Stock code:2536

HONG PU REAL ESTATE DEVELOPMENT CO., LTD.

Financial Statements

With Independent Auditors' Report
For the Years Ended December 31, 2019 and 2018

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The independent auditors' report and the accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and financial statements, the Chinese version shall prevail.

Independent Auditors' Report

To the Board of Directors of Hong Pu Real Estate Development Co., Ltd.:

Opinion

We have audited the financial statements of Hong Pu Real Estate Development Co., Ltd. ("the Company"), which comprise the balance sheets as of December 31, 2019 and 2018, the statement of comprehensive income, changes in equity and cash flows for the years ended December 31, 2019 and 2018, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.We have determined the matters described below to be the key audit matters to be communicated in our report.

1. Recognition of Revenue

   Please refer to note 4 (o) for the relevant accounting policy regarding recognition of revenue, and refer to note 6 (o) for relevant disclosures.

   Description of key audit matter:

   The main operation income of the Company is derived from the sales of premises.

   Therefore, the recognition of revenue has been identified as one of the key audit matters in conducting the examination of the financial statement.

How the matter was addressed in our audit:

Our principal audit procedures included:

- Comparison of the policy concerning the revenue recognition with the accounting standards, in order to assess the appropriateness of the policy adopted by the Company.
- Inspect the main compositions of the revenue through review the sales contract to verify the authenticity of transaction and confirm whether the timing of recognition matches with accounting policies and standards.

We also examine the appropriateness of disclosure of the revenue recognition policy of the Company and so does other information. So as to ensure if any significant abnormality exists, we review the sales contract with the timing of transfer completion of the property and property rights as well as assess the revenue recognition policy of the Company applied in accordance with the relevant Accounting Bulletins.

2. Valuation of Inventories

Please refer to note 4 (g) for accounting policy regarding the inventories valuation; refer to note 5 for accounting estimation and assumption of the inventories valuation; please refer to note 6 (d) for relevant inventory disclosures.

Description of key audit matter:

In the financial statements, inventory is measured at the lower of the cost and net realizable value. Market turns inactive and the sales volumes of real estate tends downward due to the law, regulation and economic cycle. As a result, the related product price may vary, which would increase the risk of the inventory cost over its net realizable value.

How the matter was addressed in our audit:

Our Principal audit procedures included:

- Evaluate whether the accounting policy adjustments are in accordance with business cycle and other economic decree.
- Evaluate whether the market data provided has been updated on regular or irregular basis to reflect the real economic situation.
- Our audit procedures included discussing the current market tendencies and business strategies with management, and obtaining the sufficient audit evidence to assure the accurateness of the inventory assessment.

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

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

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

Those charged with governance (including the Audit Committee or supervisors) are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on this financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Chuang Chun Wei and Wang Chin Sun.

KPMG

Taipei, Taiwan (Republic of China)
March 18, 2020

Notes to Readers

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

The independent auditors' report and the accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and financial statements, the Chinese version shall prevail.

(English Translation of Financial Statements Originally Issued in Chinese)

HONG PU REAL ESTATE DEVELOPMENT CO., LTD.

Balance Sheets

December 31, 2019 and 2018

(expressed in thousands of New Taiwan dollars)

	Assets	December 31, 2019 Amount	%	December 31, 2018 Amount	%
	Current assets:				
1100	Cash and cash equivalents (note 6(a))	$ 1,137,864	6	611,067	4
1110	Financial assets at fair value through profit and loss (note 6(b))	4,268	-	18,851	-
1150	Notes receivable, net (note 6(c)(o))	51,719	-	32,180	-
1170	Accounts receivable, net (note 6(c)(o))	67,624	-	38,261	-
1210	Other accounts receivable－related parties (notes 7)	1,392	-	-	-
1320	Inventories (notes 6(d) 8 and 9)	17,678,639	90	14,538,223	91
1410	Prepayments	164,193	1	181,665	1
1460	Non-current assets held for sale (note 6(e))	-	-	253,256	2
1476	Other financial assets－current (note 6(o))	180,463	1	2,230	-
1479	Other current assets (note 9)	126,070	1	10,419	-
1480	Incremental costs of obtaining a contract	118,360	-	11,504	-
	Total current assets	19,530,592	99	15,697,656	98
	Non-current assets:				
1550	Investments accounted for using equity method (note 6(f))	30,579	-	63,634	-
1600	Property, plant and equipment (note 6(g) and 8)	83,174	-	86,238	1
1920	Refundable deposits (note 9)	113,585	1	222,125	1
1990	Other assets	18,111	-	28,509	-
	Total non-current assets	245,449	1	400,506	2
	Total assets	**$ 19,776,041**	**100**	**16,098,162**	**100**

	Liabilities and Stockholders' Equity	December 31, 2019 Amount	%	December 31, 2018 Amount	%
	Current liabilities:				
2100	Short-term loans (note 6(i))	$ 5,097,000	26	1,887,000	12
2110	Short-term notes and bills payable (note 6(i))	1,805,417	9	1,843,088	12
2130	Current contract liabilities (note 6(o)and 9)	465,106	3	200,969	1
2150	Notes payable	29,924	-	85,793	1
2170	Accounts payable	180,447	1	222,344	1
2200	Other payable	210,727	1	141,307	1
2230	Current tax liabilities	2,744	-	20,433	-
2399	Other current liabilities	39,785	-	41,112	-
	Total current liabilities	7,831,150	40	4,442,046	28
	Non-current liabilities:				
2600	Other non-current liabilities	10,815	-	7,252	-
	Total liabilities	7,841,965	40	4,449,298	28
	Equity :				
3110	Common stock(note 6(m))	3,328,087	17	3,328,087	20
3200	Capital surplus (note 6(m))	2,042,348	10	2,041,583	13
	Retained earnings:				
3310	Appropriated as legal capital reserve (note 6(m))	1,856,887	9	1,812,417	11
3320	Special reserre (note 6(m))	9,529	-	-	-
3350	Unappropriated earnings	4,697,225	24	4,476,306	28
		6,563,641	33	6,288,723	39
	Other equity:				
3470	Interest directly related to non-current asset or disposal group to be sold (note 6(p))	-	-	(9,529)	-
	Total equity	11,934,076	60	11,648,864	72
	Total equity and liabilities	**$ 19,776,041**	**100**	**16,098,162**	**100**

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)

HONG PU REAL ESTATE DEVELOPMENT CO., LTD.

Statements of Comprehensive Income

For the years ended December 31, 2019 and 2018

(expressed in thousands of New Taiwan dollars Except Earnings per Share)

		2019		2018	
		Amount	%	Amount	%
	Operating revenue:				
4300	Rental revenue (notes 6(j) (o) and 7)	$ 32,687	1	20,204	-
4511	Construction contract revenue (notes 6(o))	2,913,916	101	3,977,559	102
4519	Less: Construction contract revenue returns and discount	60,593	2	79,729	2
	Net operating revenue	2,886,010	100	3,918,034	100
	Operating cost:				
5300	Rental Cost	3,765	-	915	-
5510	Construction contract cost	2,121,982	74	3,266,201	83
	Net operating cost	2,125,747	74	3,267,116	83
	Gross profit	760,263	26	650,918	17
	Operating expenses(note6(k)and7):				
6100	Selling expenses	150,550	5	170,789	5
6200	Administrative expenses	41,350	1	46,684	1
6450	Impairment loss determined in accordance with IFRS 9 (note 6(c))	-	-	250	-
	Total operating expenses	191,900	6	217,723	6
	Operating income	568,363	20	433,195	11
	Non-operating income and expenses:				
7010	Other income (note 6(q)and7)	51,576	2	101,240	2
7020	Other gains and losses (note 6(q))	121,091	4	(4,034)	-
7050	Finance costs (note 6(q))	(56,662)	(2)	(34,588)	(1)
7060	Share of profit of investment in associates and subsidiaries accounted for using equity method (note 6(f))	(2,362)	-	25,029	1
	Total non-operating income and expenses	113,643	4	87,647	2
7900	**Profit before tax**	682,006	24	520,842	13
7951	**Less: income tax expenses (note 6(l))**	74,279	3	76,138	2
8200	**Profit**	607,727	21	444,704	11
	Other comprehensive income (loss) (note 6(p)):				
8360	**Items that may be reclassified subsequently to profit or loss:**				
8361	Financial statements translation differences for foreign operations	-	-	2,351	-
8365	Interest directly related to non-current asset that will be reclassified to profit or loss	9,529	-	-	-
8399	Income tax expense relating to components of other comprehensive income (loss)	-	-	-	-
8300	**Other comprehensive income (after tax)**	9,529	-	2,351	-
8500	**Total comprehensive income**	**$ 617,256**	**21**	**447,055**	**11**
	Earnings per share (in dollars), after tax (note 6(q)):				
	Basic earnings per share	**$ 1.83**		**1.34**	
	Diluted earnings per share	**$ 1.82**		**1.33**	

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)

HONG PU REAL ESTATE DEVELOPMENT CO., LTD.

