

**TAIWAN TEA CORPORATION
AND SUBSIDIARIES
Consolidated Financial Statements
For The Years Ended
December 31, 2017 And 2016
Report of Independent Auditors**

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

English Translation of a Report Originally Issued in Chinese

Independent Auditors' Report

To the Board of Directors and Stockholders of
Taiwan Tea Corporation

Opinion

We have audited the accompanying consolidated balance sheets of Taiwan Tea Corporation (the “Company”) and its subsidiaries as of December 31, 2017 and 2016, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2017 and 2016, and notes to the consolidated financial statements, including the summary of significant accounting policies (together “the consolidated financial statements”).

In our opinion, based on our audits and the reports of other auditors (please refer to the *Other Matter – Making Reference to the Audits of Component Auditors* section of our report), the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of December 31, 2017 and 2016, and their consolidated financial performance and cash flows for the years ended December 31, 2017 and 2016, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of 2017 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Disclosure of investment property's fair value

The Company and its subsidiaries' investment property was estimated to be NT\$17,843,666 thousand under the cost method, constituting of 76% of consolidated total assets. The fair value of investment property is largely dependent on valuation method and accounting assumption. Therefore, the disclosure of investment property's fair value is a key audit matter when undergoing the audit of the consolidated financial statements.

The audit procedures we performed regarding disclosure of investment property's fair value included but not limited to: evaluate the appropriateness of the investment property policies; evaluate the appropriateness of valuation method and assumption; verify the validity of valuation report and document; analyze valuation procedure and key valuation parameters and assess the reasonableness of the approach; identify relevant matters related to valuation method and key parameters.

We also consider the appropriateness of the relevant disclosure included in note 5 and note 6.11 of the notes to the consolidated financial statements.

Recognition of profit and loss from disposal of assets

The revenue and the non-operating income attributed to the disposal of investment property represented about 144% of net profit before tax which is significant to the consolidated financial statements of the Company and its subsidiaries. Therefore, disposal of investment property is listed as a key audit matter.

The audit procedures we performed regarding disposal of investment property included but not limited to: evaluate the appropriateness of the investment property policies; understand the transaction process and perform tests of control on the effectiveness of control points; assess the reasonableness of the appraisal report; examine the information of property transfer and collections, ensuring transfer of property and ownership were completed allowing recognition of profit and loss on disposal of investment property.

We also consider the appropriateness of relevant disclosure included in note 4, note 6.6 and note 6.11 of the notes to the consolidated financial statements.

Other Matter – Making Reference to the Audits of Component Auditors

We did not audit the financial statements of certain subsidiaries, which statements reflect total assets of NT\$0 thousand and NT\$64,627 thousand, both constituting 0% of consolidated total assets as of December 31, 2017 and 2016, and both total operating revenues of NT\$0 thousand, both representing 0% of the consolidated operating revenues for the years ended December 31, 2017 and 2016. Those financial statements were audited by other auditors, whose reports thereon have been furnished to us, and our opinions expressed herein are based solely on the audit reports of the other auditors. We did not audit the financial statements of certain associates and joint ventures accounted for under the equity method whose statements are based solely on the reports of other auditors. These associates and joint ventures under equity method amounted to NT\$24,901 thousand and NT\$20,161 thousand, both constituting 0% of consolidated total assets as of December 31, 2017 and 2016, respectively. The related shares of profit or loss of the associates and joint ventures under the equity method amounted to NT\$9,518 thousand and NT\$16,321 thousand, representing 2% and 5% of the consolidated net income before tax for the years ended December 31 2017 and 2016, respectively, and the related shares of other comprehensive income from the associates and joint ventures under the equity method amounted to NT\$(23) thousand and NT\$(66) thousand, representing 1% and (3)% of the consolidated other comprehensive income for the years ended December 31, 2017 and 2016, respectively.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by Financial Supervisory Commission of the Republic of China and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including audit committee or supervisors, are responsible for overseeing the financial reporting process of the Company and its subsidiaries.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company and its subsidiaries.
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 ability to continue as a going concern of the Company and its subsidiaries. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and its subsidiaries to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the accompanying notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2017 consolidated financial statements and are therefore the key audit matters. We describe these matters in our auditor's 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.

We have audited and expressed an unqualified opinion on the parent company only financial statements of the Company as of and for the years ended December 31, 2017 and 2016.



March 21, 2018
Ernst & Young
Taipei, Taiwan
The Republic of China

Notice to Readers

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

English Translation of Financial Statements Originally Issued in Chinese

TAIWAN TEA CORPORATION
CONSOLIDATED BALANCE SHEETS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 AND JANUARY 1, 2016
(Expressed in Thousands of Dollars)

		December 31, 2017	December 31, 2016	January 1, 2016
		(Adjusted)	(Adjusted)	(Adjusted)
ASSETS	Notes	NTD	NTD	NTD
CURRENT ASSETS				
Cash and cash equivalents	4 & 6.1	\$197,542	\$78,037	\$166,773
Financial assets at fair value through profit or loss — current	4 & 6.2 & 12	-	12,023	-
Available-for-sale financial assets — current	4 & 6.3 & 12	397	483	-
Notes receivable, net	4 & 6.4 & 12	1,416	17,378	127,032
Accounts receivable, net	4 & 6.4 & 12	19,460	21,359	14,079
Accounts receivable from related parties, net	4 & 6.4 & 7 & 12	106	106	106
Construction contracts receivable	4 & 6.5	2,991	2,352	101,545
Other receivables	6.11	2,529	2,710	35,012
Current tax assets	4 & 5 & 6.25	3	13	34
Inventories	4 & 6.6 & 8	791,398	2,034,453	2,002,209
Prepayments		23,231	4,579	87,017
Non-current assets held for sale	4 & 6.7	16,318	30,319	47,035
Other current assets		5,956	3,638	4,468
Total current assets		1,061,347	2,207,450	2,585,310
NONCURRENT ASSETS				
Financial assets measured at cost — non-current	4 & 6.8 & 12	63,319	83,575	89,272
Investments accounted for using equity method	4 & 6.9	24,901	20,161	3,906
Property, plant and equipment	4 & 6.10 & 8	4,272,205	3,823,875	1,007,316
Investments property, net	4 & 5 & 6.11 & 8	17,843,666	17,972,578	17,170,113
Intangible assets	4 & 6.12	2,838	759	980
Other non-current assets	6.11 & 6.13 & 8	351,122	263,595	4,876,162
Total non-current assets		22,558,051	22,164,543	23,147,749
TOTAL ASSETS		\$23,619,398	\$24,371,993	\$25,733,059

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

(Forward)

English Translation of Financial Statements Originally Issued in Chinese

TAIWAN TEA CORPORATION
CONSOLIDATED BALANCE SHEETS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 AND JANUARY 1, 2016
(Expressed in Thousands of Dollars)

		December 31, 2017	December 31, 2016 (Adjusted)	January 1, 2016 (Adjusted)
LIABILITIES AND EQUITY	Notes	NTD	NTD	NTD
CURRENT LIABILITIES				
Short-term loans	6.14 & 12	\$-	\$-	\$11,380
Notes payable	12	2,792	1,516	15,421
Other notes payable - related parties	6.11 & 7 & 12	425,000	850,000	-
Accounts payable	12	12,938	32,001	30,085
Construction contracts payable	4 & 6.5	30	61	65,613
Other payables	6.11 & 7	168,330	99,385	109,387
Current tax liabilities	4 & 5 & 6.24	-	29,642	27,310
Receipts received in advance	6.10	45,831	94,324	196,984
Current portion of long-term debts	6.16 & 12	229,600	27,600	138,600
Other current liabilities		545	743	10,339
Total current liabilities		885,066	1,135,272	605,119
NONCURRENT LIABILITIES				
Long-term loans	6.16 & 12	2,696,300	2,982,900	2,707,700
Deferred tax liabilities	4 & 5 & 6.24	3,294,807	3,319,173	3,359,027
Long-term accounts payable	12	-	-	2,497,000
Long-term notes payable - related parties	6.11 & 7 & 12	425,000	850,000	-
Long-term deferred revenue		7,356	-	-
Defined benefit liability, net	4 & 5 & 6.17	20,361	21,586	34,588
Guarantee deposits received		3,114	3,252	397,040
Other non-current liabilities	6.10	1,369	1,369	1,369
Total non-current liabilities		6,448,307	7,178,280	8,996,724
TOTAL LIABILITIES		7,333,373	8,313,552	9,601,843
EQUITY				
	6.18			
Common stock		7,700,000	7,700,000	7,700,000
Capital surplus		2,109,775	2,109,775	2,109,775
Retained earnings				
Legal reserve		433,378	402,361	326,400
Special reserve		3,440,083	3,459,277	3,501,329
Unappropriated earnings		2,602,866	2,387,019	2,493,712
Total retained earnings		6,476,327	6,248,657	6,321,441
Other equity		(77)	9	-
TOTAL EQUITY		16,286,025	16,058,441	16,131,216
TOTAL LIABILITIES AND EQUITY		\$23,619,398	\$24,371,993	\$25,733,059

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

English Translation of Financial Statements Originally Issued in Chinese
TAIWAN TEA CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(Expressed in Thousands of Dollars, Except for Earnings per Share)

