the Group completes its evaluation.

IV. Summary of Material Accounting Policies

The significant accounting policies presented in the consolidated 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 Group's consolidated financial statements have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" (the "Regulations") and the IFRS, IAS, IFRIC Interpretations, and SIC Interpretations endorsed by the FSC (collectively as the "IFRSs approved by FSC").

(II) Basis of preparation

1. Basis of measurement

The consolidated 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 (or asset) measured at the fair value of plan assets less present value of defined benefit obligation, and the limits disclosed in Note VI(18).

2. Functional and presentation currency

The functional currency of each entity of the Group is determined based on the primary economic environment in which the entity operates. The Group's consolidated 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) Basis of consolidation

1. Principle of preparation of the consolidated financial statements

The consolidated financial statements incorporate the financial statements of the company and its controlled entities (the subsidiaries), where the company is exposed, or has right, to variable returns from its involvement with the entities and has the ability to affect those returns through its control over the entities.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All inter-company transactions within the Group, balances and corresponding unrealized income and expenses are eliminated upon consolidation. Total comprehensive income (loss) of a subsidiary is attributed to the owners of the company and the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Financial statements of subsidiaries are adjusted to ensure consistency with the accounting policies adopted by the company.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions among owners. The difference between the adjustment of the non-controlling interests and the fair value of the consideration paid or received is recognized in equity and attributed to the owners of the company.

2. List of subsidiaries in the consolidated financial statements

Name of investor		Nature of business	Percentage of ownership		
Company Name	**Name of Investee**	**Nature**	**2019.12.31**	**2018.12.31**	**Disclosure**
The company	Kedge Construction Co., Ltd. ("Kedge Construction")	Comprehensive constructions	34.18%	34.18%	The company has more than half of the company's director seats.
The company	Global Mall Co., Ltd. ("Global Mall")	Supermarkets, department stores, international trading, wholesales of medical equipment, and retails	84.02%	84.02%	The company controls subsidiaries that has voting rights of more than half of issued shares.
Joint venture of the company and Global Mall	Guan Cheng Co., Ltd. (GLOBAL MALL BANQIAO STORE) ("Guan Cheng")	Department stores, supermarkets, and non-store retailing	100.00%	100.00%	The Group controls subsidiaries that has voting rights of more than half of issued shares.
Kedge Construction	Jiequn Investment Co., Ltd. ("Jiequn Investment")	General investment	99.98%	99.98%	Kedge Construction controls subsidiaries that have voting rights of more than half of issued shares.
Kedge Construction	Guanqing Electromechanical Co., Ltd. ("Guanqing Electromechanical")	Installation and engineering of electrical and fire safety equipment	99.96%	99.96%	Kedge Construction controls subsidiaries that have voting rights of more than half of issued shares.
Joint venture of Jiequn Investment and Guanqing Electromechanical	Dingtian Co., Ltd. ("Dingtian")	Comprehensive constructions	100.00%	100.00%	The Group controls subsidiaries that has voting rights of more than half of issued shares.
Global Mall	KGM International Investment Co., Ltd. ("KGM")	Investment and operation of shopping mall in mainland China, including master planning, supporting engineering consulting, and leasing planning and consulting	100.00%	100.00%	Global Mall controls subsidiaries that has voting rights of more than half of issued shares.
Global Mall	Guan Hua Co., Ltd. (GLOBAL MALL NANGANG STORE) ("Guan Hua")	Department stores, supermarkets, and non-store retailing	100.00%	100.00%	Global Mall controls subsidiaries that has voting rights of more than half of issued shares.
KGM	Global Mall (Tianjin) Co., Ltd. (Note)	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 operation and management	100.00%	100.00%	KGM controls subsidiaries that has voting rights of more than half of issued shares.
Joint venture of Global Mall and Guan Cheng	Guan You Co., Ltd. (GLOBAL MALL ZUOYING STORE) ("Guan You")	Department stores, supermarkets, and non-store retailing	100.00%	100.00%	The Group controls subsidiaries that has voting rights of more than half of issued shares.

Note: Global Mall (Tianjin) Co., Ltd. ("Global Mall Tianjin") is a subsidiary of KGM, investments accounted for using the equity method. On May 31, 2019, KGM Tainjin singed with Tianjin Chongbei Property Management Co, Ltd. (lessor) an agreement in which the lease was terminated on the aforesaid agreement date. The lease was to be closed by July 2019. Refer to Note VI(6) and IX(1).7 for more details of the related disclosure.

3. List of subsidiaries which excluded in the consolidated financial statements: None

(IV) 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.

(V) 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 Group 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.

(VI) 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.

(VII) 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 Group 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 Group'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)

A debt investment is measured at FVTOCI 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 achieved by both collecting contractual cash flows and selling financial assets.
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group 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.

Debt investments are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses, and impairment losses, deriving from debt investments are recognized in profit or loss; other net gains and losses are recognized in other comprehensive income ("OCI"). On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

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 Group'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 Group 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 Group 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 Group 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 Group 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 Group' s historical experience, 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 Group in accordance with the contract and the cash flows that the Group expects to receive. ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Group 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 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 Group analyzed 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 Group'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 Group transfers substantially all the risks and rewards of ownership of the financial assets to other enterprises, or when the Group 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 Group continue 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 Group 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 Group 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 Group 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 Group derecognizes a financial liability when its contractual obligation has been fulfilled or cancelled, or has expired. The Group 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 Group 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.

(VIII) Inventories

Construction

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.

   Trading

   Inventory is measured by the lower of cost and NRV. The cost is the weighted average of all costs necessary 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 to get the inventory ready for use and selling costs.

(IX) Non-current assets held for sale

Per the arbitration in the second quarter of 2019, the Group disposed of the related property, plant, and equipment and began on June 30, 2019 to adopt the relevant accounting policies on non-current assets held for sale.

Non-current assets or disposal groups comprising assets and liabilities that are expected to be recovered primarily through a sale transaction, rather than through continuing use, are reclassified as non-current assets held for sale. Immediately before the initial classification of the non-current assets as held for sale, the Group remeasures the carrying amount of all the assets and liabilities in the group in accordance with its applicable accounting policies. After the classification as held for sale, the assets are measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group will first be allocated to goodwill, and then the remaining balance of impairment loss is allocated to assets and liabilities on a pro rata basis, except for the assets not within the scope of IAS 36 – Impairment of Assets. Such assets will continue to be measured in accordance with the Group's accounting policies. Impairment losses for assets initially classified as held for sale and any subsequent gains or losses on remeasurement are recognized in profit or loss; nevertheless, the reversal gains are not to be recognized in excess of any cumulative impairment loss.

Intangible assets and property, plant, and equipment are no longer amortized or depreciated when they are classified as held for sale. In addition, when investments in associates accounted for using the equity method is reclassified as held for sale, the equity method is no longer applicable.

(X) Investments in associates

An associate is an entity over which the Group has significant influence to participate in the entity's financial and operating policies but is not in control or joint control over those policies.

Investments in associates are accounted for using the equity method. Under equity method, an investment in an associate is initially recognized at acquisition cost, including transaction cost. The carrying amount of the investment includes goodwill at the date of acquisition less any cumulative impairment loss.

In the period from the acquisition of to the disposal of significant influence over an associate, based on the adjustment as per the Group's accounting principle, the Group accounts for all amounts recognized in the associate's profit or loss as well as other comprehensive income, according to the Group's proportionate interest. When changes in equity of an associate is not related to profit or loss and other comprehensive income and the Group's proportionate interest is unaffected, the Group recognizes these equity changes as an adjustment to the investment with the corresponding amount charged or credited to capital reserve.

Only when the transactions are neither upstream nor downstream transactions, unrealized profits and losses resulting from transactions between the Group and an associate are recognized in the associate's financial statements.

If the Group's share of losses of an associate equals or exceeds its proportionate interest, the Group discontinues recognizing its share of further losses. After the Group's proportionate interest is reduced to zero, additional losses are recognized as a provision (liability) only to the extent that the investor has incurred legal or constructive obligations or made payments on behalf of the associate.

(XI) 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.

(XII) 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 Group.

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	2～55 years
(2)	Machinery and equipment	5～10 years
(3)	Transportation, office and others	1～30 years
(4)	Leasehold improvement	2～20 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.

(XIII) Leases

Policy applicable commencing January 1, 2019

1. Identifying a lease

   At the contract commencement date, the Group determined 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 Group apply 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 Group 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 Group elect not to separate non-lease components from lease components and instead account for all components as a lease.

2. The Group as lessee

At the lease commencement date, the Group 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 Group uses its incremental borrowing rate. In general, the Group 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 Group records right-of-use assets and lease liabilities defined as not investment properties in a single line item in the consolidated balance sheets.

The Group 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 Group as lessor

For transactions where the Group is the lessor, the Group 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 Group evaluates situations including whether the lease term is for the major part of the economic life of the asset.

If the Group is the lessor of a sublease, the Group 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 Group 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 Group as lessee

   All other lease are operating leases, which were not recognized as a leases asset in the Consolidated 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.

(XIV) Intangible assets

1. Recognition and measurement

   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:

   (1) Patents and trademarks: 10 years
   (2) Service concessions: 13~16 years
   (3) Computer software: 2~10 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.

(XV) Long term prepaid lease

When the Group 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.

(XVI) 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 Group'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.

A subsequent reversal of the impairment loss on goodwill is prohibited. An impairment loss recognized in the prior year for an asset other than goodwill can be reversed only to the amount not exceeding its recoverable amount for the prior year, less amortization of the year.