Statements of Changes in Equity

For the years ended December 31, 2019 and 2018

(Expressed in thousands of New Taiwan dollars)

			Retained earnings				Other equity adjustments			
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Total	Financial statements translation differences for foreign operations	Unrealized gain (loss) on valuation of available-for-sale financial assets	Interest directly related to non-current asset	Total equity
Balance at January 1, 2018	$ 3,328,087	2,041,583	1,734,163	-	4,552,967	6,287,130	(11,880)	-	22,343	11,667,263
Effects of retrospective application	-	-	-	-	56,102	56,102	-	-	(22,343)	33,759
Balance on January 1, 2018 after adjustments	3,328,087	2,041,583	1,734,163	-	4,609,069	6,343,232	(11,880)	-	-	11,701,022
Net income	-	-	-	-	444,704	444,704	-	-	-	444,704
Other comprehensive income (loss)	-	-	-	-	-	-	2,351	-	-	2,351
Total comprehensive income (loss)	-	-	-	-	444,704	444,704	2,351	-	-	447,055
Appropriations and distributions:										
Legal reserve	-	-	78,254	-	(78,254)	-	-	-	-	-
Cash dividends	-	-	-	-	(499,213)	(499,213)	-	-	-	(499,213)
Other	-	-	-	-	-	-	9,529	(9,529)	-	-
Balance at December 31, 2018	3,328,087	2,041,583	1,812,417	-	4,476,306	6,288,723	-	(9,529)	-	11,648,864
Net income	-	-	-	-	607,727	607,727	-	-	-	607,727
Other comprehensive income (loss)	-	-	-	-	-	-	-	9,529	-	9,529
	-	-	-	-	607,727	607,727	-	9,529	-	617,256
Appropriations and distributions:										
Legal reserve	-	-	44,470	-	(44,470)	-	-	-	-	-
Special reserve	-	-	-	9,529	(9,529)	-	-	-	-	-
Cash dividends	-	-	-	-	(332,809)	(332,809)	-	-	-	(332,809)
Disposal of investment using equity method	-	765	-	-	-	-	-	-	-	765
Balance at December 31, 2019	**$ 3,328,087**	**2,042,348**	**1,856,887**	**9,529**	**4,697,225**	**6,563,641**	**-**	**-**	**-**	**11,934,076**

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)

HONG PU REAL ESTATE DEVELOPMENT CO., LTD.

Statements of Cash Flows

For the years ended December 31, 2019 and 2018

(expressed in thousands of New Taiwan dollars)

	2019	2018
Cash flows from (used in) operating activities:		
Profit before income tax	$ 682,006	520,842
Adjustments:		
Adjustments to reconcile profit and loss:		
Expected credit loss for bad debt expense	-	250
Depreciation expense	2,779	3,452
Amortization expense	131	126
Net profit on financial assets at fair value through profit or loss	(3,295)	(263)
Interest expenses	56,662	34,588
Interest income	(2,310)	(989)
Dividend income	(423)	(996)
Recognized shares of profit of investment in associates accounted for using equity method	2,362	(25,029)
Gains on disposal of non-current asset	(138,618)	-
Total adjustments to reconcile profit and loss	(82,712)	11,139
Net changes in operating assets and liabilities:		
Financial asset at fair value through profit or loss	17,878	19,372
Notes receivable	(19,539)	22,677
Accounts receivable	(29,363)	(11,997)
Other receivable－related parties	(1,392)	-
Inventories	(3,112,821)	1,419,846
Prepayments	17,472	5,855
Other current assets	4,532	4,276
Incremental costs of obtaining a contract	(106,856)	22,255
Other financial assets	(178,233)	170,908
Notes payable	(55,869)	21,799
Accounts payable	(41,612)	(246,867)
Other payable	70,311	83,635
Current contract liabilities	264,137	(802,143)
Other current liabilities	(1,327)	5,270
Total changes in operating assets / liabilities, net	(3,172,682)	714,886
Total adjustments	(3,255,394)	726,025
Cash generated from operations	(2,573,388)	1,246,867
Interest received	2,310	989
Interest paid	(85,148)	(75,225)
Income tax paid	(91,968)	(78,188)
Net cash flows from (used in) operating activities	(2,748,194)	1,094,443
Cash flows from (used in) investing activities:		
Return of capital of investments accounted for using equity method due to capital reduction	230,871	222,059
Disposal of subsidiaries	31,458	-
Price of disposal of non-current asset	170,532	-
Acquisition of property, plant and equipment	-	(12,487)
Increase in refundable deposits	(1,178,626)	(77,431)
Decrease in refundable deposits	1,166,983	412,296
Decrease (increase) in other assets	10,267	7,967
Dividends received	423	996
Acquisition of investments accounted for using equity method	-	(64,200)
Net cash flows from (used in) investing activities	431,908	489,200
Cash flows from (used in) financing activities:		
Increase in short-term borrowings	5,500,000	2,577,000
Decrease in short-term borrowings	(2,290,000)	(2,857,000)
Increase in short-term commercial paper payable	7,860,691	9,973,186
Decrease in short-term commercial paper payable	(7,898,362)	(10,415,666)
Decrease in other non-liabilities	3,563	5,167
Cash dividends paid	(332,809)	(499,213)
Net cash flows used in financing activities	2,843,083	(1,216,526)
Net increase in cash and cash equivalents	526,797	367,117
Cash and cash equivalents, at beginning of period	611,067	243,950
Cash and cash equivalents, at end of period	**$ 1,137,864**	**611,067**

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)

HONG PU REAL ESTATE DEVELOPMENT CO., LTD.

Notes to Financial Statements

For the years ended December 31 2019 and 2018

(expressed in thousands of New Taiwan dollars unless otherwise specified)

1. ORGANIZATION AND BUSINESS SCOPE

Company was established on October 5, 1988, and changed into Hong Pu Real Estate Development Co., Ltd. ("the Company") in 1990. The Company was approved to be a public company by the Securities and Futures Commission ("SFC") of the Republic of China ("ROC") on March 23, 1991, and was listed on the Taiwan Stock Exchange on December 21, 1995. The Company primarily engages in the business of construction, sales, and leasing of residential and commercial buildings.

Based on the resolution of the Board of Directors on July 15, 2004, the Company, which is the surviving company, completed its merger with Hung Yuan. The merger was a simple merger. After the merger, the name of the Company remained as Hong Pu Real Estate Development Co., Ltd.

2. THE AUTHORIZATION OF FINANCIAL STATEMENTS

The financial statements were approved and authorized for issue by the Board of Directors on March 18, 2020.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS:

(a) The impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") which have already been adopted.

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2019.

New, Revised or 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

The Company assessed that the initial application of the above IFRSs would not have any material impact on the financial statements.

(Continued)

(b) The impact of IFRS endorsed by FSC but not yet effective

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2020 in accordance with Ruling No. 1080323028 issued by the FSC on July 29, 2019:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020
Amendments to IFRS 9, IAS39 and IFRS7 "Interest Rate Benchmark Reform"	January 1, 2020
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020

The Company assesses that the adoption of the abovementioned standards would not have any material impact on its financial statements.

(c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

As of the date, the following IFRSs that have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

New, Revised or 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"	Effective date to be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2022

The Company assessed that the above IFRSs may not be relevant to the Company.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language financial statements, the Chinese version shall prevail.

The significant accounting policies presented in the financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the financial statements.

(a) Statement of compliance

These financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as the Regulations) and the International Financial Reporting Standards,

(Continued)

(b) Basis of preparation

(i) Basis of measurement

Except for the following significant accounts, the financial statements have been prepared on a historical cost basis:

1) Financial instruments measured at fair value through profit or loss are measured at fair value;

2) Financial assets at fair value through other comprehensive income are measured value.