	Notes	For the Year Ended December 31, 2017 NTD	For the Year Ended December 31, 2016 NTD
OPERATING REVENUES	4 & 6.19 & 7	\$2,251,921	\$610,770
OPERATING COSTS	6.20 & 6.21	(1,511,868)	(335,530)
GROSS PROFIT		740,053	275,240
OPERATING EXPENSES			
Selling and marketing	6.21	(96,684)	(98,992)
General and administrative	6.20 & 6.21	(247,480)	(195,000)
Research and development	6.21	(10,328)	(19,465)
Total operating expenses		(354,492)	(313,457)
OPERATING INCOME (LOSS)		385,561	(38,217)
NON-OPERATING INCOME AND EXPENSES	6.22		
Other income		2,324	66,500
Other gains and losses		252,692	324,949
Financial costs		(45,121)	(63,454)
Share of profits and loss of associates and joint venture accounted for using equity method	4 & 6.9	9,518	16,321
Total non-operating income and expenses		219,413	344,316
INCOME BEFORE INCOME TAX		604,974	306,099
INCOME TAX INCOME	4 & 5 & 6.24	17,119	4,067
NET INCOME		622,093	310,166
OTHER COMPREHENSIVE INCOME	6.23		
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit plans		(2,070)	2,092
Share of other comprehensive income of associates and joint ventures accounted for using equity method		(23)	(66)
Income tax (benefit) expense relating to items that will not be reclassified		-	-
Items that may be reclassified subsequently to profit or loss			
Unrealized gains or losses from available-for-sale financial assets		(86)	9
Income tax relating to items that may be reclassified to profit and loss		-	-
Other comprehensive income (loss) for the period, net of income tax		(2,179)	2,035
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		\$619,914	\$312,201
NET INCOME ATTRIBUTABLE TO:			
Shareholders of the parent		\$622,093	\$310,166
Noncontrolling interests		-	-
		\$622,093	\$310,166
TOTAL COMPREHENSIVE INCOME			
ATTRIBUTABLE TO:			
Shareholders of the parent		\$619,914	\$312,201
Noncontrolling interests		-	-
		\$619,914	\$312,201
EARNINGS PER SHARE (NTD)			
Basic earnings per share	6.25		
Continuing operating income after tax, net		\$0.81	\$0.40
Net Income		\$0.81	\$0.40
Diluted earnings per share	6.25		
Continuing operating income after tax, net		\$0.81	\$0.40
Net Income		\$0.81	\$0.40

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

English Translation of Financial Statements Originally Issued in Chinese
TAIWAN TEA CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(Expressed in Thousands of Dollars)

	Equity Attributable to Shareholders of the Parent						
			Retained Earnings			Others	
Item	Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Unrealized gain or loss from Available-for-sale Financial Assets	Total Equity
Balance as of January 1, 2016	\$7,700,000	\$2,109,775	\$326,400	\$3,501,329	\$2,493,712	\$-	\$16,131,216
Appropriation of 2015 earnings:							
Legal reserve	-	-	75,961	-	(75,961)	-	-
Cash dividends	-	-	-	-	(384,976)	-	(384,976)
Net income for the year ended December 31, 2016	-	-	-	-	310,166	-	310,166
Other comprehensive income for the year ended December 31, 2016	-	-	-	-	2,026	9	2,035
Total comprehensive income	-	-	-	-	312,192	9	312,201
Reversal of special reserve following adoption of IFRS	-	-	-	(42,052)	42,052	-	-
Balance as of December 31, 2016	\$7,700,000	\$2,109,775	\$402,361	\$3,459,277	\$2,387,019	\$9	\$16,058,441
Balance as of January 1, 2017	\$7,700,000	\$2,109,775	\$402,361	\$3,459,277	\$2,387,019	\$9	\$16,058,441
Appropriation of 2016 earnings:							
Legal reserve	-	-	31,017	-	(31,017)	-	-
Cash dividends	-	-	-	-	(384,974)	-	(384,974)
Net income for the year ended December 31, 2017	-	-	-	-	622,093	-	622,093
Other comprehensive income for the year ended December 31, 2017	-	-	-	-	(2,093)	(86)	(2,179)
Total comprehensive income	-	-	-	-	620,000	(86)	619,914
Reversal of special reserve following adoption of IFRS	-	-	-	(19,194)	19,194	-	-
Other-handle with Taiwan-Finance-Securities (I)-001436	-	-	-	-	(7,356)	-	(7,356)
Balance as of December 31, 2017	\$7,700,000	\$2,109,775	\$433,378	\$3,440,083	\$2,602,866	\$(77)	\$16,286,025

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

English Translation of Financial Statements Originally Issued in Chinese

TAIWAN TEA CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(Expressed in Thousands of Dollars)

	<u>For the Year Ended December 31, 2017</u>	<u>For the Year Ended December 31, 2016</u>
	<u>NTD</u>	<u>NTD</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$604,974	\$306,099
Adjustments:		
Income and adjustment items :		
Depreciation and depletion	89,985	81,191
Amortization	761	816
Provision (reversal of provision) for bad debt expense	-	(12,000)
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	(37)	(23)
Interest expense	45,121	63,454
Interest income	(47)	(99)
Dividend income	(32)	-
Share of loss (gain) of associates and joint venture accounted for using equity method	(9,518)	(16,321)
Loss on disposal of property, plan and equipment	1,172	175
Property, plan and equipment transferred to expenses	746	1,367
Gain on disposal of investment properties	(251,019)	(328,830)
Gain on disposal of investments	(3,189)	(4)
Gain on disposal of investments accounted for using equity method	(230)	-
Impairment loss on financial assets	-	4,197
Other item	-	(52,691)
Changes in operating assets and liabilities:		
Decrease (increase) in financial assets at fair value through profit or loss	12,060	(11,996)
Decrease (increase) in notes receivable	15,962	(77,177)
Decrease (increase) in accounts receivable	1,899	(7,280)
Decrease (increase) in construction contracts receivable	(639)	99,193
Decrease (increase) in other receivable	181	17,472
Decrease (increase) in inventories	1,260,118	(12,739)
Decrease (increase) in prepayments	(18,904)	82,361
Decrease (increase) in other current assets	(2,232)	(5,753)
Increase (decrease) in notes payable	1,276	(13,905)
Increase (decrease) in accounts payable	(19,063)	1,916
Increase (decrease) in construction contracts payable	(31)	(65,552)
Increase (decrease) in other payables	68,506	(9,270)
Increase (decrease) in receipts received in advance	(48,493)	(102,660)
Increase (decrease) in other current liabilities	(198)	(9,596)
Increase (decrease) in defined benefit liability, net	(3,295)	(10,910)
Cash from operating activities	<u>1,745,834</u>	<u>(78,565)</u>
Income taxes paid	<u>(29,632)</u>	<u>(27,297)</u>
Net cash provided by (used in) operating activities	<u>1,716,202</u>	<u>(105,862)</u>

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

(Forward)

English Translation of Financial Statements Originally Issued in Chinese

TAIWAN TEA CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(Expressed in Thousands of Dollars)

	For the Year Ended December 31, 2017	For the Year Ended December 31, 2016
	NTD	NTD
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets	-	(474)
Proceeds from disposal of financial assets measure at cost	23,445	1,500
Proceeds from disposal of investments accounted for using equity method	4,985	-
Acquisition of property, plant and equipment:		
Cost paid	(511,475)	(980,006)
Interest paid	(2,538)	(4,268)
Proceeds from disposal of property, plant and equipment	830	6,692
Decrease in receipts received in advance — disposal of assets	-	(1,300)
Increase in guarantee deposits paid	(77,519)	-
Decrease in guarantee deposits paid	-	740,474
Increase in other receivables- other related parties	-	(5,200)
Decrease in other receivables- other related parties	-	5,200
Acquisition of intangible assets	(2,588)	(196)
Acquisition of investment properties cost paid	(41,749)	(26,090)
Proceeds from disposal of investment properties	387,796	584,284
Increase in other non-current assets	(7,274)	(8,635)
Increase in prepayment for business facilities	(6,295)	(3,785)
Interest received	47	104
Dividends received	32	-
Net cash provided by (used in) investing activities	<u>(232,303)</u>	<u>308,300</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term loans	-	96,120
Proceeds from long-term debt	6,439,000	6,658,000
Repayments of long-term debt	(6,523,600)	(6,417,300)
Decrease in guarantee deposit received	(138)	(178,832)
Decrease in payables	(850,000)	-
Cash dividends paid	(384,974)	(384,976)
Interest paid	<u>(44,682)</u>	<u>(64,186)</u>
Net cash provided by (used in) financing activities	<u>(1,364,394)</u>	<u>(291,174)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	<u>119,505</u>	<u>(88,736)</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>78,037</u>	<u>166,773</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u><u>\$197,542</u></u>	<u><u>\$78,037</u></u>

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

English Translation of Financial Statements Originally Issued in Chinese

Taiwan Tea Corporation

Notes To Consolidated Financial Statements

For the Years Ended December 31, 2017 and 2016

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

(Audited)

1. HISTORY AND ORGANIZATION

Taiwan Tea Corporation (the “Company”) as successor of Mitsui & Co., Ltd was established with four subsidiaries responsible for agriculture, fishery, forestry and animal husbandry in 1950. The implementation of Land-to-the-Tiller Policy saw the privatization of the state-owned Company in 1952. The Company diversified its operations into production and marketing of tea and other agricultural products, import/export trading (including food, wine and chemical commodity), interior design, renovation and construction and real estate management and development. On February 1962, the Company was approved and listed on Taiwan Stock Exchange (TWSE). The Company’s major operating center is registered in 15F., No.3, Park St., Nangang Dist., Taipei City 115, Taiwan (R.O.C.)

2. DATE AND PROCEDURES OF AUTHORIZATION OF FINANCIAL STATEMENTS FOR ISSUE

The consolidated financial statements of the Company and its subsidiaries (“the Group”) for the years ended December 31, 2017 and 2016 were authorized for issue in accordance with a resolution of the Board of Directors on March 21, 2018.

3. NEWLY ISSUED OR REVISED STANDARDS AND INTERPRETATIONS

- (1) Changes in accounting policies resulting from applying for the first time certain standards and amendments

The Group applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are endorsed by Financial Supervisory Commission (“FSC”) and become effective for annual periods beginning on or after 1 January 2017. The nature and the impact of each new standard and amendment that has a material effect on the Group is described below:

- (a) For the sake of environment conversation, the Group is not intended to fell and sell the forest so economic lives is not estimated. As a result, forest was reclassified to land (land attachment) as of December 31, 2016.

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(b) *Amendment to IAS 16 and IAS 41 “Agriculture: Bearer Plants”*

According to the amendment, bearer plants should be accounted for using IAS 16. Bearer plants should be recognized at its original cost and revalue using the cost method. Before adopting the amendment, the Group’s tea tree, fruit tree and coffee tree belong to bearer plants and was revaluated by cost less accumulated depreciation and impairment because fair value was not reliable. After adopting the amendment retroactively on January 1, 2017, the book value of the tea tree, fruit tree and coffee tree should be reclassified to property, plant and equipment.