(XVII) Provisions

Provisions are recognized when, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that the Group will be required to settle the obligation with an outflow of economic benefits. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as an interest expense.

A provision for warranties is recognized upon the completion of construction. This provision reflects the historical warranty claim rate and the weighting of all possible outcomes against their associated probabilities.

(XVIII) Revenue recognition

1. Revenue from contracts with customers

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group 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 Group's main types of revenue are explained below:

(1) Development of land and buildings

The Group develops and sells real estate, often before or during construction. The Group recognizes revenue when control over a piece of real estate is transferred. Due to contract restrictions, the Group 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) Customer loyalty program

The Group grants points to its customers in a customer loyalty program, and the points, accumulated through purchases, can be redeemed in the future for gifts or discounts on goods. The Group records the points as a performance obligation since they give customers a material right that the customer would not have received without entering into the program. The Group separately records the sales of goods and the points on the basis of stand-alone selling price. Applying historical data, the Group's management estimates each point's stand-alone selling price, based on the discount received by the customers and the expected redemption rate of the points, and allocates a part of transaction price to the points. When sales transactions are made, the points are recognized in performance obligations; when the points are redeemed or expired, they are reclassified in profit or loss.

(3) Consulting and management services

The Group provides business consultation and management to enterprise customers and recognizes in the accounting periods in which the services are rendered. Revenue is recognized based on the actual service provided by the end of the reporting period as a proportion of the total services to be provided. The proportion of services provided is determined based on the portion of the work performed, the time passed by, or the milestone reached.

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.

In case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the accumulated revenue due to rendering of services recognized by the Group exceed the payments, a contract asset is recognized. If the payments exceed the accumulated revenue recognized, a contract liability is recognized.

(4) Construction contracts

The Group 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 Group has unconditional rights to the considerations, the contract asset is reclassified as an account payable.

When the Group 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 Group 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.

The Group grants standard warranties on residential real estate and public construction according to contract agreements and recognizes this obligation as provisions - warranty. Refer to Note VI(16) for more details.

(5) Commission income

In the department store business, when the Group acts as agent and not principal in an transaction, it recognizes commission revenue, on a net basis.

(6) 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.

(7) Financing components

The Group 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 Group does not adjust any of the transaction prices for the time value of money.

2. Contract costs

(1) Incremental costs of obtaining a contract

The Group recognizes the incremental costs of obtaining a contract with a customer as an asset if the Group expects to recover those costs. The incremental costs of obtaining a contract are those costs that the Group 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.

(2) Costs of fulfilling a contract

If the costs incurred in fulfilling a contract with a customer are not within the scope of another Standard (for example, IAS 2 Inventories, IAS 16 Property, Plant and Equipment or IAS 38 Intangible Assets), the Group recognizes an asset from the costs incurred to fulfill a contract only if those costs meet all of the following criteria: the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify; the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and the costs are expected to be recovered.

For general and administrative costs, costs of wasted materials, labor or other resources to fulfill the contract that were not reflected in the price of the contract, costs that relate to satisfied performance obligations (or partially satisfied performance obligations), and costs for which the Group cannot distinguish whether the costs relate to unsatisfied performance obligations or to satisfied performance obligations(or partially satisfied performance obligations), the Group recognizes these costs as expenses when incurred.

(XIX) 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 Group, 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 Group 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 Group 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 Group 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.

(XX) 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 Group 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.

(XXI) 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 Group's dilutive potential common stocks include employee stock option warrants.

(XXII) Segment information

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker, who decides on the allocation of resources to the segment and assesses its performance, for which discrete financial information is available.

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

The preparation of the consolidated financial statements, in conformity with the Regulations and IFRSs approved by FSC, 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:

(I) Revenue recognition and accrual of contract cost

The Group recognized any profit or loss on construction contracts as a contract income or a contract cost, on the basis of stage of completion of contract activity, that is, the percentage of contract costs incurred for work performed to date in proportion to the estimated total contract costs. In the estimation of total contract costs, considered are characteristics of various construction programs including, among other, estimated construction period, number of projects, construction methodology and processes, and estimated outsourced projects. Changes in any aforementioned basis of estimation could result in significant adjustments to the provision made.

(II) Inventory valuation

Inventories are measured at the lower of cost or net realizable value. The Group 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 Group adopts fair value to measure financial and non-financial assets as well as liabilities. To make valuation close to market conditions, the Group 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 Group 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 Group applies observable market inputs as much as possible. A fair value hierarchy categorizes the inputs used in valuation techniques into three levels:

- Level 1 inputs: (unadjusted) quoted prices in active markets for identical assets or liabilities.
- 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).
- 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(10) Investment Property
2. Refer to VI(25) 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	$ 13,832	14,511
Bank deposits		
Checking deposits	925,405	2,069,815
Demand deposits	2,162,225	2,581,408
Cash equivalents	3,127,923	873,823
	$ 6,229,385	5,539,557

Maturity of these cash equivalents ranges from January to March 2020 with one on January 2019; interest rate of these cash equivalents ranges from 0.52% to 0.57% and from 0.60% to 0.61%.

Refer to note VI(25) for the details on interest rate risk and sensitivity analysis of the financial assets and liabilities of the Group.

(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			
Non-derivative financial assets			
Listed stocks	$	67,499	67,837
Funds		30,064	23,112
Total	$	97,563	90,949

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			
Unlisted stock	$	8,579	7,596

1. Equity investments measured at FVTOCI
   The Group 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$ 530 thousand and NT$ 360 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 Group 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(25) 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 operation	$	3,201	1,229
Accounts receivables - measured at amortized cost		1,412,568	1,427,636
Less: loss allowance		-	-
	$	1,415,769	1,428,865

The Group 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	$ 1,415,769	-	-

	2018.12.31		
	Carrying amount	**Weighted average loss rate**	**Loss allowance for expected credit impairment of the period**
Current	$ 1,428,865	-	-

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

As of December 31, 2018, analysis of the Group's expected credit losses for notes and accounts receivable in mainland China was as follows:

Due to the rescission of the lease with the Lessors, Tianjin Chongbei Property Management Co., Ltd. and Tianjin River Property Management Co., Ltd., lease agreements with retailers in the related shopping mall were also terminated. After a deduction of any resulting penalties, the loss allowance on the related accounts receivables, net of any related rights and obligations, was measured at NT$ 175,703 thousand. Refer to Note IX(1)g for related details.

(V) Inventory

	2019.12.31	2018.12.31
Inventory - trading	$ 15,105	19,343
Inventory - construction		
Prepayment for buildings and land	4,235	5,716
Land held for construction	1,239,027	4,683,217
Construction in progress	16,660,475	12,068,232
Buildings and land held for sale	14,502,566	15,481,001
Subtotal	32,406,303	32,238,166
Total	$ 32,421,408	32,257,509

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 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(24) 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) Non-current assets held for sale

Per the arbitration dated on June 28, 2019, the Lessor, Tianjin Chongbei Property Management Co., Ltd., agreed to buy back the leasehold improvements, electromechanical engineering projects and other assets and has begun to process the sales. Consequently, the Group recognized these PP&E as non-current assets held for sales and tested for impairment based on the carrying amount and the fair value of these assets, whichever is lower. No impairment is recognized.

The fair value of these non-current assets held for sales is based on the price agreed by both parties in the settlement agreement. The transaction was closed and the related payments were received on July 2019.

(VII) Subsidiary with material non-controlling interests

Subsidiaries with material non-controlling interests were as follows:

Name of subsidiary	Main operating location/ Country of registration	Proportion of ownership interest and voting right of non-controlling interests 2019.12.31	2018.12.31
Kedge Construction and its subsidiaries	Taiwan	65.82%	65.82%

The following combined financial information, prepared in conformity with the Regulations and IFRSs approved by FSC, reflects any adjustments to the fair value at the acquisition date and adjustments to accounting policy differences and includes inter-company transactions that are eliminated in consolidated financial statements.

Combined financial information of Kedge Construction and its subsidiaries:

	2019.12.31	2018.12.31
Current assets	$ 7,708,041	6,544,742
Non-current assets	568,807	439,041
Current liabilities	(5,427,525)	(4,368,826)
Non-current liabilities	(108,201)	(82,035)
Net assets	$ 2,741,122	2,532,922
Carrying amount of non-controlling interests	$ 1,055,980	1,064,226

	2019	2018
Operating revenue	$ 11,462,442	11,429,192
Net income for the year	$ 402,356	407,513
Other comprehensive income	123,918	(326)
Total comprehensive income	$ 526,274	407,187
Net income attributable to non-controlling interests	$ 199,541	219,375
Total comprehensive income attributable to non-controlling interests	$ 201,026	218,058
Net cash generated from (used in) operating activities	$ 1,360,312	(142,145)
Net cash generated from (used in) investing activities	1,287	2,907
Net cash generated from (used in) financing activities	(168,227)	(428,860)
Net increase (decrease) in cash and cash equivalents	$ 1,193,372	(568,098)
Dividends paid to non-controlling interests	$ 209,364	150,746