(ii) Functional and presentation currency

The functional currency of each entity is determined based on the primary economic environment in which the entity operates. The financial statements are presented in New Taiwan dollars, which is the Company' s functional currency. All financial information presented in New Taiwan dollars has been rounded to the nearest thousand.

(c) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Company entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Nonmonetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

· an investment in equity securities designated as at fair value through other comprehensive income;

· a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or

· qualifying cash flow hedges to the extent that the hedges are effective.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency at the average exchange rate. Exchange differences are recognized in other comprehensive income.

(Continued)

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Company disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to noncontrolling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount 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, Exchange differences arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

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

As the Company's operating cycle is longer than a year, assets and liabilities related to the operation are classified as current or non-current by their operating cycle. An asset not related to the operation is classified as current under one of the following criteria, and all other assets are classified as non-current:

(i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is expected to be realized within twelve months after the reporting date; or

(iv) 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 under one of the following criteria, and all other liabilities are classified as non-current.

An entity shall classify a liability not related to the operation as current when:

(i) It is expected to be settled in the normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is due to be settled within twelve months after the reporting date; or

(iv) It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(e) Cash and cash equivalents

Cash comprises of cash on hand and demand deposits. Cash equivalents are short-term, 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 which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes should be recognized as cash and cash equivalents.

Bank overdrafts that are repayable on demand and form an integral part of the Company' s cash management are included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

(f) Financial instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

On initial recognition, a financial asset is classified as measured at: amortized cost; Fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

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 assets to collect contractual cash flows; and
- 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, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

(Continued)

2) Fair value through other comprehensive income (FVOCI)

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

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Company's right to receive payment is established.

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. Trade receivables that the Group intends to sell immediately or in the near term are measured at FVTPL; however, they are included in the 'trade receivables' line item. On initial recognition, the Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, 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. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

(Continued)

4) Business model assessment

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

5) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, notes and trade receivables, other receivable, leases receivable, guarantee deposit paid and other financial assets), debt investments measured at FVOCI and contract assets.

The Company measures loss allowances at an amount equal to lifetime expected credit loss (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 and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company' s historical experience and informed credit assessment as well as forward-looking information.

The Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of ' investment grade which is considered to be BBB- or higher per Standard & Poor's, Baa3 or higher per Moody's or twA or higher per Taiwan Ratings'.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI 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 assets 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 90 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charge to profit or loss and is recognized in other comprehensive income instead of reducing the carrying amount of the asset.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Company has a policy of writing off the gross carrying amount when the financial asset is 180 days past due based on historical experience of recoveries of similar assets. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

6) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt and equity instruments issued by the Company are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

2) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

(Continued)

3) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

4) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

5) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(g) Inventories

The Company capitalizes the acquisition costs and interest expenses paid for land as prepayments for the land before the ownership of the land is transferred, and records them as "Prepayment for land purchases". After the ownership of the land is transferred, it is recorded as "Land held for development", and as "Construction-in-progress－land" when the construction has begun. Construction costs and expenses which can be allocated by construction site are recorded as "Construction-in-progress－project". After the completion of the construction, the costs are transferred to "Properties and land held for sale". The inventories, which include "Land held for development", "Construction-in-progress－land", "Construction-in-progress－project", and "Properties and land held for sale" are stated at the lower of cost and net realizable value at the reporting date. An allowance for loss on decline in market value will be recorded if the net realizable value is lower than the cost at the reporting date.

Interest expense from borrowing used in construction-in-progress (projects and land) is capitalized before the construction is completed, and is stated as inventory costs.

(Continued)

(h) Non-current assets held for sale

Non-current assets or disposal groups comprising assets and liabilities that are highly probable to be recovered primarily through sale rather than through continuing use, are reclassified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Company's accounting policies. Thereafter, generally, the assets or disposal groups are measured at the lower of their carrying amount and fair value less costs to sell.

Any impairment loss on a disposal group is first allocated to goodwill, and then to the remaining assets and liabilities on a *pro rata* basis, except that no loss is allocated to assets not within the scope of IAS 36 – *Impairment of Assets*. Such assets will continue to be measured in accordance with the Company's accounting policies.

Impairment losses on assets initially classified as held for sale and any subsequent gains or losses on remeasurement are recognized in profit or loss. Gains are not recognized in excess of the cumulative impairment loss than has been recognized.

Once classified as held for sale intangible assets and property, plant and equipment are no longer amortized or depreciated, and any equity-accounted investee is no longer equity accounted.

(i) Investment in associates

Associates are those entities in which the Company has significant influence, but not control or joint control, over the financial and operating policies. Significant influence is presumed to exist when the Company holds between 20% and 50% of the voting power of another entity.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition, less any accumulated impairment losses.

The financial statements include the Company's share of the profit or loss and other comprehensive income of equity-accounted investees, after adjustments to align the accounting policies with those of the Company, from the date that significant influence commences until the date that significant influence ceases.

Gain and losses, resulting from the transactions between the Company and an associate are recognized only to the extent unrelated Company's interests in the associate.

When the Company's share of losses exceeds its interest in associates, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Company has an obligation or has made payments on behalf of the associate.

(j) Investment in subsidiaries

The Company uses the equity method to evaluate an investee that it controls in preparing the financial statements. Under the equity method, the net income, other comprehensive income, and shareholders' equity in the financial reports of the Company and the net income, other comprehensive income, and shareholders' equity that belongs to the Company in the consolidated financial reports should be the same.

(Continued)

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control over a subsidiary are accounted for as equity transactions with owners.

(k) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services, or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at cost. Depreciation expense is calculated based on the depreciation method, useful life and residual value which are the same as those adopted for property, plant and equipment.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount) is recognized in profit or loss.

Rental income from investment property is recognized as other revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

(l) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent expenditure

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

(iii) 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 depreciated.

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

1) Buildings 3~55 years

2) Other equipment 4~8 years

(Continued)

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(iv) Reclassification to investment property

A property is reclassified to investment property at its carrying amount when the use of the property changes from owner-occupied to investment property.

(m) Leases

Applicable from January 1, 2019

(i) As a lessor

When the Company acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Company applies IFRS15 to allocate the consideration in the contract.

The lessor recognizes a finance lease receivable at an amount equal to its net investment in the lease. Initial direct costs, such as lessors to negotiate and arrange a lease, are included in the measurement of the net investment. The lessor recognizes the interest income over the lease term based on a pattern reflecting a constant periodic rate of return on the lessor' s net investment in the lease. The Company recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other income'.

Applicable before January 1, 2019

(i) Lessor

Lease income from an operating lease is recognized in income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as the lease income. Incentives granted to the lessee to enter into the operating lease are spread over the lease term on a straight-line basis so that the lease income received is reduced accordingly.

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

(Continued)

(n) Impairment－non-financial assets

Non-financial assets other than inventories and non-current assets held for sale 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. If the recoverable amount of an individual asset cannot be determined, the Company estimates the recoverable amount of the cash-generating unit (CGU) to which the asset has been allocated.

The recoverable amount for individual asset or a CGU is the higher of its fair value less costs to sell and its value-in-use. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount, and that reduction will be accounted as an impairment loss, which shall be recognized immediately in profit or loss.

The Company should assess at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. If, and only if, there has been a change in the estimates used to determine the recoverable amounts since the last impairment loss was recognized, the Company shall reverse the impairment loss to the recoverable amount, to the extent that the carrying value of the asset or the CGU does not exceed its amortized cost before an impairment is recognized.

Notwithstanding whether indicators exist, recoverability of goodwill and intangible assets with indefinite useful lives or those not yet available in use are required to be tested at least annually. Impairment loss is recognized if the recoverable amount is less than the carrying amount.

For the purpose of impairment testing, goodwill acquired in a business combination shall, from the acquisition date, be allocated to each of the acquirer' s cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or group of units. If the carrying amount of the cash-generating units exceeds the recoverable amount of the unit, the entity shall recognize the impairment loss and the impairment loss shall be allocated to reduce the carrying amount of each asset in the unit. Reversal of an impairment loss for goodwill is prohibited.

(Continued)

(o) Revenue

(i) Revenue from contracts with customers

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

1) Land development and sales of real estate

The Company develops and sells residential properties, and usually sales properties in advance during construction or before construction begins. Revenue is recognized when control over the properties has been transferred to the customer. The properties have generally no alternative use for the Company due to contractual restrictions. However, an enforceable right to payment does not arise until legal title of a property has passed to the customer. Therefore, revenue is recognized at a point in time when the legal title has passed to the customer.