Related influence:

Prior period effects on assets

	Before adjustment	Adjustments by first adoption	After adjustment
2016.12.31			
Non-current biological assets	\$102,539	\$(102,539)	\$-
Property, plant and equipment	3,721,336	102,539	3,823,875
Total	<u>\$3,823,875</u>	<u>\$-</u>	<u>\$3,823,875</u>
2016.1.1			
Non-current biological assets	\$123,920	\$(123,920)	\$-
Property, plant and equipment	883,396	123,920	1,007,316
Total	<u>\$1,007,316</u>	<u>\$-</u>	<u>\$1,007,316</u>

The transition has no impact on prior comprehensive income and equity.

Prior effect to the cash flow

	For the year ended December 31, 2016
Operating activities	\$29,024
Investing activities	(29,024)
Increase (decrease) in cash and cash equivalents	<u>\$-</u>

(c) *IAS 36 “Impairment of Assets” (Amendment)*

This amendments relate to the amendments issued in May 2011 and require entities to disclose the recoverable amount of an asset (including goodwill) or a cash-generating unit when an impairment loss has been recognized or reversed during the period. The amendments also require detailed disclosure of how the fair value less costs of disposal has been measured when an impairment loss has been recognized or reversed, including valuation techniques used, level of fair value hierarchy of assets and key assumptions used in measurement.

- (2) Standards or interpretations issued, revised or amended, which are endorsed by FSC, but not yet adopted by the Group as at the end of the reporting period are listed below.

(a) *IFRS 15 “Revenue from Contracts with Customers”*

The core principle of the new standard is for companies to recognize revenue to depict the transfer of promised goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. An entity recognizes revenue in accordance with that core principle by applying the following steps:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The new standard includes a cohesive set of disclosure requirements that would result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. The Standard is effective for annual periods beginning on or after 1 January 2018.

(b) *IFRS 9 “Financial Instruments”*

The IASB has issued the final version of IFRS 9, which combines classification and measurement, the expected credit loss impairment model and hedge accounting. The standard will replace IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9 *Financial Instruments* (which include standards issued on classification and measurement of financial assets and liabilities and hedge accounting).

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Classification and measurement: Financial assets are measured at amortized cost, fair value through profit or loss, or fair value through other comprehensive income, based on both the entity's business model for managing the financial assets and the financial asset's contractual cash flow characteristics. Financial liabilities are measured at amortized cost or fair value through profit or loss. Furthermore there is requirement that 'own credit risk' adjustments are not recognized in profit or loss.

Impairment: Expected credit loss model is used to evaluate impairment. Entities are required to recognize either 12-month or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition.

Hedge accounting: Hedge accounting is more closely aligned with risk management activities and hedge effectiveness is measured based on the hedge ratio.

The new standard is effective for annual periods beginning on or after 1 January 2018. Consequential amendments on the related disclosures also become effective for annual periods beginning on or after 1 January 2018.

(c) *IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures*

The amendments address the inconsistency between the requirements in IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures*, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full.

IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors' interests in the associate or joint venture. The effective date of the amendments has been postponed indefinitely, but early adoption is allowed.

(d) *IAS 12 "Income Taxes" — Recognition of Deferred Tax Assets for Unrealized Losses*

The amendments clarify how to account for deferred tax assets for unrealized losses. The amendments are effective for annual periods beginning on or after 1 January 2017.

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(e) *Disclosure Initiative — Amendment to IAS 7 “Statement of Cash Flows”:*

The amendments relate to changes in liabilities arising from financing activities and to require a reconciliation of the carrying amount of liabilities at the beginning and end of the period. The amendments are effective for annual periods beginning on or after 1 January 2017.

(f) *IFRS 15 “Revenue from Contracts with Customers” — Clarifications to IFRS 15*

The amendments clarify how to identify a performance obligation in a contract, determine whether an entity is a principal or an agent, and determine whether the revenue from granting a licence should be recognized at a point in time or over time. The amendments are effective for annual periods beginning on or after 1 January 2018.

(g) *IFRS 2 “Share-Based Payment” — Amendments to IFRS 2*

The amendments contain (1) clarifying that vesting conditions (service and non-market performance conditions), upon which satisfaction of a cash-settled share-based payment transaction is conditional, are not taken into account when estimating the fair value of the cash-settled share-based payment at the measurement date. Instead, these are taken into account by adjusting the number of awards included in the measurement of the liability arising from the transaction, (2) clarifying if tax laws or regulations require the employer to withhold a certain amount in order to meet the employee’s tax obligation associated with the share-based payment, such transactions will be classified in their entirety as equity-settled share-based payment transactions if they would have been so classified in the absence of the net share settlement feature, and (3) clarifying that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The equity-settled share-based payment transaction is measured by reference to the fair value of the equity instruments granted at the modification date and is recognized in equity, on the modification date, to the extent to which goods or services have been received. The liability for the cash-settled share-based payment transaction as at the modification date is derecognized on that date. Any difference between the carrying amount of the liability derecognized and the amount recognized in equity on the modification date is recognized immediately in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2018.

(h) *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts — Amendments to IFRS 4*

The amendments help to resolve issues arising from the different effective dates for IFRS 9 “Financial Instruments” (1 January 2018) and the new insurance contracts standard about to be issued by the IASB (still to be decided, but not before 1 January 2020). The amendments allow entities issuing insurance contracts within the scope of IFRS 4 to mitigate certain effects of applying IFRS 9 “Financial Instruments” before the IASB’s new insurance contracts standard becomes effective. The amendments introduce two approaches: an overlay approach and a temporary exemption. The overlay approach allows an entity applying IFRS 9 to remove from profit or loss the effects of some of the accounting mismatches that may occur from applying IFRS 9 before the new insurance contracts standard is applied. The temporary exemption enables eligible entities to defer the implementation date of IFRS 9 until 2021 (these entities that defer the application of IFRS 9 will continue to apply IAS 39).

(i) *Transfers of Investment Property — Amendments to IAS 40*

The amendments relate to the transfers of investment property. The amendments clarify that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use, the entity should transfer property into and out of investment property accordingly. A mere change in management’s intentions for the use of a property does not provide evidence of a change in use. The amendments are effective for annual periods beginning on or after 1 January 2018.

(j) *Improvements to International Financial Reporting Standards (2014-2016 cycle):*

IFRS 1 “First-time Adoption of International Financial Reporting Standards”

The amendments revise and amend transition requirements relating to certain standards and delete short-term exemptions under Appendix E for first-time adopter. The amendments are effective for annual periods beginning on or after 1 January 2018.

IFRS 12 “Disclosure of Interests in Other Entities”

The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10–B16, apply to an entity’s interests that are classified as held for sale or discontinued operations. The amendments are effective for annual periods beginning on or after 1 January 2017.

IAS 28 “Investments in Associates and Joint Ventures”

The amendments clarify that when an investment in an associate or a joint venture is held by, or is held indirectly through, an entity that is a venture capital organization, or a mutual fund, unit trust and other qualifying entities including investment-linked insurance funds, the entity may elect to measure that investment at fair value through profit or loss in accordance with IFRS 9 “Financial Instruments” on an investment-by-investment basis. Besides, if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries on an investment-by-investment basis. The amendments are effective for annual periods beginning on or after 1 January 2018.

(k) IFRIC 22 “*Foreign Currency Transactions and Advance Consideration*”

The interpretation clarifies that when applying paragraphs 21 and 22 of IAS 21 “The Effects of Changes in Foreign Exchange Rates”, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The interpretation is effective for annual periods beginning on or after 1 January 2018.

The abovementioned standards and interpretations issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after 1 January 2018. Apart from the potential impact of the standards and interpretations listed under (a), (b), (e), and (f) which is described below, all other standards and interpretations have no material impact on the Group:

(a) IFRS 15 “Revenue from Contracts with Customers” (including Amendments to IFRS 15 “Clarifications to IFRS 15 Revenue from Contracts with Customers”)

The Group elected to recognize the cumulative effect of initially applying IFRS 15 at the date of initial application (1 January 2018). The Group also elected to apply this standard retrospectively only to contracts that are not completed contracts at the date of initial application.

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The Group's principal activities consist of the sale of goods and rendering of services. The impacts arising from the adoption of IFRS 15 on the Group are summarized as follows:

- A. Revenue from sale of goods is currently recognized when goods have been delivered to the buyer. Starting from the date of initial application, in accordance with the requirements of IFRS 15, the Group shall recognize revenue when (or as) the Group satisfies a performance obligation by transferring a promised good to a customer. IFRS 15 has no impact on the Group's revenue recognition from sale of goods.
- B. For some sale of goods, part of the consideration was received from customers before transferring risk and benefit, then the Group has the obligation to provide the goods subsequently. The Group recognized the consideration received in advance from customers as payment received in advance. Starting from the date of initial application, in accordance with IFRS 15, it should be recognized as contract liabilities. The amount reclassified from payment received in advance to contracts liabilities of the Group as at the date of initial application was NT\$38,062 thousand.
- C. Revenue from service is currently recognized by reference to the stage of completion which is measured by reference to the proportion that contract cost incurred for work performed to date bear to the estimated total contract costs. Starting from the date of initial application, in accordance with IFRS 15, the Group shall recognize revenue when (or as) the Group satisfies a performance obligation by transferring a promised service to a customer and also by reference to the stage of completion. IFRS 15 has no impact on the Group's revenue recognition from rendering of services. However, for some rendering of services contracts, part of the consideration was received from customers upon signing the contract, then the Group has the obligation to provide the services subsequently. The Group recognized the consideration received in advance from customers as construction contracts payable. Starting from the date of initial application, in accordance with IFRS 15, it should be recognized as contract liabilities. The amount reclassified from construction contracts payable to contracts liabilities of the Group as at the date of initial application was NT\$30 thousand. Otherwise, for some contracts, if the Group has the right to transfer a promised service to customers but does not has a right to an amount of consideration that is unconditional, these contracts should be presented as contract assets. It is different from the accounting treatment of recognizing construction contracts receivable before the date of initial application. The amount reclassified from construction contracts receivable to contracts assets of the Group as at the date of initial application was NT\$2,991 thousand.
- D. In accordance with the requirements of IFRS 15, more extensive disclosure would have to be made.