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

	Land	Buildings and constructions	Leasehold improvements	Other equipment (including transportation equipment, office equipment, machinery, other equipment and leased assets)	Construction in progress	Total
Cost or identified cost:						
Balance as of January 1, 2019	$ 3,567,078	4,285,134	1,430,243	399,547	12,102	9,694,104
Additions	-	19,621	12,229	41,601	6,755	80,206
Reclassification from (to) incomplete construction projects	-	15,693	-	-	(15,693)	-
Leasehold improvement paid by retailers	-	(26,417)	(29,321)	-	(3,006)	(58,744)
Disposal and scrap	-	(3,356)	(415,992)	(155,387)	-	(574,735)
Effects of exchange rate changes	-	-	4,980	1,765	-	6,745
Balance as of December 31, 2019	**$ 3,567,078**	**4,290,675**	**1,002,139**	**287,526**	**158**	**9,147,576**
Balance as of January 1, 2018	$ 3,567,078	4,329,628	1,440,200	394,675	6,683	9,738,264
Additions	-	1,125	692	10,414	12,768	24,999
Reclassification from (to) incomplete construction projects	-	3,814	-	2,163	(5,977)	-
Disposal and scrap	-	-	(9)	(4,225)	-	(4,234)
Reclassification from prepayments for equipment	-	-	191	-	-	191
Leasehold improvement paid by retailers	-	(50,450)	-	-	(1,372)	(51,822)
Effects of exchange rate changes	-	-	(9,814)	(3,480)	-	(13,294)
Leasehold improvement paid by retailers	-	1,017	(1,017)	-	-	-
Balance as of December 31, 2018	**$ 3,567,078**	**4,285,134**	**1,430,243**	**399,547**	**12,102**	**9,694,104**
Depreciation and impairment loss						
Balance as of January 1, 2019	$ -	1,527,983	861,863	325,101	-	2,714,947
Depreciation for the year	-	101,747	72,470	23,259	-	197,476
Disposal and scrap	-	(3,356)	(304,024)	(154,036)	-	(461,416)
Effects of exchange rate changes	-	-	6,121	1,764	-	7,885
Impairment loss	-	-	98,000	-	-	98,000
Reversal of impairment loss	-	-	(113,110)	-	-	(113,110)
Balance as of December 31, 2019	**$ -**	**1,626,374**	**621,320**	**196,088**	**-**	**2,443,782**
Balance as of January 1, 2018	$ -	1,430,210	390,590	167,794	-	1,988,594
Depreciation for the year	-	97,773	101,296	54,360	-	253,429
Impairment loss	-	-	379,184	109,524	-	488,708
Disposal and scrap	-	-	(2)	(3,304)	-	(3,306)
Effects of exchange rate changes	-	-	(9,205)	(3,273)	-	(12,478)
Balance as of December 31, 2018	**$ -**	**1,527,983**	**861,863**	**325,101**	**-**	**2,714,947**
Carrying amount:						
December 31, 2019	**$ 3,567,078**	**2,664,301**	**380,819**	**91,438**	**158**	**6,703,794**
December 31, 2018	**$ 3,567,078**	**2,757,151**	**568,380**	**74,446**	**12,102**	**6,979,157**

1. Reversal of impairment loss
   The Group entered into a lease agreement of shopping malls under development by Tianjin Chongbei Property Management Co., Ltd. and Tianjin River Property Management Co., Ltd. (the "Lessors"). The Lessors failed to perform according to lease terms. Consequently, the Group mailed the Lessor on July 5, 2018 to exercise the option to rescind the lease and requested an arbitration from China International Economic and Trade Arbitration Commission ("CIETAC"). Judging from the first arbitration court dated on December 24, 2018, the Group evaluated that the probability of rescission was high and the carrying amount of the lease asset would exceed the recoverable amount, and hence, the Group recognized an impairment loss on PP&E amounting to NT$ 488,708 thousand for the year ended on December 31, 2018.
   Per the second arbitration court dated on June 28, 2019, the Lessors agreed to buy back the leasehold improvements, electromechanical engineering projects and other assets. Consequently, the Group adjusted the originally recognized recoverable amount and recognized a reversal of impairment loss amounting to NT$ 113,110 thousand for the year ended on December 31, 2018. Refer to Note VI(6) and (24) for details.
2. Impairment loss
   The Group recognized an impairment loss on leasehold improvement amounting to NT$ 98,000 thousand for the year ended on December 31, 2019. Refer to Note VI(24) for details on recognition of impairment loss.
3. Collateral
   Refer to Note VIII for details on collateral pledged for long-term borrowings and financing as of December 31, 2019 and 2018.

(IX) Right-of-use asset

The cost, depreciation, and impairment loss of leased land, buildings, constructions, and transportation equipment were as follows:

	Buildings and constructions	Transportation equipment	Total
Cost:			
Balance on January 1, 2019	-	-	-
Retroactive adjustments to adopt IFRS 16	$ 2,910,619	872	2,911,491
Addition	35,765	4,342	40,107
Leasehold improvement	(3,122)	-	(3,122)
Balance on December 31, 2019	$ 2,943,262	5,214	2,948,476
Depreciation and impairment loss:			
Balance on January 1, 2019	-	-	-
Depreciation for the year	$ 158,544	677	159,221
Balance on December 31, 2019	$ 158,544	677	159,221
Carrying amount:			
December 31, 2019	$ 2,784,718	4,537	2,789,255

Refer to Note VI(17) for details on operating lease for the year ended on December 31, 2018.

(X) Investment property

Details on Investment property were as follows:

		Land and improvements	Buildings and constructions	Total
Cost or deemed cost:				
Balance as of January 1, 2019	$	335,287	216,663	551,950
Balance as of December 31, 2019	$	335,287	216,663	551,950
Balance as of January 1, 2018	$	433,764	256,787	690,551
Disposal		(98,477)	(40,124)	(138,601)
Balance as of December 31, 2018	$	335,287	216,663	551,950
Depreciation and impairment loss				
Disposal	$	-	36,751	36,751
Depreciation for the year		-	4,512	4,512
Balance as of December 31, 2019	$	-	41,263	41,263
Balance as of January 1, 2018	$	25,867	51,998	77,865
Depreciation for the year		-	4,829	4,829
Disposal		(25,867)	(20,076)	(45,943)
Balance as of December 31, 2018	$	-	36,751	36,751
Carrying amount:				
December 31, 2019	$	335,287	175,400	510,687
December 31, 2018	$	335,287	179,912	515,199
Fair value:				
December 31, 2019				$ 1,137,363
December 31, 2018				$ 1,141,555

Investment properties are commercial real estates leased to third parties. Refer to Note VI(17) 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 ranged from 1.19% to 1.95%.

Refer to Note VIII for details on collateral pledged for investment properties for the year ended on 2019 and 2018.

(XI) Intangible assets

Changes in intangible assets were as follows:

		Service concessions	Patents and trademarks	Computer software	Total
Cost:					
Balance as of January 1, 2019	$	54,199	500	120,958	175,657
Capitalized R&D		-	-	3,726	3,726
Reclassification		-	-	1,531	1,531
Effect of exchange rate changes		-	-	(1,171)	(1,171)
Balance as of December 31, 2019	$	54,199	500	125,044	179,743
Balance as of January 1, 2018	$	54,199	500	115,959	170,658

	Service concessions	Patents and trademarks	Computer software	Total
Capitalized R&D	-	-	5,711	5,711
Effect of exchange rate changes	-	-	(712)	(712)
Balance as of December 31, 2018	$ 54,199	500	120,958	175,657
Amortization and impairment loss				
Balance as of January 1, 2019	$ 22,757	417	100,271	123,445
Amortization for the year	3,448	50	11,141	14,639
Effect of exchange rate changes	-	-	(1,171)	(1,171)
Balance as of December 31, 2019	$ 26,205	467	110,241	136,913
Balance as of January 1, 2018	$ 19,309	367	58,854	78,530
Amortization for the year	3,448	50	15,590	19,088
Impairment loss	-	-	26,496	26,496
Effect of exchange rate changes	-	-	(669)	(669)
Balance as of December 31, 2018	$ 22,757	417	100,271	123,445
Carrying amount:				
December 31, 2019	$ 27,994	33	14,803	42,830
December 31, 2018	$ 31,442	83	20,687	52,212

1. Amortization

For the years ended on December 31, 2019 and 2018, the amount of amortization of intangible assets was included in the following line items of the consolidated statements of comprehensive income:

	2019	2018
Operating expenses	$ 14,639	19,088

2. Impairment loss

The Group entered into a lease agreement of shopping malls under development by Tianjin Chongbei Property Management Co., Ltd. and Tianjin River Property Management Co., Ltd. (the "Lessors"). The Lessors failed to perform according to lease terms. Consequently, the Group mailed the Lessors on July 5, 2018 to exercise the option to rescind the lease and requested an arbitration from CIETAC. Judging from the first arbitration court dated on December 24, 2018, the Group evaluated that the probability of rescission was high and the carrying amount of the lease asset would exceed the recoverable amount, and hence, the Group recognized an impairment loss on intangible assets amounting to NT$ 26,496 thousand for the year ended on December 31, 2018. Refer to Note VI(24) for details on recognition of impairment loss.

3. Collateral

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

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

Details on other financial assets were as follows:

	2019.12.31	2018.12.31
Other financial assets - current	$ 3,530,868	2,330,035
Incremental costs of obtaining a contract	144,525	103,350
	$ 3,675,393	2,433,385

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 Group 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.

(XIII) Short and long-term borrowings due within one year or one operating cycle, and current portion of long-term borrowing

Details, conditions and terms of short and long-term borrowings as follows:

2019.12.31

	Currency	**Range of effective rates**	**Range of maturities**	**Amount**
Secured bank loans	NTD	1.75%~2.20%	109~115	$ 16,575,399
Unsecured bank loans	NTD	1.40%~2.55%	109~112	4,715,000
Total				**$ 21,290,399**
Current				$ 19,105,824
Non-current				2,184,575
Total				**$ 21,290,399**

2018.12.31

	Currency	**Range of effective rates**	**Range of maturities**	**Amount**
Secured bank loans	NTD	1.69%~4.02%	108~115	$ 19,039,325
Unsecured bank loans	NTD	1.45%~2.55%	108~112	3,370,000
Total				**$ 22,409,325**
Current				$ 19,408,658
Non-current				3,000,667
Total				**$ 22,409,325**

1. Issuance and redemption

For the years ended on December 31, 2019 and 2018, the amounts of new issuance were NT$ 9,509,885 thousand and NT$ 12,225,860 thousand, respectively, and those of redemption were NT$ 10,629,560 thousand and NT$ 13,966,468 thousand, respectively.