The revenue is measured at the transaction price agreed under the contract. For sale of readily available house, in most cases, the consideration is due when legal title of a property has been transferred. While deferred payment terms may be agreed in rare circumstances, the deferral never exceeds twelve months. The transaction price is therefore not adjusted for the effects of a significant financing component. For pre-selling properties, the consideration is usually received by installment during the period from contract inception until the transfer of properties to the customer. If the contract includes a significant financing component, the transaction price will be adjusted for the effects of the time value of money during the period, using the specific borrowing rate of the construction project. Receipt of a prepayment from a customer is recognized as contract liability. Interest expense and contract liability are recognized when adjusting the effects of the time value of money. Accumulated amount of contract liability is recognized as revenue when control over the property has been transferred to the customer.

2) Financing components

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer to be significant financial components. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

(ii) Contract costs

1) Incremental costs of obtaining a contract

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

The Company applies the practical expedient to recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the entity otherwise would have recognized is one year or less.

(p) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

(ii) Other long-term employee benefits

The Company' s net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognized in profit or loss in the period in which they arise.

(iii) Termination benefits

Termination benefits are expensed at the earlier of when the Company can no longer withdraw the offer of those benefits and when the Group recognizes costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

(iv) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(Continued)

(q) Income tax

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

The Company has determined that interest and penalties related to income taxes, including uncertain tax treatment, do not meet the definition of income taxes, and therefore accounted for them under IAS37.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

(i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;

(ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

(iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reserve, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes, if any.

Deferred tax assets and liabilities are offset if the following criteria are met:

(i) the Company has a legally enforceable right to set off current-tax assets against current tax liabilities; and

(ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

1) the same taxable entity; or

2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(Continued)

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

(r) Earnings per share (EPS)

The Company discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares, such as convertible bonds and employee compensation.

(s) Operating segments

An operating segment is a component of the Company 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 Company). Operating results of the operating segment are regularly reviewed by the Company's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance. Each operating segment consists of standalone financial information.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION AND UNCERTAINTY

The preparation of the consolidated financial statements, in conformity with the Regulations and the IFRSs endorsed by the FSC, requires management to make judgments estimates and assumptions that affect the application of the accounting policies and reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements is as follows:

1. Valuation of Inventory

Inventories are stated at lower of cost and net realizable value, and the assessment of net realizable value is determined based on the current sales market. Any change in the real sales market may have significant effect on the result of estimation. Please refer to note 6(d) for the estimation of inventory valuation.

The Company's accounting policies and disclosures include measuring financial and non-financial assets and liabilities by fair value. Related internal control policies have been established, which include forming the valuation group to conduct independent verification on all significant fair value measurement (including level 3 inputs). The valuation group periodically reviews significant unobservable inputs and adjustments. If the input data for valuation models is provided by external third parties (such as agency and pricing service institution), the valuation group would evaluate the evidence supporting such input data in order to ensure that the fair value measurement and hierarchy meet the IFRSs.

The Company strives to use market observable inputs when measuring assets and liabilities. Fair value hierarchy is based on the input used when valuating, and the definition is as follows:

- Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: input for the asset or liability is not based on the observable market information. (i.e. non-observable parameter.)

6. SIGNIFICANT ACCOUNTING DISCLOSURE

(a) Cash and cash equivalents

	December 31, 2019	December 31, 2018
Cash on hand	$ 353	203
Demand deposits	1,137,511	560,887
Cash equivalents	-	49,977
Cash and cash equivalents in the statement of cash flows	**$ 1,137,864**	**611,067**

Please refer to note 6(v) for the fair value sensitivity analysis and interest rate risk of the financial assets and liabilities of the Company.

(b) Financial assets and liabilities at fair value through profit or loss

	December 31, 2019	December 31, 2018
Mandatorily measured at fair value through profit or loss:		
Non-derivative financial assets		
Stocks listed on domestic markets	**$ 4,268**	**18,851**

Please refer to note 6(r) for the credit, currency, interest and market price risk of the financial instruments of the Company. As of December 31, 2019 and 2018, the financial assets were not pledged.

(Continued)

(c) Note and trade receivables

	December 31, 2019	December 31, 2018
Notes receivable	$ 51,719	32,180
Trade receivables–measured as amortized cost	67,624	38,261
Total	**$ 119,343**	**70,441**

The Company applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information, including macroeconomic and relevant industry information. The loss allowance provision were determined as follows:

	December 31, 2019		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Not due	**$ 119,343**	-	-

	December 31, 2018		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Not due	**$ 70,441**	-	-

The movement in the allowance for notes and trade receivable was as follows:

	2019	2018
Balance on January 1	$ -	-
Impairment losses recognized	-	250
Amounts written off	-	(250)
Balance on December 31	**$ -**	**-**

(Continued)

(d) Inventories

Please refer to note 8 for inventories pledged as collateral as of December 31, 2019 and 2018.

	December 31, 2019	December 31, 2018
Properties and land held for sale	$ 4,166,584	4,436,058
Construction-in-progress－land	4,256,082	5,203,075
Construction-in-progress－projects	1,845,082	2,129,095
Land held for development	7,461,603	3,025,075
Prepayments for land purchase	39,668	-
Less: allowance for loss on decline in market value and obsolescence	(90,380)	(255,080)
	$ 17,678,639	**14,538,223**

(i) The capitalized interests of land held for development and construction in progress were $27,595 thousand and $39,380 thousand in the year of 2019 and 2018, respectively.

(ii) In 2019, and 2018 the reversal of write-downs amounted to $164,700 thousand and $191,300 thousand, respectively, due to the increase in market demand.

(e) Non-current assets held for sale

On December 26, 2018, a resolution was passed by the Board of Directors to dispose the remaining investment of the Group in its associates at the price of USD $6,224 thousand after capital reduction of USD $7,576 thousand. As of December 31, 2019, the transaction had been completed as follows:

	December 31, 2019	December 31, 2018
Investments accounted for using equity method	**$ -**	**253,256**
Amount of cumulative income or expense recognized in other comprehensive income relating to the non-current assets classified as held for sale		
Foreign exchange differences arising from foreign operation	**$ -**	**(9,529)**

(f) Investments accounted for using equity method

A summary of the Company's financial information for investments accounted for using equity method at the reporting date is as follows:

	December 31, 2019	December 31, 2018
Subsidiary	**$ 30,579**	**63,634**

(i) Subsidiaries

Please refer to the consolidated financial statement for the year ended 2019.

The Company's financial information for investments accounted for using the equity method

(Continued)

that are individually insignificant was as follows:

	December 31, 2019	December 31, 2018
The Company's share of:		
Net income from continuing operations	$ (2,362)	25,029
Other comprehensive income	-	2,351
Total comprehensive income for the period	**$ (2,362)**	**27,380**

The Company reclassified investments in associate accounted for using equity method as non-current assets held for sale, and please refer to note 6(e).

(ii) The Company disposed 49% of its equity ownership in Chuan Yue Real Estate Development Co., Ltd.at an amount of $31,458 thousand on June 28, 2019 without losing control over it.

The following summarizes the effect of change in equity of the parent due to changes in the ownership interest of subsidiaries:

	December 31, 2019
Book value of the non-controlling interest	$ 30,693
Consideration transferred from non-cuntrolling interest	31,458
Capital surplus-difference between the consideration and the carrying amount	**$ (765)**

(iii) Collateral

As of December 31, 2019 and 2018 the investments accounted for using equity method were not pledged as collateral.