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(b) IFRS 9 “Financial Instruments”

The Group elects not to restate prior periods in accordance with the requirements of IFRS 9 at the date of initial application (1 January 2018). The adoption of IFRS 9 has the following impacts on the Group:

	<u>IFRS 2017</u>	<u>Adjustments</u>	<u>IFRS 2018</u>	<u>Note</u>
Asset:				
Available-for-sale financial assets	\$397	\$(397)	\$-	(b)
Financial assets measured at fair value through other comprehensive income	-	74,569	74,569	(a) and (b)
Financial assets measured at cost	63,319	(63,319)	-	(a)
Equity:				
Retained earnings	6,476,327	36,950	6,513,277	(a)
Other equity	(77)	(26,097)	(26,174)	(a)

A. Classification and measurement of financial assets

Available-for-sale financial assets – equity instrument investments

The assessment of the cash flow characteristics will be based on the facts and circumstances that existed as at the date of initial application. As these equity instrument investments are not held-for-trading, the Group elected to designate them as financial assets measured at fair value through other comprehensive income. On the date of initial application, the Group will reclassify available-for-sale financial assets to financial assets measured at fair value through other comprehensive income of NT\$74,569 thousand. Other related adjustments are described as follow:

- (a) The stocks of unlisted companies currently measured at cost in accordance with IAS 39 had a net carrying amount of NT\$63,319 thousand, which had original cost of NT\$100,269 thousand and an accumulated impairment of NT\$36,950 thousand. However, in accordance with the requirement of IFRS 9, stocks of unlisted companies must be measured at fair value but are not required to be assessed for impairment. The estimated fair value of the stocks of unlisted companies was NT\$74,172 thousand as at the date of initial application. The Group will adjust the carrying amount of financial assets measured at fair value through other comprehensive income and will also adjust retained earnings and other equity by NT\$36,950 thousand and NT\$(26,097) thousand, respectively.
- (b) The stocks of listed companies are currently measured at fair value and thus, no difference exists between the book value and fair value. As at the date of initial application, the Group reclassify the book value in the amount of NT\$397 thousand to financial assets measured at fair value through other comprehensive income and reclassify the related accounts in other equity.

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B. Others

Consequential amendments on the related disclosures in IFRS 7 were also made as a result of the application of IFRS 9, which include the disclosure requirements related to the initial application of IFRS 9. Therefore more extensive disclosure would have to be made.

(c) Disclosure Initiative — Amendment to IAS 7 “Statement of Cash Flows”

Additional disclosure of a reconciliation of the carrying amount of liabilities arising from financing activities at the beginning and end of the period would be required.

- (3) Standards or interpretations issued, revised or amended, by IASB but not yet endorsed by FSC at the date of issuance of the Group’s financial statements are listed below.

(a) IFRS 16 “Leases”

The new standard requires lessees to account for all leases under a single on-balance sheet model (subject to certain exemptions). Lessor accounting still uses the dual classification approach: operating lease and finance lease. The Standard is effective for annual periods beginning on or after 1 January 2019.

(b) IFRIC 23 “Uncertainty Over Income Tax Treatments”

The Interpretation clarifies application of recognition and measurement requirements in IAS 12 “Income Taxes” when there is uncertainty over income tax treatments. The Interpretation is effective for annual periods beginning on or after 1 January 2019.

(c) IFRS 17 “Insurance Contracts”

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The fulfilment cash flows comprise of the following:

- (1) Estimates of future cash flows;
- (2) Discount rate: an adjustment to reflect the time value of money and the financial risks related to the future cash flows, to the extent that the financial risks are not included in the estimates of the future cash flows; and
- (3) A risk adjustment for non-financial risk.

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The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims. Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts. IFRS 17 is effective for annual periods beginning on or after 1 January 2021.

(d) *IAS 28 “Investment in Associates and Joint Ventures” — Amendments to IAS 28*

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture before it applies IAS 28, and in applying IFRS 9, does not take account of any adjustments that arise from applying IAS 28. The amendment is effective for annual reporting periods beginning on or after 1 January 2019.

(e) *Prepayment Features with Negative Compensation (Amendments to IFRS 9)*

The amendment allows financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract, to be measured at amortized cost or at fair value through other comprehensive income. The amendment is effective for annual reporting periods beginning on or after 1 January 2019.

(f) *Improvements to International Financial Reporting Standards (2015-2017 cycle):*

IFRS 3 “Business Combinations”

The amendments clarify that an entity that has joint control of a joint operation shall remeasure its previously held interest in a joint operation when it obtains control of the business. The amendments are effective for annual periods beginning on or after 1 January 2019.

IFRS 11 “Joint Arrangements”

The amendments clarify that an entity that participates in, but does not have joint control of, a joint operation does not remeasure its previously held interest in a joint operation when it obtains joint control of the business. The amendments are effective for annual periods beginning on or after 1 January 2019.

IAS 12 “Income Taxes”

The amendments clarify that an entity shall recognize the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events. The amendments are effective for annual periods beginning on or after 1 January 2019.

IAS 23 “Borrowing Costs”

The amendments clarify that an entity should treat as part of general borrowings any borrowing made specifically to obtain an asset when the asset is ready for its intended use or sale. The amendments are effective for annual periods beginning on or after 1 January 2019.

(g) Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)

The amendments clarify that when a change in a defined benefit plan is made (such as amendment, curtailment or settlement, etc.), the entity should use the updated assumptions to remeasure its net defined benefit liability or asset. The amendments are effective for annual periods beginning on or after 1 January 2019.

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Group’s financial statements were authorized for issue, the local effective dates are to be determined by FSC. As the Group is still currently determining the potential impact of the standards and interpretations listed under (a)、(b)、(f) and (g), it is not practicable to estimate their impact on the Group at this point in time. All other standards and interpretations have no material impact on the Group.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Statement of compliance

The consolidated financial statements of the Group For the year ended December 31, 2017 and 2016 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (“the Regulations”) and International Financial Reporting Standards, International Accounting Standards, Interpretations issued by the International Financial Reporting Interpretations Committee and the former Standing Interpretations Committee as endorsed by the FSC (“TIFRS”).

(2) Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The consolidated financial statements are expressed in thousands of New Taiwan Dollars (“NT\$”) unless otherwise stated.

(3) Basis of consolidation

A. Preparation principle of consolidated financial statements

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- (a) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- (b) Exposure, or rights, to variable returns from its involvement with the investee, and
- (c) The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) The contractual arrangement with the other vote holders of the investee
- (b) Rights arising from other contractual arrangements
- (c) The Group's voting rights and potential voting rights

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

Subsidiaries are fully consolidated from the acquisition date, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using uniform accounting policies. All intra-group balances, income and expenses, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

Total comprehensive income of the subsidiaries is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

If the Group loses control of a subsidiary, it:

- (a) Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- (b) Derecognizes the carrying amount of any non-controlling interest;
- (c) Recognizes the fair value of the consideration received;
- (d) Recognizes the fair value of any investment retained;
- (e) Recognizes any surplus or deficit in profit or loss; and
- (f) Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss.

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B. The consolidated entities are listed as follows:

Investor	Subsidiaries	Main business	Percentage of ownership (%)	
			December 31, 2017	December 31, 2016
The Company	Tai Lin Investment Company	Investment	-(Note)	100.00%

Note: In order to integrate the Company's resources and reduce operating costs, the Company has merge the subsidiary, Tai Lin Investment Company, on December 18, 2017. The Company is the surviving company, which is approved by the letter No. 10601178220 issued by Ministry of Economy on January 8, 2018, and the Company handled it in accordance with the explanatory letter No. 60 issued by the Accounting Research and Development Foundation(101).

(4) Foreign currency transactions

The Group's consolidated financial statements are presented in NT\$, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing rate of exchange ruling at the reporting date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following:

- A. Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.
- B. Foreign currency items within the scope of IAS 39 Financial Instruments: Recognition and Measurement are accounted for based on the accounting policy for financial instruments.
- C. Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

(5) Current and non-current distinction

An asset is classified as current when:

- A. The Group expects to realize the asset, or intends to sell or consume it, in its normal operating cycle
- B. The Group holds the asset primarily for the purpose of trading
- C. The Group expects to realize the asset within twelve months after the reporting period
- D. The asset is cash or 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

All other assets are classified as non-current.

A liability is classified as current when:

- A. The Group expects to settle the liability in its normal operating cycle
- B. The Group holds the liability primarily for the purpose of trading
- C. The liability is due to be settled within twelve months after the reporting period
- D. The Group 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

All other liabilities are classified as non-current.

(6) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value (including fixed term deposits with maturing date to be less than 3 months).

(7) Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities within the scope of IAS 39 Financial Instruments: Recognition and Measurement are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

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A. Financial assets

The Group accounts for regular way purchase or sales of financial assets on the trade date.

Financial assets of the Group are classified as financial assets at fair value through profit or loss, available-for-sale financial assets and loans and receivables. The Group determines the classification of its financial assets at initial recognition.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss.

A financial asset is classified as held for trading if:

- i. it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term
- ii. on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking, or
- iii. it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument)

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial asset at fair value through profit or loss; or a financial asset may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

- i. it eliminates or significantly reduces a measurement or recognition inconsistency; or
- ii. a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a document risk management or investment strategy, and information about the group is provided internally on that basis to the key management personnel.

Financial assets at fair value through profit or loss are measured at fair value with changes in fair value recognized in profit or loss. Dividends or interests on financial assets at fair value through profit or loss are recognized in profit or loss (including those received during the period of initial investment).

If financial assets do not have quoted prices in an active market and their fair value cannot be reliably measured, then they are classified as financial assets measured at cost on balance sheet and carried at cost net of accumulated impairment losses, if any, as at the reporting date.

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Available-for-sale financial assets

Available-for-sale investments are non-derivative financial assets that are designated as available-for-sale or those not classified as financial assets at fair value through profit or loss, held-to-maturity financial assets, or loans and receivables.