2. Collateral

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

3. Syndicated loans

- The company entered into a syndicated loan agreement with the Land Bank of Taiwan (the lead bank of the syndicated loan) and three other banks in May 2011, in the amount of NT$ 4,500,000 thousand over fifteen years, divided into 15 terms, with one term being one year.
- According to the syndicated loan agreements: (1) for the long-term secured loan, revolving credits are disallowed; the first repayment starts a year from the date of initial withdrawal, and the subsequent repayments are scheduled every year for the next fifteen years; (2) for the middle-term secured loan of NT$ 500,000 thousand, revolving credits are permitted within a period of five years. The effective rate is benchmark interest rate announced by the Land Bank of Taiwan plus an annual interest rate of 0.90% and 1.00%. Payments are due monthly.

- Restricted by the syndicated loan agreement, subsidiaries are required to certain financial ratios, calculated based on its financial statements, as follows:
  (1) Total liabilities to total assets: not exceeding 150%
  (2) Interest coverage ratio: at or above 2.00
  (3) Shareholders' interest: more than NT$ 3 billion

Compliance with the syndicated loan agreement is audited by the borrower's CPA based on the financial audit report for the year. Any violations of the loan agreement terms or the financial ratios are to be corrected within a year starting on June 1 of the fiscal year following the year of the audit report. If corrections are not made within the allowed time, the remaining amount of the principal and the resulting interests are due to the lead bank of the syndicated loan.

As of December 31, 2018, violations of the financial ratios were discovered in the Group's subsidiaries, but the correction will be made by June 1, 2020, in accordance with the loan agreement. Therefore, the violation of the financial ratio was not considered as a breach of the loan agreement. As of December 31, 2019, the subsidiary who was in violation has improved its financial conditions and the correction in the financial ratios were made in compliance with the loan agreement.

(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 Group 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 Group 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	$ 129,914
Non-current	$ 2,714,817

Refer to Note VI(25) for the details on the analysis of maturity profile of the Group's lease liabilities.

The amount related to lease liability in the consolidated statements of comprehensive income is as follows:

	2019
Interest expense on lease liability	$ 51,678

The amount related to lease liability in the consolidated statements of cash flows is as follows:

		2019
Variable lease payments not accounted for in lease liability	$	70,960
Total cash used in lease	$	243,850

1. Lease of buildings and constructions
   (1) The land on Gongyuan Road in Pingtung City is leased from Pingtung Irrigation Association. The lease term was thirty years and the lease payment was 10% of the value of land assessed by the Government. In the second half of 2011, the lease was extended for another ten years. A loyalty fee of NT$ 16,000 thousand was paid to obtain the right of first refusal in the two years prior to the lease expiration date and to renew the lease with pre-negotiated terms and conditions.
   (2) The mall in Zuoying HSR station is leased from Taiwan Railways Administration of the Ministry of Transportation and Communications (MOTC) under a service concession contract. The term is thirteen years (including a year for leasehold improvement) and the operation will be handed over to Taiwan Railways Administration at the lease expiration date. The lease payment, or the annual concession fee, includes both a flat amount and a percentage of retail sales revenue.
   (3) The mall in Banqiao HSR station is leased from Taiwan Railways Administration, MOTC under a service concession contract. The lease term is sixteen years (including a year for leasehold improvement) and the lease payment, or the annual concession fee, is a fixed loyalty fee for the first four years with a 3% increment each year after.
   (4) The Group entered into a lease agreement of shopping malls under development by Tianjin Chongbei Property Management Co., Ltd. and Tianjin River Property Management Co., Ltd. (the "Lessors"). The lease term was twenty years after the transfer of the identified lease asset. When the rescission was probably, the related losses were recognized for the year ended on December 31, 2018. The lease was rescinded per the arbitration on June 28, 2019.
   (5) The mall in Nangang HSR station is leased from Taiwan Railways Administration, MOTC under a service concession contract. The lease term is sixteen years (including a year for leasehold improvement), and the lease payment, or the annual concession fee, includes both a flat amount and a percentage of retail sales revenue.
   (6) The mall in A9 Linkou Station of MRT Taoyuan Airport Line is leased from Railway Bureau, MOTC under a service concession contract. The lease term is twenty years starting from the contract commencement date, and the lease payment is the greater of the flat concession fee committed in the contract or a variable concession fee. The variable concession fee is a percentage of retail sales revenue and non-operating income of actual operation, plus lease payments on the land and buildings.
   (7) The mall and parking lot in Linkou A8 Chang Gung Memorial Hospital Station of MRT Taoyuan Airport Line is leased from Asia Pacific Development Co. The lease term is twenty years starting from the first date of operation, and the lease payment on the mall is the greater of a flat fee or a percentage of retail sales revenue.

(8) 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.

(XVI) Provisions

	Warranties
Balance as of January 1, 2019	$ 79,261
Additions	27,816
Used	(4,595)
Balance as of December 31, 2019	**$ 102,482**
Balance as of January 1, 2018	$ 59,085
Additions	33,316
Used	(13,140)
Balance as of December 31, 2018	**$ 79,261**

For the years ended on December 31, 2019 and 2018, provisions for warranties are mainly related to construction contracts and estimated based on the historical warranty claim data of various projects. These provisions are expected to be claimed within a year from the completion of construction projects.

(XVII) Operating Lease

1. The Group as lessee

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

	2018.12.31
Not later than 1 year	$ 185,371
Later than 1 year but not later than 5 years	700,553
Later than 5 years	1,289,841
	$ 2,175,765

As of December 31, 2018, the rental expenses of NT$ 388,298 thousand were recognized in profit or loss .

2. The Group as lessor

The Group leases 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(10) 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	$ 13,238
Later than 1 year but not later than 2 years	13,238
Later than 2 year but not later than 3 years	7,234
Later than 3 year but not later than 4 years	4,571
Later than 4 year but not later than 5 years	4,590
Later than 5 years	9,440
Non-discounted future cash flows of lease	**$ 52,311**

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$ 10,823 thousand and NT$ 13,280 thousand, respectively; no significant repair and maintenance expenses were recognized.

(XVIII) Employee benefits

1. Defined benefit plans

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 benefit obligations	$ 35,266	42,190
Fair value of plan assets	(29,946)	(31,024)
Net defined benefit (assets) liabilities	$ 5,320	11,166

Details on employee benefit liabilities were as follows:

	2019.12.31	2018.12.31
Short-term compensated absences liability	$ 21,533	18,516

The Group 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$ 29,946 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 Group were as follows:

		2019	2018
Defined benefit obligations at January 1	$	42,190	46,182
Current service costs and interest cost (income)		463	533
Remeasurement on the net defined benefit liabilities (assets)			
- Return on plan assets (excluding amounts included in net interest expense)		-	117
- Actuarial loss (gain) arising from changes in financial assumption		588	1,039
- Experience adjustments		10	(2)
Benefits paid by the plan		(7,985)	(5,679)
Fair value of plan assets at December 31	$	35,266	42,190

(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 Group were as follows:

		2019	2018
Fair value of plan assets at January 1	$	31,024	33,887
Interest income		339	379
Remeasurement on the net defined benefit liabilities (assets)			
- Return on plan assets (excluding amounts included in net interest expense)		1,220	1,115
Contributions paid by the employer		5,348	1,322
Benefits paid by the plan		(7,985)	(5,679)
Fair value of plan assets at December 31	$	29,946	31,024

(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
Current service costs	$	147	150
Net interest of net defined benefit liabilities (assets)		(23)	4
	$	124	154
Operating cost	$	(2)	11
Administrative expenses		126	143
	$	124	154

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

For the years ended December 31, 2019 and 2018, the Group's remeasurement of the net defined benefit liability recognized in other comprehensive income were as follows:

	2019	**2018**
Cumulative amount at January 1	$ (8,156)	(8,118)
Recognized during the period	622	(38)
Cumulative amount at December 31	**$ (7,534)**	**(8,156)**

(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 increases rate	1.75 %	1.75 %

The Group expects to make contribution of NT$ 636 thousand to the defined benefit plans in the year following December 31, 2019.

The weighted average lifetime of the defined benefit plans is 10 to 13 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:

	The impact on the defined benefit obligation	
	Increase by 0.25%	**Decrease by 0.25%**
December 31, 2019		
Discount rate (change by 0.25%)	(972)	1,009
Future salary increases rate (change by 1%)	4,192	(3,701)
December 31, 2018		
Discount rate (change by 0.25%)	(1,199)	1,245
Future salary increases rate (change by 1%)	5,190	(4,571)

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. This analysis shows the isolated effect of changing one individual assumption, but in fact, many assumptions are correlated. There were no changes in the method and assumptions used in the preparation of sensitivity analysis for the current period and for the prior periods.

The method and assumptions used in the sensitivity analysis is consistent with those for the prior periods.

2. Defined contribution plans

The Group 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 Group 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$ 35,252 thousand and NT$ 35,300 thousand, respectively.