(g) Property, plant and equipment

(i) The cost, depreciation, and impairment of the property, plant and equipment of the Company for the years ended December 31, 2019 and 2018 are as follows:

	Land	Buildings	Other Facilities	Total
Cost or deemed cost:				
Balance at January 1, 2019	$ 54,131	65,988	16,717	136,836
Other	-	(285)	-	(285)
Balance at December 31, 2019	**$ 54,131**	**65,703**	**16,717**	**136,551**
Balance at January 1, 2018	$ -	-	14,006	14,006
Transfer from investment properties	54,131	56,212	-	110,343
Addition	-	9,776	2,711	12,487
Balance at December 31, 2018	**$ 54,131**	**65,988**	**16,717**	**136,836**

(Continued)

	Land	Buildings	Other Facilities	Total
Depreciation and impairment loss:				
Balance at January 1, 2019	$ 7,869	31,564	11,165	50,598
Depreciation for the year	-	1,246	1,533	2,779
Balance at December 31, 2019	**$ 7,869**	**32,810**	**12,698**	**53,377**
Balance at January 1, 2018	$ -	-	9,734	9,734
Depreciation for the year	-	2,021	1,431	3,452
Transfer from Investment Property	7,869	29,543	-	37,412
Balance at December 31, 2018	**$ 7,869**	**31,564**	**11,165**	**50,598**
Carrying value:				
Balance at December 31, 2019	**$ 46,262**	**32,893**	**4,019**	**83,174**
Balance at December 31, 2018	**$ 46,262**	**34,424**	**5,552**	**86,238**
Balance at January 1, 2018	**$ -**	**-**	**4,272**	**4,272**

(ii) Collateral

As of December 31, 2019 and 2018, the property, plant and equipment of the Company had been pledged as collateral, please refer to note 8.

(h) Investment Properties

	Land and improvements	Buildings	Total
Cost:			
Balance as at January 1, 2018	$ 54,131	56,212	110,343
Transfer to Property, Plant and Equipment	(54,131)	(56,212)	(110,343)
Balance as at December 31, 2018	**$ -**	**-**	**-**
Depreciation and impairment losses:			
Balance as at January 1, 2018	$ 7,869	29,543	37,412
Depreciation for the year	(7,869)	(29,543)	(37,412)
Balance as at December 31, 2018	**$ -**	**-**	**-**
Carrying amount：			
Balance as at December 31, 2018	**$ -**	**-**	**-**
Balance as at January 1, 2018	**$ 46,262**	**26,669**	**72,931**
Fair value：			
Balance as at December 31, 2018			**$ -**
Balance as at January 1, 2018			**$ 73,088**

During 2018, the investment properties were transferred to property, plant and equipment for self-use because the lease contract of the office expired.

The fair value of the investment property was determined by referring to the average market price of similar real estate after deducting related expenses.

(Continued)

(i) Short-term notes and bills payable

Details of short-term notes and bills payable as of December 31, 2019 and 2018 are summarized as follows:

	December 31, 2019			
	Currency	Interest rate collars	Expiration	Amount
Secured bank loans	TWD	1.50%~1.86%	2021	$ 4,787,000
Unsecured bank loans	TWD	1.66%	2020	310,000
Commercial paper payables	TWD	0.5%~1.50%	2020	1,805,417
Total				**$ 6,902,417**
Current				$ 6,902,417
Non-current				-
Total				**$ 6,902,417**

	December 31, 2018			
	Currency	Interest rate collars	Expiration	Amount
Secured bank loans	TWD	1.85%	2021	$ 1,437,000
Unsecured bank loans	TWD	1.78%	2019	450,000
Commercial paper payables	TWD	0.51%~1.49%	2019	1,843,088
Total				**$ 3,730,088**
Current				$ 3,730,088
Non-current				-
Total				**$ 3,730,088**

For information on the Company's interest risk, currency risk, and liquidity risk, see note 6(r).

Please refer to note 8 for the pledge for borrowings.

(j) Operating lease

(i)Leases as lessor

The Company leases out its properties. The Company has classified these lease as operating lease because it does not transfer substantially all of the risks and rewards incidental to the ownership of the asset.

A maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date are as follow:

	December 31, 2019
Less than one year	$ 60,050
One to two year	62,520
Two to three year	48,713
Three to four year	40,283
Four to five year	17,833
More than five year	61,853
	$ 291,252

The Company leases out its properties. The future minimum lease payments under non-cancellable leases are as follows:

	December 31, 2018
Less than one year	$ 20,095
Between one and five years	49,715
More than five years	16,238
	$ 86,048

(k) Employee benefits

(i) Defined benefit plans

The pension cost incurred from the defined contribution plans each amounted to $32 thousand for both year ended December 31, 2019 and 2018

(i) Defined contribution plans

The Company set aside 6% of the contribution rate of the employee's monthly wages to the Labor Pension personal account of the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. The Company set aside a fixed amount to the Bureau of the Labor Insurance without the payment of additional legal or constructive obligations.

The pension cost incurred from the contributions to the Bureau of Labor Insurance amounted to $1,074 thousand and $1,165 thousand for the years ended December 31, 2019 and 2018, respectively.

(l) Income tax

(i) Income tax expense

The components of income tax in the years of 2019 and 2018 were as follows:

	2019	2018
Income tax expenses －current	$ 74,279	76,138
Income tax expenses－deferred	-	-
Income tax expenses from continuing operations	**$ 74,279**	**76,138**

The reconciliation of income tax expense and profit before tax for the years ended December 31, 2019 and 2018 were as follows:

	2019	2018
Income before tax	**$ 682,006**	**520,842**
Estimated income tax calculated based on financial income before tax at domestic tax rate	$ 136,401	104,168
Tax-exempt income	(118,711)	(100,222)
Land Value Increment Tax	64,453	55,631
Surtax on undistributed earnings	9,826	20,507
Others	(17,690)	(3,946)
Total	**$ 74,279**	**76,138**

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets

The details of unrecognized deferred tax assets were as follows:

	December 31, 2019	December 31, 2018
Deductible temporary differences	$ 79,744	102,137
The carryforward of unused tax losses	143,603	123,269
	$ 223,347	**225,406**

The R.O.C. Income Tax Act allows net losses, as assessed by the tax authorities, to offset taxable income over a period of ten years for local tax reporting purposes. Deferred tax assets have not been recognized in respect of above items because it is not probable that future taxable profit will be available against which the Company can utilize the benefits therefrom.

(Continued)

As of December 31, 2019, the information of the Company's unused to losses for which no deferred tax assets were recognized was as follows:

Year of loss	Unused amount	Expiration year
2010	$ 153,862	2020
2015	34,844	2025
2017	14,183	2027
2018	413,232	2028
2019	101,893	2029

(3) The ROC income tax authorities have examined the Company's income tax returns for all years through 2017.

(m) Capital and Other Equities

As of December 31, 2019 and 2018, the total value of authorized ordinary shares amounted to $4,300,000 thousand. Face value of each share is $10, which means in total, there were 430,000 thousand ordinary shares, of which 332,809 thousand were issued.
As of December 31, 2019 and 2018, the number of shares outstanding were both 332,809 thousand.

(i) Capital surplus

Balances of capital surplus at the reporting date were as follows:

	December 31, 2019	December 31, 2018
Share capital	$ 1,769,869	1,769,869
Treasury share transactions	26,353	26,353
Difference arising from subsidiary's share price and its carrying value	765	-
Capital surplus－premium from merger	217,538	217,538
Conversion right of convertible bonds	16,588	16,588
Interest payable refund from bond conversion	11,235	11,235
Total	**$ 2,042,348**	**2,041,583**

According to the ROC Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus 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 surplus in excess of par value should not exceed 10% of the total common stock outstanding.

(Continued)

(ii) Unappropriated earnings

The Company's Articles of Incorporation stipulate that once the Company has annual profit, it shall first appropriate at least 1% of the profit to its employees and no more than 3% to its directors. The employee bonus may be paid in the form of new shares. Afterwards, the Company shall pay all taxes and dues, and then appropriate legal reserve (10%), unless the total legal reserve accumulated has already reached the amount of the Company's authorized capital. The Company will appropriate the special capital reserve in accordance with the relevant laws and regulations or its operating needs. The distribution of any balance left over and unappropriated earnings at the beginning of the year is determined by the Board of Directors and approved by the stockholders at their annual meeting.

The Company's accumulated losses shall have been covered before any appropriating for the employee bonus. When the bonus is to be paid in the form of shares or cash, employees shall include those of subsidiaries of the Company who meet certain specific requirements.

Considering future capital demand and sound financial plan for sustainable development of the Company, the meeting of shareholders may resolve accordingly that part or all of the earnings will not be distributed, and that when there is distribution of earnings, cash dividends shall account for at least 20% of total cash and stock dividends. The remains will be paid in the form of shares to transfer retained earnings and capital surplus to capital.

1) Legal reserve

According to the ROC Company Act, the Company must retain 10% of its after-tax annual earnings as legal reserve until such retention equals the amount of the total capital. When a company incurs no loss, it may, in 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 the legal reserve which exceeds 25% of the capital may be distribute.