Foreign exchange gains and losses and interest calculated using the effective interest method relating to monetary available-for-sale financial assets, or dividends on an available-for-sale equity instrument, are recognized in profit or loss. Subsequent measurement of available-for-sale financial assets at fair value is recognized in equity until the investment is derecognized, at which time the cumulative gain or loss is recognized in profit or loss.

If equity instrument investments do not have quoted prices in an active market and their fair value cannot be reliably measured, then they are classified as financial assets measured at cost on balance sheet and carried at cost net of accumulated impairment losses, if any, as at the reporting date.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Group upon initial recognition designates as available for sale, classified as at fair value through profit or loss, or those for which the holder may not recover substantially all of its initial investment.

Loans and receivables are separately presented on the balance sheet as receivables or bond investments for which no active market exists. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or transaction costs. The effective interest method amortization is recognized in profit or loss.

Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset other than the financial assets at fair value through profit or loss is impaired. A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more loss events that has occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset. The carrying amount of the financial asset impaired, other than receivables impaired which are reduced through the use of an allowance account is reduced directly and the amount of the loss is recognized in profit or loss.

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A significant or prolonged decline in the fair value of an available-for-sale equity instrument below its cost is considered a loss event.

Other loss events include:

- i. significant financial difficulty of the issuer or obligor
- ii. a breach of contract, such as a default or delinquency in interest or principal payments
- iii. it becoming probable that the borrower will enter bankruptcy or other financial reorganization
- iv. the disappearance of an active market for that financial asset because of financial difficulties

For held-to-maturity financial assets and loans and receivables measured at amortized cost, the Group first assesses individually whether objective evidence of impairment exists individually for financial asset that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows. The present value of the estimated future cash flows is discounted at the financial assets original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. Interest income is accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Receivables together with the associated allowance are written off when there is no realistic prospect of future recovery. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to profit or loss.

In the case of equity investments classified as available-for-sale, where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss – is removed from other comprehensive income and recognized in profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognized directly in other comprehensive income.

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Derecognition of financial assets

A financial asset is derecognized when:

- i. the rights to receive cash flows from the asset have expired
- ii. the Group has transferred the asset and substantially all the risks and rewards of the asset have been transferred
- iii. the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable including any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss.

B. Financial liabilities and equity

Classification between liabilities or equity

The Group classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Financial liabilities

Financial liabilities within the scope of IAS 39 Financial Instruments: Recognition and Measurement are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through amortization process of the effective interest rate method.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

C. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(8) Fair value

A fair value measurement assumes that the asset or liability is exchanged in an orderly transaction between market participants to sell the asset or transfer the liability at the measurement date under current market conditions. A fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- A. in the principal market for the asset or liability; or
- B. in the absence of a principal market, in the most advantageous market for the asset or liability.

The main or the most advantageous market must enter by the group to conduct transaction.

An entity shall measure the fair value of an asset or a liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

The Group adopts the appropriate valuation technique(s) to use when measuring fair value. The valuation technique(s) used should maximize the use of relevant observable inputs and minimize unobservable inputs.

(9) Inventories

Inventories are valued at lower of cost and net realizable value item by item.

Costs incurred in bringing each inventory to its present location and condition is accounted for as follows:

Inventories cost is based on weighted average cost basis. Work in progress and finished goods include cost of direct labor and a proportion of manufacturing overheads based on normal operating capacity. Inventories valuation is based on lower of cost or net realizable value and the comparison is made on each individual item.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(10) Construction contract

The Group recognized revenue from construction contract based on the percentage of completion method, measured as the proportion of the cost of the work completed to the estimated total cost of the construction contract. When the estimated total cost of the construction contract is higher than the estimated revenue, the expected loss is recognized in profit or loss immediately.

The revenue from fixed price contract is recognized on the basis of the percentage of completion method, reference to the proportion of the incurred cost to the total estimated cost of the contract.

The recognition of revenue from construction contract in the current period depends on level of completion of the construction contract.

(11) Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered through a sale transaction that is highly probable within one year from the date of classification and the asset or disposal group is available for immediate sale in its present condition. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortized.

(12) Investments accounted for using the equity method

The Group's investment in its associate is accounted for using the equity method other than those that meet the criteria to be classified as held for sale. An associate is an entity over which the Group has significant influence.

Under the equity method, the investment in the associate is carried in the balance sheet at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the associate. After the interest in the associate is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. Unrealized gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the Group's related interest in the associate.

When changes in the net assets of an associate occur and not those that are recognized in profit or loss or other comprehensive income and do not affect the Group's percentage of ownership interests in the associate, the Group recognizes such changes in equity based on its percentage of ownership interests. The resulting capital surplus recognized will be reclassified to profit or loss at the time of disposing the associate on a prorate basis.

When the associate issues new stock, and the Group's interest in an associate is reduced or increased as the Group fails to acquire shares newly issued in the associate proportionately to its original ownership interest, the increase or decrease in the interest in the associate is recognized in additional paid in capital and investment in associate. When the interest in the associate is reduced, the cumulative amounts previously recognized in other comprehensive income are reclassified to profit or loss or other appropriate items. The aforementioned capital surplus recognized is reclassified to profit or loss on a pro rata basis when the Group disposes of the associate.

The financial statements of the associate are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired in accordance with IAS 39 Financial Instrument: Recognition and Measurement. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the 'share of profit or loss of an associate' in the statement of comprehensive income in accordance with IAS 36 Impairment of Assets. In determining the value in use of the investment, the Group estimates:

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- A. Its share of the present value of the estimated future cash flows expected to be generated by the associate, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment
- B. The present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal

Because goodwill that forms part of the carrying amount of an investment in an associate is not separately recognized, it is not tested for impairment separately by applying the requirements for impairment testing goodwill in IAS 36 Impairment of Assets.

Upon loss of significant influence over the associate, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss. Furthermore, if an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the entity continues to apply the equity method and does not remeasure the retained interest.

(13)Property, plant and equipment

Property, plant and equipment (include bearer plant) are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognized such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 Property, plant and equipment. When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

The Group's forest are mostly under conservation. Felling is restricted or forbidden for 72% of the forest. Felling needs to be approved by the authority for the other 28%. The authority passes a limit on the number of approval every year. For the sake of environment conversation, the Company is not intended to fell and sell the forest. Therefore, the forest was recognized as land (land attachment).

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Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Buildings	
Wooden	5~10 years
Metal	10~20 years
Brick	20~30 years
Reinforced Concrete	40~55 years
Machinery and equipment	3~15 years
Transportation equipment	3~10 years
Office equipment	3~10 years
Other equipment	3~25 years
Leasehold improvements	The shorter of lease terms or economic useful lives
Tea tree	40~50 years
Fruit tree	50 years
Coffee tree	20 years

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

(14) Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are measured using the cost model in accordance with the requirements of *IAS 16* for that model, other than those that meet the criteria to be classified as held for sale (or are included in a disposal group that is classified as held for sale) in accordance with *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations*.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Buildings	28~50 years
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Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition.

Assets are transferred to or from investment properties when there is a change in use.

(15) Leases

Group as a lessee

Finance leases which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

(16) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

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Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

Computer software

The cost of computer software is amortized on a straight-line basis over the estimated useful life.

The Group's accounting policies on intangible asset are summarized below:

	Computer software
Durable life	Finite use life
Amortization method	Straight-line depreciation
Internally generated or externally acquired	Externally acquired

(17) Impairment of non-financial assets

The Group assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 *Impairment of Assets* may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

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A cash generating unit, or groups of cash-generating units, to which goodwill has been allocated is tested for impairment annually at the same time, irrespective of whether there is any indication of impairment. If an impairment loss is to be recognized, it is first allocated to reduce the carrying amount of any goodwill allocated to the cash generating unit (group of units), then to the other assets of the unit (group of units) pro rata on the basis of the carrying amount of each asset in the unit (group of units). Impairment losses relating to goodwill cannot be reversed in future periods for any reason.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

(18) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable. The following specific recognition criteria must also be met before revenue is recognized:

Sale of goods

Revenue from the sale of goods is recognized when all the following conditions have been satisfied:

- A. The significant risks and rewards of ownership of the goods have passed to the buyer.
- B. Neither continuing managerial involvement nor effective control over the goods sold has been retained.
- C. The amount of revenue can be measured reliably.
- D. It is probable that the economic benefits associated with the transaction will flow to the entity.
- E. The costs incurred in respect of the transaction can be measured reliably.

Interest income

For all financial assets measured at amortized cost (including loans and receivables and held-to-maturity financial assets) and available-for-sale financial assets, interest income is recorded using the effective interest rate method and recognized in profit or loss.

Dividends

Revenue is recognized when the Group's right to receive the payment is established.

(19) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(20) Post-employment benefits

All regular employees of the Company and its domestic subsidiaries are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with the Company and its domestic subsidiaries. Therefore fund assets are not included in the Group's consolidated financial statements.

For the defined contribution plan, the Company and its domestic subsidiaries will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due. Overseas subsidiaries and branches make contribution to the plan based on the requirements of local regulations.

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. Re-measurements, comprising of the effect of the actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets, excluding net interest, are recognized as other comprehensive income with a corresponding debit or credit to retained earnings in the period in which they occur. Past service costs are recognized in profit or loss on the earlier of:

- A. the date of the plan amendment or curtailment, and
- B. the date that the Group recognizes restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payment.

(21) Income taxes

Income tax expense (income) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

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Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

The 10% income tax for undistributed earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the shareholders' meeting.

Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- A. Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- B. In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- A. Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- B. In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized

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Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's consolidated financial statements require management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumption and estimate could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

(1) Judgment

In the process of applying the Group's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Operating lease commitment — Group as the lessor

The Group has entered into commercial property leases in several combinations of investment properties. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

(2) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

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A. Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using valuation techniques including the income approach (for example the discounted cash flows model) or market approach. Changes in assumptions about these factors could affect the reported fair value of the financial instruments. Please refer to note 12 for more details.

B. Pension benefits

The cost of post-employment benefit and the present value of the pension obligation under defined benefit pension plans are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Please refer to note 6 for more details.

C. Income tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group's domicile.

Deferred tax assets are recognized for all carry forward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies. Please refer to note 6 for more details on unrecognized deferred tax assets.