(XIX) 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	$	170,690	302,475
Surtax on undistributed earnings		13,248	11,518
Adjustment for the prior periods		(8,688)	1,895
Land value increment tax		104,694	94,432
		279,944	410,320
Deferred tax expenses			
Reversal of tax loss recognized for the prior periods		6,560	-
Origination and reversal of temporary differences		(18,463)	2,043
Adjustment in tax rate		-	(5,258)
		(11,903)	(3,215)
Income tax expenses on units in continuing operation	$	268,041	407,105

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	$	1,814,264	1,080,418
Income tax using the company's domestic tax rate	$	362,853	216,084
Non-deductible expenses		-	33
Non-taxable incomes		(157,636)	(109,145)
Changes in unrecognized temporary differences		-	(102)
Deferred tax on interest expenses		(41,108)	(15,524)
Impairment losses on financial assets measured at FVTPL		66	369
Tax loss of permanent differences		-	103,041
Changes in recognized temporary differences		12,834	-
Timing differences		14,026	-
Tax loss of unrecognized deferred tax assets for the current period		2,238	11,432
Tax loss of recognized deferred tax assets for the prior periods		6,560	-
Loss carryforward		-	(6,683)
Under (over) provision for the prior periods		(8,688)	1,895
Land value increment tax		104,694	94,432
Surtax on undistributed earnings		13,248	11,518
Adjustment in tax rate		-	(5,258)
Realized investment loss		(79,364)	-
Others		38,318	105,013
	$	268,041	407,105

2. Deferred tax assets and liabilities

(1) Unrecognized deferred tax assets

The Group's unrecognized deferred tax assets were as follows:

		2019.12.31	2018.12.31
Deductible temporary differences	$	6,469	3,274
Tax losses		136,014	25,265
	$	142,483	28,539

Tax losses are permitted by Income Tax Act, according to which, operating losses for the prior ten periods can be deducted from operating profits for the respective period before the calculation of income tax, so long as the operating losses are assessed by tax collection agencies. Instead of recognized as a deferred income tax asset, the tax losses is recognized as temporary differences, for the Group expects sufficient future taxable profits to offset the tax losses.

As of December 31, 2019, the expiration of recognized and unrecognized deferred tax losses were as follows:

Year of operating loss		Amount of deductible losses	Expiration year
Assessed operating losses for fiscal year 2013	$	39,908	2023
Assessed operating losses for fiscal year 2014		17,243	2024
Assessed operating losses for fiscal year 2015		34,098	2025
Assessed operating losses for fiscal year 2016		29,999	2026
Assessed operating losses for fiscal year 2017		20,447	2027
Assessed operating losses for fiscal year 2018		17,364	2028
Assessed operating losses for fiscal year 2019		521,011	2029
	$	680,070	

(2) Recognized deferred tax assets

For the years ended on December 31, 2019 and 2018, the deferred tax assets were as follows:

Deferred tax assets

		Defined benefit plans	Provisions	Unrealized Construction losses	Loss carryforward	Others	Total
January 1, 2019	$	782	15,847	2,160	8,059	12,694	39,542
Credit (debit) on income statements		(41)	4,644	(2,160)	(6,559)	16,020	11,904
December 31, 2019	$	741	20,491		1,500	28,714	51,446
January 1, 2018	$	565	10,040	6	14,596	11,120	36,327
Credit (debit) on income statements		217	5,807	2,154	(6,537)	1,574	3,215
December 31, 2018	$	782	15,847	2,160	8,059	12,694	39,542

3. The tax fillings of Jiequn Investment and Jiayu International were assessed by the tax collecting agencies for the year ended on December 31, 2018; those of other entities of the Group were assessed for the years ended on December 31, 2017.

(XX) Capital and other equity

As of December 31, 2019 and 2018, the total value of nominal common stocks 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 common stocks 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

	2019.12.31			2018.12.31		
Subsidiary name	Number of shares	Carrying amount	Market value	Number of shares	Carrying amount	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 after tax)

	Exchange differences on translation of financial statements of foreign operations	Unrealized gain (loss) from financial assets measured at FVTOCI	Non-controlling interests	Total
Balance as of January 1, 2019	$ (25,910)	364	(5,870)	(31,416)
Exchange differences on translation of net assets of foreign operations	(354)	-	(67)	(421)
Unrealized gain (loss) from financial assets measured at FVTOCI	-	96	888	984
Balance as of December 31, 2019	$ (26,264)	460	(5,049)	(30,853)
Balance as of January 1, 2018	$ (32,521)	-	(6,186)	(38,707)
Effects of retrospective application of new IFRSs	-	(1,538)	-	(1,538)
Adjusted balance at January 1,2018	(32,521)	(1,538)	(6,186)	(40,245)
Exchange differences on translation of net assets of foreign operations	6,611	-	1,258	7,869
Unrealized gain (loss) from financial assets measured at FVTOCI	-	1,902	(942)	960
Balance as of December 31, 2018	$ (25,910)	364	(5,870)	(31,416)

(XXI) Earnings per share

1. Basic earnings per share

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

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

(2) Weighted-average number of common stocks outstanding

	2019	2018
Number of common stocks issued as of January 1	503,791	503,791
Effects of treasury stocks	(10,625)	(10,625)
Weighted-average number of outstanding common stocks 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 common stocks (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**

(XXII) Revenue from contracts with customers
1. Disaggregation of revenue

	2019			
	Development business group	Construction business unit	Shopping mall business unit	Total
Primary geographical markets:				
Taiwan	**$ 8,115,011**	**5,829,910**	**1,381,978**	**15,326,899**
Main products/services:				
Sales of real estate developments	$ 7,848,371	-	-	7,848,371
Sales of construction contracts	227,813	5,827,188	-	6,055,001
Sales commission from department store retailers	-	-	1,114,448	1,114,448
Revenue from services rendered	27,690	-	30,621	58,311
Rental income	11,137	2,722	121,132	134,991
Other income	-	-	115,777	115,777
	$ 8,115,011	**5,829,910**	**1,381,978**	**15,326,899**
Timing of revenue recognition:				
Upon transfer of products	$ 7,876,061	-	1,324,520	9,200,581
On the basis of time passed for services rendered	11,137	2,722	57,458	71,317
On the basis of stage of completion of contract activity	227,813	5,827,188	-	6,055,001
	$ 8,115,011	**5,829,910**	**1,381,978**	**15,326,899**

	2018			
	Development business group	**Construction business unit**	**Shopping mall business unit**	**Total**
Primary geographical markets:				
Taiwan	$ 7,500,347	5,543,003	1,344,245	14,387,595
China	-	-	48,085	48,085
	$ 7,500,347	5,543,003	1,392,330	14,435,680
Main products/services:				
Sales of real estate developments	$ 7,489,121	-	-	7,489,121
Sales of construction contracts	-	5,540,280	-	5,540,280
Sales commission from department store retailers	-	-	1,130,886	1,130,886
Revenue from services rendered	-	-	24,820	24,820
Rental income	11,226	2,723	127,615	141,564
Other income	-	-	109,009	109,009
	$ 7,500,347	5,543,003	1,392,330	14,435,680
Timing of revenue recognition:				
Upon transfer of products	$ 7,489,121	-	1,264,715	8,753,836
On the basis of time passed for services rendered	-	2,723	127,615	130,338
On the basis of stage of completion of contract activity	11,226	5,540,280	-	5,551,506
	$ 7,500,347	5,543,003	1,392,330	14,435,680

2. Contract balances

	2019.12.31	**2018.12.31**	**2018.01.01**
Accounts receivable	$ 1,412,568	1,427,636	2,034,499
Less: loss allowance	-	-	-
	$ 1,412,568	1,427,636	2,034,499
Contract assets - construction-	$ 1,349,793	1,028,330	-
Less: loss allowance	-	-	-
	$ 1,349,793	1,028,330	-
Contract liabilities - construction-	$ 930,947	633,903	-
Contract liabilities - buildings-	5,177,387	3,937,293	-
Contract liabilities - gym-	10,137	9,158	-
Contract liabilities - customer loyalty points-	16,828	9,676	-
Contract liabilities - vouchers-	52,039	-	-
Total	$ 6,187,338	4,590,030	-

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

(XXIII) 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 consolidated financial statements, are identical to those of the actual distributions for 2019 and 2018.

(XXIV) Non-operating income and loss

1. Other income

The details of other income for the years 2019 and 2018 were as follows:

	2019	**2018**
Interest income		
Bank deposits (including short-term securities)	$ 12,842	7,724
Loans and receivables	5,971	2,577
Refundable deposit on constructions	1,431	2,444
Other interest income	56	10,514
Dividend income	3,456	3,674
	$ 23,756	**26,933**

2. Other gains and losses

The details of other gains and losses for the years 2019 and 2018 were as follows:

		2019	2018
Foreign exchange loss	$	(3,895)	(26,970)
Gain (loss) on financial assets measured at FVTPL		6,699	(8,300)
Other income		34,938	141,671
Rental income		625	351
Others		(11,354)	(12,717)
Gain on disposal of assets		80	309
Impairment loss on disposal of PP&E		(98,000)	(515,204)
Reversal of impairment loss on disposal of PP&E		113,110	-
	$	42,203	(420,860)

For details on the Group's material change in other gains and losses associated with the reparation for the lease rescission filed on July 5, 2018, and the net loss resulting from the closure of business and the related reversal of "other payables" for the year ended on December 31, 2018, refer to Note VI(15).