2) Special reserve

In accordance with Ruling No. 1010012865 issued by the Financial Supervisory Commission on 6 April 2012, an increase in retained earnings due to the first-time adoption of IFRSs shall be reclassified as a special earnings reserve during earnings distribution. When the relevant assets were used, disposed of, or reclassified, this special earnings reserve shall be reversed as distributable earnings proportionately.

3) Earnings Distribution

Based on the resolutions approved by the stockholders' meetings on June 14, 2018, and June 11, 2017, the earnings for year 2018 and 2017 were distributed as follows:

	2018		2017	
	Attribution per share	Amount	Attribution per share	Amount
Cash Dividend	$ 1.00	332,809	1.50	499,213

(Continued)

Information on the earnings appropriation proposed by the Company' s Board of Directors and approved by the Company' s shareholders is available on the Market Observation Post System website of the Taiwan Stock Exchange.

(iii) Other equity

	Foreign exchange differences arising from foreign operation	Interest directly related to non-current asset or disposal group to be sold	Available-for-sale investments
Balance at January 1, 2019	$ -	(9,529)	
Interest directly related to non-current asset	-	9,529	-
Balance at December 31, 2019	**$ -**	**-**	**-**
Balance at January 1, 2018	$ (11,880)	-	22,343
Effects of retrospective application	-	-	(22,343)
Balance at January 1, 2018 after adjustments	(11,880)	-	-
Foreign exchange differences(net of tax):			
Associates	2,351	-	-
Interest directly reloted to non-current asset	9,529	(9,529)	-
Balance at December 31, 2018	**$ -**	**(9,529)**	**-**

(n) Earnings per share

(i) Basic Earnings per share

The calculation of basic earnings per share at December 31, 2019 that was based on the profit attributable to ordinary shareholders of the Company amounting to $607,727 thousand (2017: $444,704 thousand) and both the weighted average number of ordinary shares outstanding amounting to 332,809 thousand was calculated as follows:

1) Profit attributable to ordinary shareholders

	2019	2018
Profit (loss) attributable to ordinary shareholders of the Company	**$ 607,727**	**444,704**

(ii) Diluted earnings per share

The calculation of diluted earnings per share at December 31, 2019 that was based on profit attributable to ordinary shareholders of the Company amounting to $607,727 thousand (2018: $444,704 thousand) and the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares amounting to 333,447 thousand (2018: 333,401 thousand) was calculated as follows.

1) Profit attributable to ordinary shareholders of the Company (diluted)

(Continued)

	2019	2018
Profit (loss) attributable to ordinary shareholders of the Company (basic)	$ 607,727	444,704
Profit (loss) attributable to ordinary shareholders of the Company (diluted)	**$ 607,727**	**444,704**

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

	2019	2018
Weighted-average number of ordinary shares (basic)	332,809	332,809
Effect of employee stock bonus	$ 638	592
Weighted-average number of ordinary shares (diluted) at 31 December	**333,447**	**333,401**

(o) Revenue from contracts with customers

(i) Disaggregation of revenue

The details of revenue for the year ended December 31, 2018 was as follows:

	2019	2018
Primary geographical markets		
Taiwan	**$ 2,886,010**	**3,918,034**

	2019	2018
Major products/services lines		
Sale of land	$ 1,896,557	2,535,843
Sale of buildings	956,766	1,361,987
Lease of real estate	32,687	20,204
	$ 2,886,010	**3,918,034**

(ii) Contract balances

	December 31, 2019	December 31, 2018	December 31, 2018
Accounts receivable	$ 67,624	38,261	26,514
Notes receivable	51,719	32,180	54,857
Total	**$ 119,343**	**70,441**	**81,371**
Contract liabilities－sale of real estate	**$ 465,106**	**200,969**	**1,003,112**

(iii) Unearned revenues from sales and presales of properties and land held for sale registered and transferred into trusts. This trust amount is recorded as “other current assets”.

	December 31, 2019	December 31, 2018
Other financial assets-current	**$ 180,463**	**-**

(Continued)

As of December 31, 2019,the Company consigned the trustees to manage the capital received from its pre-sale of properties in accordance with the Trust agreements,wherein the trust will be terminated when the project is completed, when the permit to use the building is issued, and when the ownership of the building is first registered.

(iv) Unearned revenues were from sales and pre-sales of properties and land held-for-sale.

(v) As of December 31, 2019, the advance payments of presale projects named Hong Pu Summer Palace and Hong Pu Central Park have been entrusted as follows:

1) The reports are in accordance with the sold contracts.

2) Accrued trust amount on the base date is equal to the amount deposited into the trust account.

3) The Company deposits the payment received from buyers into the specific trust account at the same period.

4) There should be no delay in paying the deposit..

(p) Directors' and supervisor's remuneration

The Company' s Articles of Incorporation provide that, bonus to directors and profit sharing to employees of the Company were not more than 1% and not less than 3% of the remainder, respectively. When allocating the net profits for each fiscal year, the Company shall first offset its losses in previous years. The Company' s Articles of Incorporation also provide that profits of the Company may be distributed by way of cash dividend and/or stock dividend.

The employee bonuses and directors' and supervisors' remuneration were recognized as cost of sales or operating expenses on specific percentage of net income. These amounts are calculated using the Company' s profit before tax without the employee bonuses and directors' and supervisors' remuneration for each period. The Company recognized its employee bonuses of $12,000 thousand in 2019 and $9,000 thousand in 2018 respectively, as well as directors' and supervisors' remuneration of $2,200 thousand in 2019 and $2,200 thousand in 2018 respectively. Related information is available on the Market Observation Post System website of the Taiwan Stock Exchange. The differences between the amounts approved in the shareholders' meeting and those recognized in the financial statements, if any, are accounted for as changes in accounting estimates and recognized as profit or loss in the distribution year.

(q) Non-operating income and expenses

(i) Other income

The details of non-operating income and expenses for the years ended December 31, 2019 and 2018 were as follows:

	2019	2018
Interest income	$ 2,310	989
Dividend income	423	996
Fee Revenue	-	10
Breach Revenue	37,798	88,921
Others	11,045	10,324
Total	**$ 51,576**	**101,240**

(ii) Other gains and losses

The details of other gains and losses for the years ended December 31, 2019 and 2018 were as follows:

	2019	2018
Gains on financial assets at fair value through profit or loss	$ 3,295	263
Gain on disposal of non-current asset held for sale through profit loss	138,618	-
Others	(20,822)	(4,297)
Total	**$ 121,091**	**(4,034)**

(iii) Finance costs

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

	2019	2018
Interest expenses	$ 84,257	73,968
Less: Capitalized Interest	(27,595)	(39,380)
Total	**$ 56,662**	**34,588**
Capitalized Interest Rate	**1.42%~1.53%**	**1.02%~1.40%**

(r) Financial Instrument

(i) Credit risk

1) Credit risk exposure

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

(Continued)

2) The concentration of credit risk

The Company's revenue is attributable to the sales transactions with a wide range of customer. So, there is no concentration of credit risk.

(ii) Liquidity risk

The followings were the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

	Carrying amount	Contractual cash flow	Within 6 months	Within 6-12months	1-2 years	2-5 years	More than 5 years
As of December 31, 2019							
Non-derivative financial liabilities							
Secured bank loans	$ 4,787,000	4,851,102	936,906	2,025,109	1,889,087	-	-
Unsecured Secured bank loans	310,000	313,186	2,566	310,620	-	-	-
Commercial notes	1,805,417	1,810,000	1,810,000	-	-	-	-
Notes and accounts payables	210,371	210,371	210,371	-	-	-	-
	$ 7,112,788	**7,184,659**	**2,959,843**	**2,335,729**	**1,889,087**	**-**	**-**
As of December 31, 2018							
Non-derivative financial liabilities							
Secured bank loans	$ 1,437,000	1,491,816	13,249	13,395	26,571	1,438,601	-
Unsecured bank loan	450,000	455,333	3,994	451,339	-	-	-
Commercial notes	1,843,088	1,853,000	1,103,000	750,000	-	-	-
Notes and accounts payables	308,177	308,137	308,137	-	-	-	-
	$ 4,038,265	**4,108,286**	**1,428,380**	**1,214,734**	**26,571**	**1,438,601**	**-**

The Company is not expecting that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

(iii) Currency risk

1) Exposure to currency risk

	December 31, 2019			December 31, 2018		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
Financial assets						
USD	$ 21,578	29.98	646,909	8,376	30.715	257,275

2) Sensitivity analysis

The Company's exposure to foreign currency risk arises from cash and cash equivalents that are determined in foreign currency and the investment accounted for using equity method, resulting in exchange differences on translation of financial statements. A Strengthening (weakening) 10 % of appreciation (depreciation) of the TWD against the USD as of December 31, 2019 and 2018, would have increased (decreased) profit of 2019 by $64,691 thousand and other equity of 2018 by $25,727 thousand. The analysis assumes that all other variables remain constant.