D. Fair value of investment property

As the fair value of investment property disclosed on the balance sheet cannot be determined from active market, instead the fair value is estimated through valuation methods including sales comparison, land development analysis approach and cost approach. Changes in assumptions about these valuation methods could affect the reported fair value of the investment property. Please refer to note 6 and 12 for more details.

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6. CONTENTS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	As of	
	December 31, 2017	December 31, 2016
	NTD	NTD
Cash on hand and petty cash	\$874	\$772
Checking accounts	4,427	8,172
Demand deposits	192,241	69,093
Total	\$197,542	\$78,037

The above cash and cash equivalents were not pledged as collateral or restricted for uses.

(2) Financial instruments at fair value through profit or loss — current

	As of	
	December 31, 2017	December 31, 2016
	NTD	NTD
Held for trading:		
Beneficiary certification	\$-	\$12,023

	As of	
	December 31, 2017	December 31, 2016
	NTD	NTD
Current	\$-	\$12,023
Non-current	-	-
Total	\$-	\$12,023

The Group does not have financial instrument at fair value through profit or loss as collaterals.

(3) Available-for-sale financial asset — current

	As of	
	December 31, 2017	December 31, 2016
	NTD	NTD
Stocks (Note):	\$397	\$483

(Note) Listed company at over-the-counter market.

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	As of	
	December 31, 2017	December 31, 2016
	NTD	NTD
Current	\$397	\$483
Non-current	-	-
Total	\$397	\$483

The Group does not have available-for-sale financial assets-current pledged as collaterals.

(4) Notes and accounts receivable

	As of	
	December 31, 2017	December 31, 2016
	NTD	NTD
Notes receivable	\$1,416	\$44,646
Notes receivable – non-operation	-	14,825
Less: Allowance for doubtful accounts	-	(42,093)
Notes receivable, net	\$1,416	\$17,378
Accounts receivable	\$19,460	\$23,060
Less: Allowance for doubtful accounts	-	(1,701)
Accounts receivable, net	\$19,460	\$21,359
Accounts receivable – related parties	\$106	\$106
Less: Allowance for doubtful accounts	-	-
Accounts receivable – related parties ,net	\$106	\$106

A. The notes receivable and accounts receivable were from operations.

B. The notes receivable and accounts receivable were not pledged.

C. Accounts receivable are generally on 30 to 90 day terms (excluding construction). The terms of the construction are dependent on the scale and complexity of the projects. Receivables are collected according to the progress of the construction and reserves are collected at the end of the warranty period according to the contracts. The movements in the provision for impairment of accounts receivable and notes receivable are as follows (Please refer to note 12 for credit risk management):

	Individually impaired	Collectively impaired	Total
2017.1.1	\$43,794	\$-	\$43,794
Charge/reversal for the current period	-	-	-
Write off	(43,794)	-	(43,794)
2017.12.31	\$-	\$-	\$-

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	Individually impaired	Collectively impaired	Total
2016.1.1	\$55,794	\$-	\$55,794
Charge/reversal for the current period	(12,000)	-	(12,000)
Write off	-	-	-
2016.12.31	\$43,794	\$-	\$43,794

The reversal of bad debt expense to the gain in 2016 was mainly due to the fact that the reason to recognize allowance for doubtful debt ceased to exist.

D. The notes receivable and accounts receivable were not due and impaired.

(5) Construction contract

	As of	
	December 31, 2017	December 31, 2016
	NTD	NTD
Accumulate costs - construction in progress	\$20,273	\$19,661
Accumulated profit or (loss) that were recognized – gross profit	1,643	1,431
Accumulated construction contract fee received in advance	(18,925)	(18,740)
Construction contract receivable	\$2,991	\$2,352

	As of	
	December 31, 2017	December 31, 2016
	NTD	NTD
Accumulate costs - construction in progress	\$2,203	\$2,033
Accumulated profit or (loss) that were recognized – gross profit	226	356
Accumulated construction contract fee received in advance	(2,459)	(2,450)
Construction contract payable	\$(30)	\$(61)

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As of							
December 31, 2017							
			Accumulated in profit (loss) that Contract cost were	Percentage of completion	Amount received based on construction progress	Construction contract receivable (payable)	Construction contract reserve fee
Construction	Contract cost	realized	recognized				
Construction #942	\$13,315	\$12,732	\$584	99%	\$12,732	\$584	\$-
Other	15,047	9,744	1,285	-	8,652	2,377	-
	<u>\$28,362</u>	<u>\$22,476</u>	<u>\$1,869</u>		<u>\$21,384</u>	<u>\$2,961</u>	<u>\$-</u>

As of							
December 31, 2016							
			Accumulated in profit (loss) that Contract cost were	Percentage of completion	Amount received based on construction progress	Construction contract receivable (payable)	Construction contract reserve fee
Construction	Contract cost	realized	recognized				
Construction #942	\$12,983	\$11,928	\$631	97%	\$11,967	\$592	\$-
Other	20,081	9,766	1,156	-	9,223	1,699	-
	<u>\$33,064</u>	<u>\$21,694</u>	<u>\$1,787</u>		<u>\$21,190</u>	<u>\$2,291</u>	<u>\$-</u>

(6) Inventories

	As of	
	December 31, 2017	December 31, 2016
	NTD	NTD
Property – land	\$699,806	\$1,927,362
Merchandise inventory	20,240	32,331
Finished goods	26,506	27,433
Work in process	32,892	31,066
Raw materials	3,053	978
Supplies	7,888	8,397
Goods in transit	1,013	6,886
Total net value	<u>\$791,398</u>	<u>\$2,034,453</u>

A. Please refer to note 8 for the above inventories' pledge against bank guarantee.

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B. The expenses that are relevant to inventory are recognized in operating cost in 2017 and 2016 as shown below:

	As of	
	December 31,	December 31,
	2017	2016
	NTD	NTD
Inventory sales cost	\$1,489,070	\$267,613
Inventory scrap loss	171	24
Inventory short (over)	(109)	(148)
Inventory falling price loss (price recovery gain)	1,163	5,950
Total	\$1,490,295	\$273,439

C. The cost of inventories recognized as expenses for the year ended to December 31, 2017 and 2016 include inventory falling price loss in the amount of NT\$1,163 thousand and NT\$5,950 thousand, respectively.

D. On November 14, 2016, the Group's board of directors approved the disposal of the land in the front section of the Yan Palace in Zhunan Township, Miaoli County according to the procedures that were based on the Company's relevant regulations for the purchase and sale of related products. The land was transferred registration on January 16, 2017. Revenue of the land was recognized in the amount to NT\$1,869,537 thousand, cost of the land was recognized in the amount to NT\$1,248,017 thousand and gain on disposal of the land was recognized in the amount to NT\$621,520 thousand. Please also refer to note 13, 1 and (6). The total sale price of the land was NT\$1,869,537 thousand which was fully received on February 15, 2017.

(7) Non-current assets held for sale

A. Through negotiation with sharecropping units on the purchase price and subsequent approval during the board meetings, the contract, to sell land was signed. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered through a sale transaction that is highly probable within one year from the date of classification and the asset or disposal group is available for immediate sale in its present condition.

Non-current assets held for sale:

	As of	
	December 31,	December 31,
	2017	2016
	NTD	NTD
Land	\$16,318	\$30,319

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B. The above asset was classified from investment property to non-current assets held for sale on the basis of the lower of the difference between book value or fair value and the cost of selling the land. Please refer to note 12 for detail information about fair value.

C. For information about non-current assets held for sale that were pledged by bank as loan collateral, please refer to note 8.

(8) Financial assets measured at cost - non-current

Investee	As of	
	December 31, 2017	December 31, 2016
	NTD	NTD
Core Pacific City Co., Ltd.	\$60,363	\$60,363
Zhanxin New Venture Co., Ltd.	-	6,756
Century Asia Cinemas Co., Ltd.	-	13,500
Other	2,956	2,956
Total	\$63,319	\$83,575
Guarantee of Pledge	None	None

A. The non-listed (non-OTC) equity investments held by the Group are measured at cost as the fair value of these investments are not reliably measurable due to the fact that the variability in the range of reasonable fair value measurements is significant for the investment and that the probabilities of the various estimates within the range cannot be reasonably assessed and used when measuring fair value.

B. Zhanxin Venture Co., Ltd. was dissolved and liquidated in June 2017 and returned the assets in surplus with the amount to NT\$9,130 thousand to the Group. Therefore, The Group disposal it as the amount to NT\$6,756 thousand on derecognition, and recognized the different of the amount to NT\$2,374 thousand as gain on disposal of investment.

C. As of December 31, 2017, the Group sold financial asset measured at cost amounted to book value of NT\$13,500 thousand and recognized NT\$815 thousand of gain on disposal of financial asset. As of December 31, 2017, the Group sold financial asset measured at cost amounted to book value of NT\$1,500 thousand and recognized NT\$0 thousand of gain on disposal of financial asset.

D. Since an investee had incurred continuous loss in its financial asset measured at cost, the Company assessed that a permanent depreciation in value of the investee was held and recognized NT\$4,197 thousand of impairment loss in 2016.

E. Financial assets measured at cost were not pledged.

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(9) Investments accounted for using the equity method

The following table lists the investments accounted for using the equity method of the Group:

Investee	As of			
	December 31, 2017		December 31, 2016	
	NTD	Percentage of Ownership (%)	NTD	Percentage of Ownership (%)
<u>Investments in associates</u>				
Great Construction System Inc.	<u>\$24,901</u>	34.36%	<u>\$20,161</u>	44.36%

A. Investments in associates

- (a) The related party of the Group was not significant. The aggregate book value of investments in associates is NT\$24,901 thousand. The summary financial information of related party was listed below:

	For the year ended December 31, 2017	For the year ended December 31, 2017
Net income	\$9,518	\$16,321
Other comprehensive income, net	(23)	(66)
Comprehensive income for the period	<u>\$9,495</u>	<u>\$16,255</u>

- (b) The Group's investments accounted for using the equity method, in respect of conditions such as legal obligation, presumptive obligation and payment made on behalf of relate party, is recognized as additional loss or in liability. Regarding profit that are subsequently generated from relate parties, the Group can only recognize its portion of gain into profit if that portion was not recognized in the loss previously.
- (c) There is no public quote for investments in associates.
- (d) The Group's subsidiary, Tai Lin Investment Company, disposes of 10% of the shares with the voting rights of the Great Construction System Inc. in March 2017 and the proceed obtained from the directors and managers of the associate were NT\$2,991 thousand and NT\$1,994 thousand, respectively. The net book value of the sale of related equity was NT\$4,755 thousand. The difference of the amount to NT\$230 thousand between the proceed and the disposal equity has been recognized as gain on disposal of investments accounted for using equity method by Tai Lin Investment Company. For the transaction part of the related party, please refer to Note 7.