3. Finance costs

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

		2019	2018
Interest expense			
Interests on bank loans	$	475,585	517,899
Interests on deposits in advance for public land development		225	265
Arranger fees in syndicated loan		750	750
Transaction fees and interests on corporate bonds		86,563	118,726
Other financing costs		51,678	-
Others		824	842
Loss: Capitalization of interest		(165,200)	(202,918)
	$	450,425	435,564

(XXV) 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 Group's clientele is mainly public works and the vast majority of consumers. The accounts receivable of the Group's shopping mall business unit is receivables from financial institutions, generated by credit card transactions, that of the construction business unit receivables of construction projects under contracts, and that of the Development business unit receivables of real estate sales. The receivables from financial institutions are directly wired into the Group's bank accounts, and the receivables of real estate sales are paid by individual consumers through wire transfers, cashier's or certified checks and mortgage. Consequently, the credit risks in relations to these receivables are estimated to be minimal and hence can be effectively managed and controlled.

2. Liquidity risk

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

	Carrying amount	Contractual cash flows	Within a year (Inclusive) (Inclusive) Inclusive	1-3 years-	3-5 years-	Over 5 years
December 31, 2019						
Non-derivative financial liabilities						
Short and long-term borrowings (including current portion due within one year)	$ 21,290,399	22,176,874	7,161,146	9,937,097	4,094,208	984,423
Ordinary corporate bonds (including current portion due within one year)	4,500,000	4,627,523	-	1,522,568	3,104,955	-
Notes, accounts and other payables	5,725,854	5,725,854	4,233,389	1,492,465	-	-
Guarantee deposits	90,754	90,754	1,703	89,051	-	-
Long-term debt (including current portion due within one year) and other non-current liabilities	81,680	82,893	16,755	33,245	32,893	-
Lease liabilities	2,844,731	3,384,464	176,787	360,311	366,367	2,480,999
	$ 34,533,418	36,088,362	11,589,780	13,434,737	7,598,423	3,465,422
December 31, 2018						
Non-derivative financial liabilities						
Short and long-term borrowings (including current portion due within one year)	$ 22,409,325	23,269,873	10,981,226	8,282,717	2,472,428	1,533,502
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	-
Notes, accounts and other payables	5,054,382	5,054,382	3,926,114	1,128,268	-	-
Guarantee deposits	62,355	62,355	9,474	52,881	-	-
Long-term lease payable (including current portion due within one year)	2,941	2,983	1,989	994	-	-
Long-term debt (including current portion due within one year) and other non-current liabilities	98,015	99,736	16,843	33,422	33,069	16,402
	$ 32,127,018	33,122,467	15,945,838	11,036,600	4,590,125	1,549,904

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

3. Currency risk

(1) Exposure to foreign currency risk

The Group's significant exposure to foreign currency risk was as follows:

	2019.12.31			2018.12.31		
	Foreign currency	**Exchange Rates**	**NTD**	**Foreign currency**	**Exchange rates**	**NTD**
Financial Assets						
Monetary items						
CNY:NTD	$ 143	4.305	616	143	4.4720	637
JPY:NTD	7,888	0.276	2,177	10,566	0.2780	2,937
USD:NTD	7	29.980	221	1,128	30.7200	34,636
Financial Liabilities						
Monetary items						
USD:CNY (Note)	-	-	-	12,749	6.8632	-
CNY:JPY	-	-	-	-	4.472	391,639

Note: The functional currency of some of the Group's subsidiaries is not denominated in NTD but in CNY. The Group takes the risks of exposure to CNY into consideration and separately considers the portion denominated in USD.

(2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, long-term and short-term borrowings that are denominated in foreign currency. For the years ended on December 31, 2019 and 2018, a depreciation (appreciation) of 1% in NTD in relation to CNY, JPY, and USD is estimated, assuming all other variables remain constant, to cause increase (decrease) in the net profit before tax by NT$ 30 thousand and NT$ 3,534 thousand, respectively. The analysis is performed on the same basis for both periods.

(3) Foreign exchange gain and loss on monetary items

The exchange rates and (realized and unrealized) gains and losses on translation of monetary items to NTD (the Group's functional currency) were as follows:

	2019		2018	
	Foreign exchange gain and loss	**Average exchange rates**	**Foreign exchange gain and loss**	**Average exchange rates**
CNY	$ (79)	4.472	950	4.560
JPY	(52)	0.284	378	0.273
USD	(3,764)	30.192	(28,298)	30.149

4. Interest rate analysis

Please refer to the note on liquidity risk management and the interest rate exposure of the Group'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 Group'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$ 212,904 thousand and NT$ 224,093 thousand, respectively, and after considering capitalization of interest, to cause decrease (increase) by NT$ 155,772 thousand and NT$ 152,873 thousand, respectively. This change is mainly due to the Group's borrowings in variable rates.

5. 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	
Prices of securities at the reporting date	**Other comprehensive income after tax**	**Net income**	**Other comprehensive income after tax**	**Net income**
Increasing 10%	$ 858	9,756	760	9,095
Decreasing 10%	$ (858)	(9,756)	(760)	(9,095)

6. Fair value measurement of financial instruments
   (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 Group'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	$ 97,563	97,563	-	-	97,563
Financial assets measured at FVTOCI	$ 8,579	656	-	7,923	8,579
Financial assets measured at amortized cost					
Cash and cash equivalents	$ 6,229,385	-	-	-	-
Notes and accounts receivable	1,415,769	-	-	-	-
Other financial assets - current-	3,530,868	-	-	-	-
Other financial assets - non-current	72,968	-	-	-	-
Subtotal	11,248,990	-	-	-	-
Total	**$ 11,355,132**	**98,219**	**-**	**7,923**	**106,142**
Financial liabilities at amortized cost					
Short and long-term borrowings (including current portion due within one year)	$ 21,290,399	-	-	-	-
Notes, accounts and other payables	5,725,854	-	-	-	-
Bonds payable (including current portion due within one year)	4,500,000	-	-	-	-
Long-term payable (including current portion due within one year)	81,680	-	-	-	-
Long-term lease payable (including current portion due within one year)	2,844,731	-	-	-	-
Guarantee deposits	90,754	-	-	-	-
Total	**$ 34,533,418**	**-**	**-**	**-**	**-**

	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	$ 90,949	90,949	-	-	90,949
Financial assets measured at FVTOCI	$ 7,596	351	-	7,245	7,596
Financial assets measured at amortized cost					
Cash and cash equivalents	$ 5,539,557	-	-	-	-
Notes and accounts receivable	1,428,865	-	-	-	-
Other financial assets - current-	2,330,035	-	-	-	-
Other financial assets - non-current-	114,677	-	-	-	-
Subtotal	9,413,134	-	-	-	-
Total	**$ 9,511,679**	**91,300**	**-**	**7,245**	**98,545**
Financial liabilities at amortized cost					
Short and long-term borrowings (including current portion due within one year)	$ 22,409,325	-	-	-	-
Notes, accounts and other payables	5,054,382	-	-	-	-
Bonds payable (including current portion due within one year)	4,500,000	-	-	-	-

	2018.12.31				
		Fair value			
	Book value	Level 1	Level 2	Level 3	Total
Long-term payable (including current portion due within one year)	98,015	-	-	-	-
Long-term lease payable (including current portion due within one year)	2,941	-	-	-	-
Guarantee deposits	62,355	-	-	-	-
Total	$ 32,127,018	-	-	-	-

(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 accord 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	$ 7,245	-	7,245
December 31, 2019	$ 7,923	-	7,923
January 1, 2018	$ 6,421	-	6,421
December 31, 2018	$ 7,245	-	7,245

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")	$ 678	824

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

Some of the Group's financial assets at FVTOCI are categorized as measured in Level 3.

Among the financial assets categorized 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 Group' 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%	-	-	725	(725)
Equity investments without active market quotes	Discount for lack of marketability	10%	-	-	725	(725)

(6) Transfer between different levels of Fair value hierarchy

Some of equity instruments held by the Group 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.

(XXVI) Financial risk management

1. Overview

The Group is exposed to the following risks from its financial instruments:

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

The Group 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 Group'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 Group 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 Group 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 to 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 Group's customers or counter-parties of its financial instruments fail to meet their contractual obligations, principally from the Group's receivables from clients and investment securities.

(1) Accounts receivable and other receivables

The Group'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 Group's exposure to credit risk. For the years ended on December 31, 2019 and 2018, the Group's revenue is mainly contributed by sales to domestic clients. The accounts receivable of the Group's shopping mall business unit is receivables from financial institutions, generated by credit card transactions, that of the construction business unit receivables of construction projects under contracts, and that of the development business unit receivables of real estate sales. The receivables from financial institutions are directly wired into the Group's bank accounts; the receivables of construction projects are secured with guarantee or collateral when necessary; and the receivables of real estate sales are paid by individual consumers through wire transfers, cashier's or certified checks and mortgage. Consequently, the credit risks in relations to these receivables are estimated to be minimal.

The Group 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 Group's finance department. Since the Group 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 Group stipulates that financial guarantee can be made available to counter-parties with whom the Group has business. 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 Group cannot settle its financial liabilities with cash or another financial asset. The

Group's approach to managing liquidity is to 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 Group'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 Group'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 Group 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 Group 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 the defined benefit obligations. The Group'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.

(XXVII) Capital management

The Group'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 Group may settle liabilities through adjustments in dividend payment or capital return to its shareholders, issuance of new shares, or disposal of assets.