(Continued)

(iv) Interest risk

Please refer to the attached note for the liquidity risk management and the Company's interest rate exposure to its financial assets and liabilities.

The following sensitivity analysis is based on the risk exposure to interest rates on non-derivative financial instruments on the reporting date. For variable rate instruments, the sensitivity analysis assumes the variable rate liabilities are outstanding for the whole year on the reporting date.

If the interest rate increases / decreases by 50 basis points, the Company's net profit after tax would have increased (decreased) by $26,618 thousand and $20,485 thousand for the years ended December 31, 2019 and 2018 with all other variable factors that remain constant. This is mainly due to the Company's borrowings in floating variable rate.

(v) Other market price risk

If the price of the equity securities changes, and if it is on the same basis for both years and assumes that all other variables remain the same, the impact on other comprehensive income will be as follows:

	2019		2018	
Equity price at reporting date	**After-tax other Comprehensive income**	**After-tax profit (loss)**	**After-tax other Comprehensive income**	**After-tax profit (loss)**
Increase 3%	$ -	128	-	566
Decrease 3%	$ -	(128)	-	(566)

(vi) Fair value

1) Categories of financial instruments and fair value

The following table shows the carrying amounts and fair values of financial assets and liabilities including their levels in the fair value hierarchy. It shall not include fair value information of the financial assets and liabilities not measured at fair value if the carrying amount is a reasonable approximation of the fair value and investments in equity instruments which do not have any quoted price in an active market in which the fair value cannot be reasonably measured.

	December 31, 2019				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Non-derivative financial assets mandatorily measured at fair value through profit or loss	$ 4,268	4,268	-	-	4,268
Cash and cash equivalents	1,137,264	-	-	-	-
Notes receivable and account receivable	119,343	-	-	-	-
Other financial assets - current	180,463	-	-	-	-
Subtotal	1,437,070	-	-	-	-
Total	$ 1,441,338	4,268	-	-	4,268
Financial liabilities at amortized cost					
Bank Loans	$ 5,097,000	-	-	-	-
Short-term notes and bills payable	1,805,417	-	-	-	-
Notes payable and account payable	210,371	-	-	-	-
Other payable	210,727	-	-	-	-
Subtotal	7,323,515	-	-	-	-
Total	$ 7,323,515	-	-	-	-

	December 31, 2018				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Non-derivative financial assets mandatorily measured at fair value through profit or loss	$ 18,851	18,851	-	-	18,851
Financial assets measured at amortized cost					
Cash and cash equivalents	611,067	-	-	-	-
Notes receivable and account receivable	70,441	-	-	-	-
Other financial assets - current	2,230	-	-	-	-
Subtotal	683,738	-	-	-	-
Total	$ 702,589	18,851	-	-	18,851
Financial liabilities at amortized cost					
Bank Loans	$ 1,887,000	-	-	-	-
Short-term notes and bills payable	1,843,088	-	-	-	-
Notes payable and account payable	308,137	-	-	-	-
Other payable	141,307	-	-	-	-
Subtotal	$ 4,179,532	-	-	-	-
Total	$ 4,179,532	-	-	-	-

(Continued)

2) Fair value valuation techniques of financial instruments not measured at fair value

Non-derivative financial liabilities

Financial instruments traded in active markets are based on quoted market prices. The 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 instrument and debt instrument in an active market.

Fair value measurement is based on the latest quoted price and agreed-upon price if these prices are available in an active market. When market value is unavailable, the fair value of financial assets and liabilities are evaluated based on the discounted cash flow of the financial assets and liabilities.

(s) Management of financial risk

Overview

(i) By using financial instruments, the Company is exposed to risks as below:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Company's exposure to each of above risks, the objectives, policies and processes for measuring and managing risk. Please see other related notes for quantitative information.

(ii) Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through their training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's Audit Committee oversees how management monitors the risks which should be in compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company Audit Committee is assisted in its oversight role by the Internal Audit. The internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board of Directors.

(Continued)

(iii) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's investment securities.

1) Investment

The credit risk exposure in the bank deposits, fixed income investments and other financial instruments are measured and monitored by the Company's finance department. Since the Company' s transactions are with the counterparties, and the contractually obligated counterparties are the banks, financial institutions, corporate organizations and government agencies with good credits, there are no compliance issues, and therefore, there is no significant credit risk.

2) Guarantees

As of December 31, 2019 and 2018, there is no guarantee outstanding.

(iv) Liquidity risk

The Company manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Company's management supervises the banking facilities and ensures that they are in compliance with the terms of the loan agreements.

The loans and borrowings from the bank form an important source of liquidity for the Company. The Company has unused short-term bank facilities of $5,311,000 thousand and $4,168,000 thousand as at 31 December 31, 2019 and 2018.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices that will affect the Company' s income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

1) Currency risk

The Company is not exposed to currency risk on sales, purchases and borrowings that are denominated in a New Taiwan Dollars (TWD).

2) Interest rate risk

The Company's borrowings bear floating interest rate. The Company reduces the interest risks by negotiating the loan interest rates frequently with banks.

(t) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of ordinary shares, capital surplus and retained earnings of the Company. The Board of Directors monitors the return on capital as well as the level of dividends to ordinary shareholders.

	December 31, 2019	December 31, 2018
Total liabilities	$ 7,841,965	4,449,298
Less: cash and cash equivalents	(1,137,864)	(611,067)
Net debt	**$ 6,704,101**	**3,838,231**
Total equity	**$ 11,934,076**	**11,648,864**
Debt to equity ratio	**56.17 %**	**32.95 %**

There were no changes in the Company's approach to capital management during the year.

(u) Investing and financing activities not affecting current cash flow

There was no investing and financing activity not affecting cash flow as of December 31, 2019 and 2018.

7. Related-party transactions

(a) Names and relationship with related parties

The followings are entities that have had transactions with related party during the periods covered in the financial statements.

Name related party	Relationship with the Company
J.H. Tuan	The chairman of the Company
IG Construction Co., Ltd.	An associate
Hsin Pei Real Estate Development Co., Ltd.	An associate
Hong Pu Welfare and Charity Foundation	Other related parties

(b) Related party transactions

(i) Endorsements and guarantees

The chairman of the company was the guarantor for the Company's loans from financial institutions.

(ii) Leases

The related party rented an office building from the Company to be used as its headquarter. A five-year lease contract was signed with the contract price of $884 thousand, in which the rental fee is determined based on the nearby office rental rates. For the years 2019 and 2018, the Company's rent revenues with related parties were both $114 thousand. As of December 31, 2019 and 2018, the accounts receivables generated by the aforementioned rent revenue have been received.

(Continued)

(iii) Others

The Company has signed a contract concerning a joint-construction investment in project "012310247" with Hsin Pei Real Estate Development Co., Ltd. during June 2017. According to the agreement, the Company accounts for 33.9% of the project and charges 6% management fee based on cost allocated to Hsin Pei Real Estate Development Co., Ltd.

The Company offers management services to its subsidiaries.As of December 31, 2019 the accounts receivables of $1,392 thousands, recorded as "accounts-receivales－related parties ." has not been received.

The Company donated to the Hong Pu Social Welfare Foundation the amount of $1,200 thousands and $2,000 thousands in 2019 and 2018, respectively.

(c) Key management personnel compensation

	2019	2018
Short-term employee benefits	$ 8,651	9,899
Retirement benefits	234	234
Other long-term benefits	-	-
Resignation benefits	-	-
Share-based payment	-	-
Total	$ 8,885	10,133

8. Pledged assets

As of December 31, 2019 and 2018, the carrying values of pledged assets were as follows:

Pledged assets	Pledged to secure	December 31, 2019	December 31, 2018
Construction-in-progress – land	Short-term bills payable, short-term loans	$ 4,256,082	5,203,075
Land held for development	Short-term bills payable, short-term loans	5,021,910	1,679,232
Properties and land held for sale	Short-term bills payable, short-term loans	1,746,764	522,480
Property, Plant and Equipment	Short-term bills payable	79,155	80,686
Investment properties	Short-term bills payable	-	-
		$ 11,103,911	7,485,473

9. Commitments and contingencies

As of December 31, 2019, the Company had issued promissory notes of $9,887,000 thousand to financial institutions for their provision of repayment guarantees.