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(10) Property, plant and equipment

	Land and land improvements	Buildings	Machinery and equipment	Transportation equipment	Leasehold improvement	Bearer plant	Other equipment	Construction in progress	Total
Cost									
2017.1.1(adjusted)	\$3,023,786	\$472,947	\$43,413	\$24,745	\$15,354	\$115,766	\$117,314	\$225,215	\$4,038,540
Additions	4,494	6,054	1,593	6,900	-	120,139	24,850	349,983	514,013
Disposals	-	(1,862)	(37)	(2,587)	-	(398)	(298)	-	(5,182)
Others	11,179	1,446	(151)	(280)	-	3,675	30,999	(58,074)	(11,206)
2017.12.31	<u>\$3,039,459</u>	<u>\$478,585</u>	<u>\$44,818</u>	<u>\$28,778</u>	<u>\$15,354</u>	<u>\$239,182</u>	<u>\$172,865</u>	<u>\$517,124</u>	<u>\$4,536,165</u>
2016.1.1(adjusted)	\$376,206	\$459,309	\$41,598	\$20,488	\$16,540	\$87,498	\$38,941	\$139,252	\$1,179,832
Additions	1,231	4,909	1,979	4,582	-	28,641	18,109	127,823	187,274
Transfer from client asset (Note 1)	-	-	-	-	-	-	50,338	-	50,338
Disposals	(61)	(418)	-	(325)	(1,186)	(5,775)	(192)	-	(7,957)
Transfer between accounts (Note 2)	2,646,410	9,147	(164)	-	-	5,402	10,118	(41,860)	2,629,053
2016.12.31(adjusted)	<u>\$3,023,786</u>	<u>\$472,947</u>	<u>\$43,413</u>	<u>\$24,745</u>	<u>\$15,354</u>	<u>\$115,766</u>	<u>\$117,314</u>	<u>\$225,215</u>	<u>\$4,038,540</u>
Depreciation and impairment:									
2017.1.1(adjusted)	\$3,372	\$126,440	\$20,652	\$9,006	\$7,550	\$13,227	\$34,418	\$-	\$214,665
Depreciation	1,167	14,396	3,862	3,059	4,919	1,752	23,397	-	52,552
Disposals	-	(1,170)	(27)	(1,396)	-	(399)	(188)	-	(3,180)
Transfers between accounts	-	(277)	(43)	(229)	-	-	472	-	(77)
2017.12.31	<u>\$4,539</u>	<u>\$139,389</u>	<u>\$24,444</u>	<u>\$10,440</u>	<u>\$12,469</u>	<u>\$14,580</u>	<u>\$58,099</u>	<u>\$-</u>	<u>\$263,960</u>
2016.1.1(adjusted)	\$2,147	\$112,308	\$17,037	\$6,536	\$2,934	\$12,122	\$19,432	\$-	\$172,516
Depreciation	1,225	14,195	3,730	2,473	5,227	1,443	14,949	-	43,242
Disposals	-	(63)	-	(3)	(611)	(338)	(75)	-	(1,090)
Transfer between accounts	-	-	(115)	-	-	-	112	-	(3)
2016.12.31(adjusted)	<u>\$3,372</u>	<u>\$126,440</u>	<u>\$20,652</u>	<u>\$9,006</u>	<u>\$7,550</u>	<u>\$13,227</u>	<u>\$34,418</u>	<u>\$-</u>	<u>\$214,665</u>
Net carrying amount as of:									
2017.12.31	<u>\$3,034,920</u>	<u>\$339,196</u>	<u>\$20,374</u>	<u>\$18,338</u>	<u>\$2,885</u>	<u>\$224,602</u>	<u>\$114,766</u>	<u>\$517,124</u>	<u>\$4,272,205</u>
2016.12.31(adjusted)	<u>\$3,020,414</u>	<u>\$346,507</u>	<u>\$22,761</u>	<u>\$15,739</u>	<u>\$7,804</u>	<u>\$102,539</u>	<u>\$82,896</u>	<u>\$225,215</u>	<u>\$3,823,875</u>
2016.1.1(adjusted)	<u>\$374,059</u>	<u>\$347,001</u>	<u>\$24,561</u>	<u>\$13,952</u>	<u>\$13,606</u>	<u>\$75,376</u>	<u>\$19,509</u>	<u>\$139,252</u>	<u>\$1,007,316</u>

Note 1: The Group took the possession of B1-B3 lease in Asia Plaza on July 15, 2016 at the termination of lease contract and the ownership of assets including utility, ventilation, fire extinguishing project and escalator transferred from the lessee. On the basis of the interpretations issued by the IFRSC 18, the re-possession of lease is recognized in property, plant and equipment and investment property.

Note 2: Detail information can be found in note 6.11.

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A. Accumulated Depreciation

As of December 31 2017 and 2016, the accumulated depreciation of the Group's property, plant and equipment is listed:

Item	As of	
	December 31, 2017	December 31, 2016
	NTD	NTD
Buildings	\$8,092	\$8,092
Machinery and equipment	3,608	3,608
Transportation equipment	5	5
Other equipment	1,678	1,678
Total	\$13,383	\$13,383

In 2017 and 2016, the Group did not recognize impairment loss in property, plant and equipment.

B. The capitalized loan and associated interest rate for inventory (property - land) and property, plant and equipment is listed:

	For the year ended December 31, 2017	For the year ended December 31, 2016
Property – land & construction in progress	\$2,538	\$4,268
Interest rate of capitalized loan	1.56%~1.65%	1.56%~1.90%

The total interest prior to capitalization was found to be NT\$47,659 thousand in 2017 and NT\$67,722 thousand in 2016. The capitalized interest is NT\$2,538 thousand in 2017 and NT\$4,268 thousand in 2016.

C. The Group's property, plant and equipment is provided as a pledge for bank loan. Please refer to note 8 for detail.

D. According to the command issued by the Securities & Futures Institute, gain on sale should be recognized after transfer registration and the actual transfer of land has been completed. The Group's premium from land recognized as other non-current liabilities except for those that was expected to complete transfer within one year. As of 31 December 2017 and 2016, the lands that were not recognized profit of sales are both NT\$1,369 thousand under other non-current liabilities.

E. The Company's land at Tongluo Township Miaoli County was acquired by The science park bureau according to Arc. 11 of the Land Expropriation Act. and transferred in 2001. Some of the compensation payable to the lessee was still under discussion, so the compensation payable to the lessee and the receivable from government of Miaoli County was estimated. Adjustment can be made should there be any difference. As of December 31, 2017 and 2016, the compensation receivable from government of Miaoli County was both NT\$654 thousand, recognized as other receivable. As of December 31, 2017 and 2016, the compensation payable to the lessee was both NT\$2,075 thousand, recognized as other payable. Up until the report date, the discussion of the compensation has not been completed.

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F. Following the relevant regulations, the Company had employed other people's names to register agricultural land for the time being, and these lands were set to be pledged by the Company. As of December 31, 2017 and 2016, the lands that were yet to be registered for property rights are worth NT\$94,152 thousand and NT\$94,010 thousand and were recognized in other non-current assets.

(11) Investment property

	Land	Building	Total
Cost:			
2017.1.1	\$17,122,277	\$1,064,498	\$18,186,775
Addition	13,521	-	13,521
Addition – subsequent expenditure	27,978	250	28,228
Disposals	(143,772)	-	(143,772)
Transfer from property, plant and equipment	10,544	-	10,544
2017.12.31	<u>\$17,030,548</u>	<u>\$1,064,748</u>	<u>\$18,095,296</u>
2016.1.1	\$16,248,216	\$1,099,932	\$17,348,148
Addition – subsequent expenditure	26,090	-	26,090
Assets transfer from client	2,061	292	2,353
Disposals	(411,059)	(35,726)	(446,785)
Transfer between accounts	1,256,969	-	1,256,969
2016.12.31	<u>\$17,122,277</u>	<u>\$1,064,498</u>	<u>\$18,186,775</u>
Depreciation and impairment			
2017.1.1	\$56,554	\$157,643	\$214,197
Depreciation expense	-	37,433	37,433
2017.12.31	<u>\$56,554</u>	<u>\$195,076</u>	<u>\$251,630</u>
2016.1.1	\$56,554	\$121,481	\$178,035
Depreciation expense	-	37,949	37,949
Disposals	-	(1,787)	(1,787)
2016.12.31	<u>\$56,554</u>	<u>\$157,643</u>	<u>\$214,197</u>
Net carrying amount as of:			
2017.12.31	<u>\$16,973,994</u>	<u>\$869,672</u>	<u>\$17,843,666</u>
2016.12.31	<u>\$17,065,723</u>	<u>\$906,855</u>	<u>\$17,972,578</u>

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In 2017, the addition of investment property was from the disposal land under investment property. Since the buyer filed a lawsuit, the court decreed that the Group should refund the price and the buyer should return the investment property to the Group. The Group handled it in accordance with Taiwan-Finance-Securities (I)-001436 and the explanatory letter No. 117 issued by the Accounting Research and Development Foundation (88).