The Group, 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 Group 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	$ 41,412,056	37,595,745
Less: cash and cash equivalents	(6,229,385)	(5,539,557)
Net debt	35,182,671	32,056,188
Total equity	14,412,909	13,567,563
Capital after adjustment	**$ 49,595,580**	**45,623,751**
Debt-to-capital ratio	**70.94%**	**70.26%**

VII. Related Party Transactions

(I) Names of and relationship with related parties

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

Name of related party	Relationship with the Group
ReadyCom eServices	The Group's associate
Kindom Yu San Education Foundation	The entity's chairman is the second-degree relatives of the Group's chairman
Thousand Hundred Industrial Co. Ltd.	Other related party

(II) Transactions with related parties

1. Purchases of services from related parties

	Purchases	
	2019	2018
Associate	$ -	1,318

Outstanding balance of the related party' payables is settled with cash within three months after the reporting date. Ordinary expenses are settled in the same month. Sales prices for the related party were not significantly different from those for non-related parties.

2. Others

(1) For the years ended on December 31, 2019 and 2018, donations made to the related party in the amounts of NT$ 10,500 thousand and NT$ 13,500 thousand are for the purpose of promoting the Foundation's services.

(2) Part of the Group's office building was leased to the related parties in a lease term of five years with a rent in the amount of NT$ 57 thousand for both years ended on December 31, 2019 and 2018.

(3) For the year ended on December 31, 2019, sales of the Group's asset to the related parties amounted to NT$ 1,429 thousand before tax, 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	$ 103,326	104,155
Post-employment benefits	285	5,403
	$ 103,611	109,558

VIII. Pledged Assets

Carrying values of pledged assets were as follow:

Assets	Collateral pledged	108.12.31	107.12.31
Buildings and land held for sale	Bank loans	$ 9,081,604	11,060,575
Land held for construction	Bank loans	211,953	3,318,550
Construction in progress	Bank loans	13,471,475	9,570,255
Investment properties and net PP&E	Bank loans and bonds payable	6,514,072	6,596,256
Other financial assets - current-	Bank loans, pre-sales payments in trust accounts, guarantees, and bonds payable	2,911,788	2,089,760
Other financial assets - non-current	Guarantees and pre-sales payments in trust accounts	60,893	47,389
		$ 32,251,785	32,682,785

Note: The shares pledged as collateral for subsidiary's bank borrowings and payments received in advance for sales of land and buildings amounted to 293,414 thousand shares, as of December 31, 2019.

IX. Material Contingent Liabilities and Unrecognized Contract Commitments

(I) Significant unrecognized contract commitment

1. Total amount of significant construction contracts were as follows:

	2019.12.31	2018.12.31
Amount of construction contracts	$ 20,912,565	18,669,349
Amount of payments received	$ 6,728,027	10,442,117

2. 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

3. Refer to Note VI(15) for details on lease agreements for the Group's business in shopping mall management as of December 31, 2019 and 2018. Details of the refundable deposits and notes in relation to obligations under these agreements were as follows:

	2019.12.31	2018.12.31
Refundable deposits	RMB 12,000	RMB 12,000
Refundable notes	$ 172,550	169,550

4. In September 2015, the Group entered into a lease agreement with Chang Xin Co., Ltd. for the building and parking lot on Jiankang Road in Zhonghe District of New Taipei City. The lease payments in relation to the shopping mall consist of both a monthly flat amount and a percentage of retail sales revenue.
5. In December, 2019 and 2018, the Group's Board of Directors approved the donation to Kindom Yu San Education Foundation in the amounts of NT$ 11,000 thousand in 2020 and NT$ 10,500 thousand in 2019, respectively, for the purpose of promoting the Foundation's services.
6. 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 deposits	$ 538,675	217,759
Refundable notes	$ 982,599	1,040,477

7. The Group entered into a lease agreement of shopping malls under development by Tianjin Chongbei Property Management Co., Ltd. and Tianjin River Property Management Co., Ltd. (the "Lessors"). The lease started on December 2016 and would end in twenty years. The Lessor failed to perform according to lease terms. Consequently, in July, 2018, the Group filed for rescission of the lease and requested an arbitration from CIETAC. Upon the rescission, the Group requested return of the refundable deposits, refund of the book value of leasehold improvements, and liquidated damages in the total amount of CNY 230,299 thousand. On September 26, 2018, the

Lessor, appealing to the arbitration court, requested the Group's returning the lease asset back to its original status, with no return of the refundable deposits, no liquidated damage, and no refund of depreciation losses on engineering projects upon the rescission. The Group expected total losses in the amount of CNY 248,299 thousand. Judging from the first arbitration court dated on December 24, 2018, the Group recognized related losses for the year ended on December 31, 2018.

The case was settled and the lease was rescinded per the second arbitration court dated on June 28, 2019. In July 2019, the settlement processes were completed, and the Lessor returned the refundable deposit per the settlement agreement.

8. The Group applied for a Online-Merge-Offline (OMO) digital, intelligent retail service platform program funded under Taiwan Industry Innovation Platform Programs by Industrial Development Bureau, MOES. The program started on May 1, 2019 and ends on December 31, 2020. The related subsidy in the amount of NT$ 10,500 was granted in exchange for the Group's bank note, in the same amount, pledged as collateral for obligations under the program. The note was refundable and would be returned within six months after the program ends.

(II) Contingent liability

1. In relation to the construction project under Project Code 041A, the neighbor manufacturer alleged that the structural damages on the manufacturer's plants and land was as a result of the Group's construction. Both parties were not able to settle the issue in mediation, so the Group was sued by the neighbor manufacturer, in the amount of NT$ 15,665 thousand. The Group has yet to assess any contingent liability for this litigation.
2. In relation to a construction project, the Group was sued for a loan payment in the amount of NT$ 2,032 thousand. The Group has yet to assess any contingent liability for this litigation.

X. Material Disaster Losses: None

XI. Material Post-period Matters: None

XII. Others:

(I) 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	430,607	531,778	962,385	412,082	460,260	872,342
Insurance	38,139	34,500	72,639	35,988	33,020	69,008
Pension	16,690	18,686	35,376	16,463	18,991	35,454
Others	232	32,916	33,148	584	32,053	32,637
Depreciation	4,512	356,697	361,209	5,394	252,864	258,258
Amortization	-	14,639	14,639	-	19,088	19,088

XIII. Supplementary Disclosures

(I) Information on Material Transactions

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

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

Unit: Thousands of New Taiwan Dollars

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 Outgoing amount	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 You	3	2,738,260	200,000	200,000	20,000	-	4.38%	5,476,520	Y	N	N
3	Global Mall	Guan Hua	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.

Note 6: The aforementioned transactions are netted in the compilation of the consolidated financial statements.

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	Ending Balance: Carrying Amount	Ending Balance: Percentage of Ownership	Ending Balance: Fair Value (Note)	Highest Ownership Level or Capital Invested during the Period Contribution	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	0.20%	
The company	Stock - Clientron Corp.	-	Financial assets measured at FVTOCI - non-current	29	656	0.05 %	656	0.05%	
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.	-	Financial assets measured at FVTPL - current	472	21,878	- %	21,878	- %	
Jiequn Investment	Stock - SinoPac Securities Corporation	-	Financial assets measured at FVTPL - current	211	2,744	- %	2,744	- %	
Jiequn Investment	Beneficiary certificate - Fuh Hwa China New Economy A Shares	-	Financial assets measured at FVTPL - current	766	7,590	- %	7,590	- %	
Jiequn Investment	Stock - Huei Ding Computer	-	Financial assets measured at FVTOCI - non-current	405	-	0.78 %	-	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	0.59%	

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: Number of Shares	Beginning Balance: Amount	Acquisitions: Number of Shares	Acquisitions: Amount	Disposal (note1): Number of Shares	Disposal (note1): Sales Price	Disposal (note1): Book Value	Disposal (note1): Gain (Loss) on Disposal	Ending Balance: Number of Shares	Ending Balance: Amount
Global Mall	Stock	Investment accounted for using equity method	KGM	Subsidiary	-	727,517 (HKD 180,263 thousand)	-	392,926	-	906,638	906,638	-	-	213,766 (HKD 54,435 thousand)
KGM	Stock	Investment accounted for using equity method	Global Mall (Tianjin) Co., Ltd.	Sub-subsidiary	-	727,478 (CNY 149,728 thousand)	-	392,926	-	906,638	906,638	-	-	213,766 (CNY 48,000 thousand)

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.

Note 3: The aforementioned transactions are netted in the compilation of the consolidated financial statements.

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	2019.05	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. Related-party transactions for purchases and sales with amounts exceeding NT$ 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				Transactions with Terms Different from Others		Notes or Accounts Receivable (Payable)		Note
			Purchases/sales	Amount (note 1)	% of Total Purchases (Sales)	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total Notes or Accounts Receivable (Payable)	
The company	Kedge Construction	Investee accounted for using equity method	Purchases for 101C and other project codes	5,000,015	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 aforementioned transactions are netted in the compilation of the consolidated financial statements. 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 Received in Subsequent Period	Loss Allowance
					Amount	Action Taken		
Kedge Construction	The company	Investor in which Kedge Construction is accounted for using equity method	1,929,699	2.47	-	-	445,601	-

Note: The aforementioned transactions are netted in the compilation of the consolidated financial statements.