As of December 31, 2019, the total contract amount of the Company's construction projects was $750,604 thousand, of which $580,418 thous1and had been paid and recorded as "inventory."

(Continued)

As of December 31, 2019, the total contract amount of the Company' s advanced-sell projects was $3,789,820 thousand of which $465,106 thousand had been received and recorded as "current contract liabilities."

As of December 31, 2019, the total contract amount of the Company's prepayments for land purchase ware $71,058 thousand, of which $29,631 thousand had been paid and recorded as "inventories".

The Company has signed project "061120014" joint construction agreement with ten non-related parties, Mrs. Yang and five others, on June 2010; and Mr. Pan and three others on September 2011. As of December 31, 2019, in accordance with the joint construction agreement, the Company has paid a promissory amount of $11,390 thousand to the land owners and recorded it as refundable deposits.

The Company has signed project "012310247" joint construction agreement with nine non-related parties, Mrs. Lin and eight others, on May 2014 and on July 2015. As of December 31, 2019, in accordance with the joint construction agreement, the Company has paid a promissory amount of $121,234 thousand to the land owners and recorded it as "other current assets"

The Company has signed project "032310150" joint construction agreement with non-related parties, Mr. Chen and eight others, in October,November and December 2019. As of December 31, 2019,the Company has paid a promissory of $121,234 thousand to the land owners and recorded it as "refundable deposit". in accordance with the joint construction agreement.

The Company engaged with IBFC as the guarantor for its issuance of commercial checks. The Tunhwa South office was pledged as collateral, and IBFC was appointed as the beneficiary of the fire insurance on this office.

In January 2017, the Company set up the leasing partnership with Mitsui Fudosan Taiwan Co., Ltd., the project located in the Taipei Da-an District and was still under construction, both properties and land belonged to the Company. Mitsui Fudosan Taiwan Co., Ltd., aimed to establish a hotel there. The formal leasing agreement had been signed on June 2017, according to which, the lease term would be 20 years upon final walk-through after the completion of construction.

10. Losses due to major disasters：None.

11. Subsequent events：None.

12. Other

(a) Total personnel, depreciation and amortization expenses categorized by function for the years ended December 31, 2019 and 2018, were as follows:

	2019			2018		
	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Personnel expenses						
Salaries	11,134	26,441	37,575	12,684	25,391	38,075
Labor and health insurance	701	1,658	2,359	847	1,697	2,544
Pension	446	660	1,106	537	660	1,197
Remuneration of directors	-	2,714	2,714	-	2,024	2,024
Others	240	498	738	292	541	833
Depreciation	-	2,779	2,779	-	3,452	3,452
Amortization	-	131	131	-	126	126

(Continued)

The information on the Company's employee and employee for the years ended , 2019 and 2018 were as follow:

	2019	2018
Numbers of employees	29	31
Number of non-employee directors	3	2
The average employee benefit	$ 1,607	1,471
The average salaries and wages	$ 1,445	1,313
Adjustment of average salaries	10.05 %	

13. Other disclosures

(a) Information on significant transactions

The followings are the information on significant transactions required by the " Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Company:

(1) Fund financing to other parties：None.

(2) Guarantees and endorsements for other parties：None.

(3) Information regarding securities held at balance sheet date. (The subsidiary, the associate, and the joint venture are not included)：

Name of holder	Category of security	Category and name of security	Account	Balance at December 31, 2017				Note
				Number of shares	Book value	Percentage of share	Market value(or net value)	
The Company	CPT	-	〃	23,599	-	-	-	
The Company	NEOMAGIC(NMGC)	-	〃	10,659	-	-	-	
The Company	Trade-Van	-	〃	115,655	4,268	0.07 %	4,268	
The Company	HORIZON VENTURE FUND I.L.P.	-	〃	-	-	1.21 %	-	

(4) Cumulative buying or selling of one specific security exceeding the lower of $300,000 thousand or 20% of the Company's paid-in capital：None.

(5) Acquisition of real estate with an amount exceeding the lower of $300,000 thousand or 20% of the Company's paid-in capital was as follows：

(Expressed in thousands of TWD)

Name of company	Name of property	Transaction date	Transaction amount	Status of payment	Counter party	Relationship with the Company	If the counter-party is a related party, disclose the previous transfer information				References for determining price	Purpose of acquisition and current condition	Others
							Owner	Relationship with the Company	Date of transfer	Amount			
The Company	Construction-in-progress-land	2019.03.25	679,256	679,256	The Cpmpany,Yu an Din Co.Ltd.and 47 natural person	Non-related parties	-	-	-	-	Foreclosure	Construction	none

(Continued)

Name of company	Name of property	Transaction date	Transaction amount	Status of payment	Counter party	Relationship with the Company	If the counter-party is a related party, disclose the previous transfer information				References for determining price	Purpose of acquisition and current condition	Others
							Owner	Relationship with the Company	Date of transfer	Amount			
The Company	Construction-in-progress-land	2019.07.31	1,474,578	1,474,578	New Taipei City Government	Non-related parties	-	-	-	-	bid	Construction	none
The Company	Construction-in-progress-land	2019.07.31	1,594,276	1,594,276	New Taipei City Government	Non-related parties	-	-		-	bid	Construction	none
The Company	Construction-in-progress-land	2019.07.30 2019.08.02	790,816	790,816	9 Natural person	Non-related parties	-	-	-	-	Referring to the average market price of similar real estate	Construction	none

(6) Disposal of real estate with an amount exceeding the lower of $300,000 thousand or 20% of the Company's paid-in capital：

Name of company	Name of property	Transaction	Acquisition date	Book value	Transaction amount	Status of receivable	Gain or loss on disposal	Counter party	Relationship with the Company	Purpose of disposal	References for determining price	Other
The Company	constryction-in-progress-land	2019.03.25	2014.03	462,204	589,968	Y	Note	The Company	Non-relaated partes	appraising	Foreclosure	None

Note: There is no gain or loss on this transaction due to the Company being the counter party.

(7) Purchases from and sales to related parties exceeding the lower of $100,000 thousand or 20% of the Company's paid-in capital was as follows：None.

(8) Receivable from related parties exceeding the lower of $100,000 thousand or 20% of the Company's paid-in capital：None.

(9) Derivative financial instruments：None.

(b) Information on investees：

The followings are the information on investees:

(Expressed in thousands of TWD)

Investor company	Investee company	Location	Main businesses and products	Original investment amount		December 31, 2019			Net income (losses) of the investee	Investment income (losses) recognized	Note
				December 31, 2019	December 31, 2018	Shares (in thousands)	Percentage of ownership	Carrying value			
The Company	Chuan Yue Real Estate Development Co.,Ltd.	Taipei	Real estate development service	32,742	64,200	3,060,000	51.00 %	30,579	(3,675)	(2,362)	

(c) Information on investment in Mainland China：

(1) Information on investment in Mainland China：

(Expressed in thousands of TWD)

Name of the investee in Mainland China	Major operations	Issued capital	method of investment	Beginning remittance balance - Cumulative investment (amount) from Taiwan	Current remittance/recoverable investment (amount)		Ending remittance balance - Cumulative investment (amount) from Taiwan	Current investment gains and losses	Direct/indirect shareholdings investments (%) in the Company	Investment income (losses) recognized	Book value	Remittance of investment income as at current period
					Remittance amount	Recoverable amount						
Jia Xing Hong Pu Prosperity Land properties	Real estate development service	746,955	Note(1) b	228,285	-	228,285	-	-	- %	-	-	138,618

Note (1): a. The Company directly invested in the China company
b. The Company invested in the company through third region finance, and then the company invested in the China company.
c. Other way

(2) Upper limit on investment in Mainland China：

Aggregate investment amount remitted form Taiwan to Mainland China at the end of the period	Approved investment (amount) by Ministry of Economic Affairs Investment Commission	Limitation on investment in Mainland China accordance with the regulations of Ministry of Economic Affairs Investment Commission
-	-	7,160,446

(3) Significant transactions：None.

14. Segment information：None.