9. Engaging in the trading in derivative instruments: none
10. Business relationships and significant intercompany transactions among parent and subsidiaries:

No.	Company Name	Related Party	Nature of Relationship	Intercompany Transaction Details			
				Account	Amount	Trading Terms	% of Consolidated Net Revenue or Total Assets
0	The company	Kedge Construction	1	Construction Cost	5,629,172	50% due immediately and 50% due in 90 days/100% due immediately and 100% due in 90 days	36.73%
0	The company	Kedge Construction	1	Buildings and Land Held for Sale	266,234	50% due immediately and 50% due in 90 days/100% due immediately and 100% due in 90 days	0.48%
0	The company	Kedge Construction	1	Construction in Progress	286,587	50% due immediately and 50% due in 90 days/100% due immediately and 100% due in 90 days	0.51%
0	The company	Kedge Construction	1	Notes and Accounts Payable - Related Party-	1,929,699	50% due immediately and 50% due in 90 days/100% due immediately and 100% due in 90 days	3.46%
1	Kedge Construction	The company	2	Operating Revenue	5,629,172	50% due immediately and 50% due in 90 day; or 100% due immediately or in 90 days	36.73%
1	Kedge Construction	The company	2	Operating Cost	552,821	50% due immediately and 50% due in 90 days/100% due immediately and 100% due in 90 days	3.61%
1	Kedge Construction	The company	2	Notes and Accounts Receivable - Related Party, Contract Asset-	1,929,699	50% due immediately and 50% due in 90 days/100% due immediately and 100% due in 90 days	3.46%
2	Global Mall	Guan Cheng	3	Accounts Receivable - Related Party-	46,423	Once a Year	0.08%
2	Global Mall	Guan Cheng	3	Operating Revenue	42,258	Once a Year	0.28%
2	Global Mall	Guan You	3	Operating Revenue	3,468	Once a Year	0.02%
3	Guan Cheng	Global Mall	3	Accounts Payable - Related Party	46,423	Once a Year	0.08%
3	Guan Cheng	Global Mall	3	Operating Expenses	42,258	Once a Year	0.28%
4	Guan You	Global Mall	3	Operating Expenses	3,468	Once a Year	0.02%

Note 1: The No. is labeled as follows:

1. 0 represents the company.
2. Subsidiaries are sorted in a numerical order starting from 1.

Note 2: The nature of relationship is labeled as follows:

3. represents the transactions form parent company to subsidiaries.
4. represents the transactions from subsidiaries to parent company.
5. represents the transactions between subsidiaries.

Note 3: The aforementioned transactions are netted in the compilation of the consolidated financial statements.

(II) Information on Reinvestments

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		Balances as of December 31, 2019			Highest Percentage of Ownership or Capital Invested during 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				
The company	Kedge Construction	Taiwan	Comprehensive constructions	374,353	374,353	36,248	34.18%	558,791	34.18%	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	84.02%	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	51.00%	34,926	17,812	Subsidiary
Kedge Construction	Jiequn Investment	Taiwan	Investment	163,935	163,935	16,396	99.98%	369,801	99.98%	11,617	11,614	Sub-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	99.96%	11,976	11,972	Sub-subsidiary
Jiequn Investment	Dingtian	Taiwan	Comprehensive constructions	16,500	16,500	-	30.00%	16,029	30.00%	5,592	1,678	Sub-sub-subsidiary
Guanqing Electromechanical	Dingtian	Taiwan	Comprehensive constructions	11,105	11,105	-	70.00%	37,401	70.00%	5,592	3,914	Sub-sub-subsidiary
Dingtian	ReadyCom eServices	Taiwan	Information software services and business consultation	15,000	15,000	1,400	46.67%	20,506	46.67%	2	1	-

Investor	Investee	Location	Main Businesses and Products	Original Investment Amount December 31, 2019	Original Investment Amount December 31, 2018	Balances as of December 31, 2019 Number of Shares	Balances as of December 31, 2019 Percentage of Ownership	Balances as of December 31, 2019 Carrying Amount	Highest Percentage of Ownership or Capital Invested during 2019	Net Income (Loss) of the Investee	Share of Investee's Profit (Loss) Recognized	Note
Global Mall	Guan Cheng	Taiwan	Department stores, supermarkets, and non-store retailing	98,000	98,000	9,800	49.00%	130,418	49.00%	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	3.70%	(33,725)	(1,248)	Sub-subsidiary
Global Mall	Guan Hua	Taiwan	Department stores, supermarkets, and non-store retailing	140,000	140,000	14,000	100.00%	137,359	100.00%	(3,201)	(3,201)	Sub-subsidiary
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 54,435 thousand)	727,517 (HKD 180,263 thousand)	- (Co., Ltd.)	100.00%	29,975	100.00%	55,671	55,671	Sub-subsidiary
Guan Cheng	Guan You	Taiwan	Department stores, supermarkets, and non-store retailing	13 0,000	1 30,000	13,000	96.30%	42,680	96.30%	(33,725)	(32,477)	Sub-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 Item Item	Amount of Paid-in Capital	Investment Method	Cumulative Investment Outflow from Taiwan as of January 1, 2019	Investment Cash Flows Outflow	Investment Cash Flows Inflow	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	Highest Percentage of Ownership Level or Capital Invested during 2019	Share of Investee's Profit (Loss) Recognized	Carrying Amount as of December 31, 2019	Cumulative Remittance of Earnings as of December 31, 2019
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	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%	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.

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

3. Significant transactions with investees in mainland China: none

XIV. Segment Information

(I) General information

The Group's reportable segments comprise development business unit, construction business unit, and shopping mall business unit. The market characteristics and marketing strategies each business unit are not identical and hence are explained as follows:

Development business unit: commission construction companies to develop residential and commercial real estate for the rental or sales businesses.

Construction business unit: comprehensively organize all works involved in constructions, including building and managing, as a general contractor.

Shopping mall business unit: manage operations of shopping malls, supermarkets, and businesses in international trading.

(II) Information on measurement basis and reconciliation of profit or loss, assets and liabilities of reportable segments

The Group's chief operating decision maker determines the resource allocation and assessment of segment performance on the basis of segment's profit or loss (excluding gains or losses on extraordinary activity and foreign exchange gains or losses) before tax on internal management report. Income tax expenses, gains or losses on extraordinary activity, and foreign exchange gains or losses are managed at the Group level and therefore not allocated to profit or loss of the reportable segments. In addition, the profit or loss of the reportable segments includes depreciation, amortization, and other material non-cash accounts. The amount on internal management report is consistent with that used by the Group's chief operating decision maker.

Except for pension expenses, of which the reportable segments recognized and measured on the basis of cash payments to pension fund, there was no material inconsistency between the accounting policies adopted for the operating segments and the "IV. Summary of Significant Accounting Policies" of the Group. Sales and transfers of properties between the reportable segments are treated as third-party transactions and measured at current market price.

Information and reconciliation of profit or loss, assets and liabilities of reportable segments are as follows:

	2019				
	Development	**Construction**	**Shopping Mall**	**Adjustment and elimination**	**Total**
Revenue					
Revenues from external customers	$ 8,115,011	5,829,910	1,381,978	-	15,326,899
Revenues from other business units ("intra-group revenue")	2,425	5,632,532	45,830	(5,680,787)	-
Interest income	9,510	6,289	4,501	-	20,300
Total revenue	$ 8,126,946	11,468,731	1,432,309	(5,680,787)	15,347,199
Interest expenses	$ 342,771	2,130	105,524	-	450,425
Depreciation and amortization	11,988	941	370,169	(7,250)	375,848
Share of profits (losses) of associates accounted for using equity method	453,404	1	15,866	(469,270)	1

	2019				
	Development	**Construction**	**Shopping Mall**	**Adjustment and elimination**	**Total**
Reportable segment profits (losses)	**$ 1,460,786**	**499,914**	**389,522**	**(535,958)**	**1,814,264**
Asset:					
Investment accounted for using equity method	$ 4,553,884	20,506	130,418	(4,684,302)	20,506
Capital expenditure on non-current asset	2,802	-	81,130	-	83,932
Reportable segment assets	**$ 43,828,824**	**8,276,848**	**11,645,381**	**(7,926,088)**	**55,824,965**
Reportable segment liabilities	**$ 31,201,320**	**5,535,726**	**6,771,135**	**(2,096,125)**	**41,412,056**

	2018				
	Development	**Construction**	**Shopping Mall**	**Adjustment and elimination**	**Total**
Revenue					
Revenues from external customers	$ 7,500,347	5,543,003	1,392,330	-	14,435,680
Revenues from other business units ("intra-group revenue")	2,425	5,886,189	44,060	(5,932,674)	-
Interest income	4,652	13,607	5,000	-	23,259
Total revenue	$ 7,507,424	11,442,799	1,441,390	(5,932,674)	14,458,939
Interest expenses	$ 358,821	2,002	74,741	-	435,564
Depreciation and amortization	12,795	829	270,817	(7,095)	277,346
Share of profits (losses) of associates accounted for using equity method	(139,512)	8	9,227	130,285	8
Reportable segment profits (losses)	**$ 702,919**	**517,199**	**(195,798)**	**56,098**	**1,080,418**
Asset:					
Investment accounted for using equity method	$ 4,222,649	20,505	214,869	(4,437,518)	20,505
Capital expenditure on non-current asset	943	-	29,767	-	30,710
Reportable segment assets	**$ 43,113,339**	**6,983,783**	**9,520,736**	**(8,454,550)**	**51,163,308**
Reportable segment liabilities	**$ 31,276,346**	**4,450,861**	**4,994,370**	**(3,125,832)**	**37,595,745**

Significant reconciliation items of reportable segments are as follows:

For the years ended on December 31, 2019 and 2018, the "intra-group revenue eliminated in consolidated financial statements" amounted to NT$ 5,680,787 thousand and NT$ 5,932,674 thousand, respectively.

(III) Product and service information

Refer to Note VI(22) for details on the Group's product and service information.

(IV) Geographic information

Except that the revenue in the amount of NT$ 48,085 thousand is generated in mainland China in 2018, all other revenue is generated in Taiwan and no other countries.

(V) Major customers

The Group is engaged in the development of real estate, comprehensive construction, and operation of shopping malls. Its clientele is mainly the vast majority of consumers and public works, no significant key accounts.