Resulted by the board of director's meeting on February 10, 2015, the Company signed to buy accounts receivable of NT\$3,800 million from Taiwan Asset Management Corporation. The pledge of the accounts receivable is 206 land at Pingtung County. Security deposit of NT\$746,637 thousand were paid to attend the auction held by Pingtung District Court. On April 15, 2015, the land was acquired by using the right to the accounts receivable as the auction price. On February 29, 2016, ownerships to the lands have all been transferred. The usage of the lands are all planned according to the proposal book approved by Council of Agriculture Executive Yuan. About NT\$3,200 million worth of land was transferred to investment property and the rest was transferred to property, plant and equipment. As of December 31, 2017, the Company classified the land by the condition in using. About NT\$1,100 million worth of land were recognized as investment property, and the other were recognized as property, plant and equipment. The Company has paid part of the payment and the remaining NT\$850,000 thousand will be paid by notes payable. NT\$425,000 thousand was classified to notes payable - related parties and NT\$425,000 thousand was classified to long term notes payable - related parties according to the due date.

	For the year ended December 31, 2017	For the year ended December 31, 2016
Rental income from investment property	\$12,158	\$200,441
Minus: current rental income recognized from direct operating of investment property	(83)	(8,238)
current rental income unrecognized from direct operating of investment property	(6,723)	(7,413)
Total	\$5,352	\$184,790

- A. The Group's investment property was pledged as collateral for bank loan, refer to note 8.
- B. The Group possesses investment property measured at fair value amounted to NT\$48,028,484 thousand and NT\$50,520,592 thousand on December 31 2017 and 2016, respectively. The fair values of investment property valued by an independent external appraisal expert on the basis of market evidence and comparison method, were NT\$8,004,842 thousand and NT\$5,347,479 thousand. The fair values of investment property valued by internal self-estimation on the basis of market evidence and comparison method which input is estimated by the price of square meters, were NT\$40,023,642 thousand and NT\$45,173,113 thousand.

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(12) Intangible assets

	Computer Software
Cost:	
2017.1.1	\$4,119
Addition – sole acquisition	2,588
2017.12.31	<u>\$6,707</u>
2016.1.1	\$3,923
Addition – sole acquisition	196
2016.12.31	<u>\$4,119</u>
Amortization and impairment:	
2017.1.1	\$3,360
Amortization	509
2017.12.31	<u>\$3,869</u>
2016.1.1	\$2,943
Amortization	417
2016.12.31	<u>\$3,360</u>
Net carrying amount as of:	
2017.12.31	<u>\$2,838</u>
2016.12.31	<u>\$759</u>

Amortization cost that were recognized in intangible asset is listed:

	For the year ended December 31, 2017	For the year ended December 31, 2016
Operating expense	<u>\$509</u>	<u>\$417</u>

(13) Other non-current assets

	As of	
	December 31, 2017	December 31, 2016
	NTD	NTD
Prepaid expense – equipment	\$3,631	\$840
Guarantee deposits paid	89,442	11,923
Others	258,049	250,832
Total	<u>\$351,122</u>	<u>\$263,595</u>

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(14) Short-term loans

	As of	
	December 31, 2017	December 31, 2016
	NTD	NTD
Credit loans	\$-	\$-
Letter of credit loans	-	-
Total	\$-	\$-
Available credit limit	\$74,601	\$74,518
Interest rates	1.43%~3.77%	1.43%~3.71%

The interest rates were based on NTD, EUR and USD letter of credit loans' ranges. Please refer to note 8 regarding the Group's assets that were pledged as collateral.

(15) Short-term notes and bills payable

A. The Short-term notes and bills payable is listed below:

2017.12.31

Loan type	Contract due date	Interest	Amount
Commercial paper	2018.09.08	1.20%~1.20%	\$-
		Unused credit limit	\$50,000

2016.12.31

Loan type	Contract due date	Interest	Amount
Commercial paper	2017.09.08	1.20%~1.46%	\$-
		Unused credit limit	\$50,000

B. The commercial paper that was guaranteed by financial institution with maximum maturity date of 180 days and one year contract due time was issued by the Group.

C. For information about the Group's assets that were pledged as collateral, please refer to note 8.

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(16) Long-term loans

Creditor	2017.12.31	Maturity and Repayment Method
Taiwan Business Bank	\$408,000	The contract will be due on 2021.11.7, since 2014.5.7 payment for interest and principal was amortized semiannually with a total of 15 terms
Taiwan Business Bank	560,000	The contract will be due on 2019.9.5 and capital employment and repayment are under the Note Issuance Facility
Mega Bills	288,000	The contract will be due on 2019.5.31 and capital employment and repayment are under the Note Issuance Facility
Mega Bank	500,000	The contract will be due on 2020.7.01, since 2015.7.1 to 2017.7.1, interest and principal payment was made annually. Following that, the payment was made semi-annually with a total of 7 terms
Mega Bank	300,000	The contract will be due on 2019.6.4 for repayment.
Mega Bank	290,000	The contract will be due on 2020.7.1 for repayment.
Chang Hwa Bank	50,000	The contract will be due on 2020.9.30. 50% of the principal will be repaid at the next day after 30 months of the first term. The remaining portion will be repaid at maturity date with total amount amortized in two terms.
Taiwan Cooperative Bank	249,900	The contract will be due on 2030.3.11 and since 2012.4.11 interest payment was amortized into 216 terms.
Taiwan Cooperative Bank	100,000	The contract will be due on 2019.6.13 for repayment.
Land Bank of Taiwan	36,000	The contract will be due on 2022.12.14 and since 2012.12.14 interest and principal payment was amortized into 120 terms.
Hua Nan Bank	34,000	The contract will be due on 2019.5.12 for repayment.
Hua Nan Bank	10,000	The contract will be due on 2019.5.12 for repayment.
Hwa Tai Bank	100,000	The contract will be due on 2019.10.13 for repayment.
Subtotal	2,925,900	
Minus: due in one year	(229,600)	
Total	\$2,696,300	
Authorized credit limit	\$4,010,500	
Available credit limit	\$360,000	
Interest	1.26%~1.91%	

In 2017, the new loan issued amounted to NT\$6,439,000 thousand and principal repayment amounted to NT\$6,523,600 thousand.

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Creditor	2016.12.31	Maturity and Repayment Method
Taiwan Business Bank	\$408,000	The contract will be due on 2021.11.7, since 2014.5.7 payment for interest and principal was amortized semiannually with a total of 15 terms
Taiwan Business Bank	405,000	The contract will be due on 2018.6.1 and capital employment and repayment are under the Note Issuance Facility
Mega Bills	780,000	The contract will be due on 2018.5.31 and capital employment and repayment are under the Note Issuance Facility
Mega Bank	600,000	The contract will be due on 2020.7.1, since 2015.7.1 to 2017.7.1, interest and principal payment was made annually. Following that, the payment was made semi-annually with a total of 7 terms
Mega Bank	270,000	The contract will be due on 2018.6.4 for repayment.
Chang Hwa Bank	50,000	The contract will be due on 2019.9.30. 50% of the principal will be repaid at the next day after 30 months of the first term. The remaining portion will be repaid at maturity date with total amount amortized in two terms.
Taiwan Cooperative Bank	270,300	The contract will be due on 2030.3.11 and since 2012.4.11 interest payment was amortized into 216 terms.
Taiwan Cooperative Bank	150,000	The contract will be due on 2018.7.13 for repayment.
Land Bank of Taiwan	43,200	The contract will be due on 2022.12.14 and since 2012.12.14 interest and principal payment was amortized into 120 terms.
Hua Nan Bank	34,000	The contract will be due on 2018.5.16 for repayment.
Subtotal	3,010,500	
Minus: due in one year	(27,600)	
Total	<u>\$2,982,900</u>	
Authorized credit limit	<u>\$4,362,000</u>	
Available credit limit	<u>\$761,500</u>	
Interest	<u>1.30%~2.35%</u>	

In 2016, the new loan issued amounted to NT\$6,658,000 thousand and principal repayment amounted to NT\$6,417,300 thousand.

Refer to note 8 for collateral for long-term loans.

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(17) Post-employment benefits

A. Defined contribution plan

The defined contribution plan of the Company's Employee Retirement Plan is regulated according to the provisions of the Labor Pension Act. In accordance with the Act, contributions made by the employer cannot be lower than 6% of the participant's monthly wages. Therefore, The Company makes 6% contributions of the monthly wages to the Labor Pension personal account of the Bureau of the Labor Insurance on a regular basis.

For the years ended December 31, 2017 and 2016, the expenses related to defined contribution plan amounted to NT\$8,374 thousand and NT\$6,642 thousand, respectively.

B. Defined benefits plan

The defined benefit plan of the Company's Employee Retirement Plan is regulated according to the Labor Standards Act. 2. Retirement benefits are based on such factors as the employee's length of service and final pensionable salary. In accordance with the Act, 2 bases are given for each full year on the first 15 years of service and 1 base is given for each full year after 15 years of service. The total bases given shall not exceed 45. Under the retirement plan, the Company contributes monthly an amount equal to 8.58% of gross salary to the pension reserve fund, which is deposited into a designated depository account with the Bank of Taiwan. At the end of each year, if the balance in the designated labor pension reserve funds is inadequate to cover the benefit estimated to be paid in the following year, the Company should make up the difference in 1 appropriation before the end of March in the following year.

Safeguard and Utilization of the Labor Retirement Fund is regulated by the Ministry of Labor. Investment of the fund is made by outsourcing and self-management. A long-term investment strategy is adopted with both initiative and passive approach. Considering market risk, creditability and liquidity etc., the Ministry of labor has set limit for fund risk and risk management plan so that the target rate of return can be reached without excess exposure to risk. Because the Company is not authorized to manage the Fund, it cannot disclose the classification of the fair value of the plan asset according to IAS 19. As of December 31, 2017, the amount of contribution expected to be made in the following accounting year is NT\$2,800 thousand.

As at December 31, 2017 and 2016, the defined benefit plan of the Company was expected to be expired in 2026 and 2025.

Amounts to be recognized in profit or loss for the years ended 2017 and 2016 are summarized as follows:

	For the year ended December 31, 2017	For the year ended December 31, 2016
Current period service cost	\$150	\$230
Net interest on the net defined benefit liability (asset)	252	415
Prior period service cost	(835)	-
Subtotal	<u>\$(433)</u>	<u>\$645</u>

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Reconciliation of the present value of the defined benefit obligation and fair value of plan assets of the defined benefit plan is as follows:

	As of	
	December 31,	December 31,
	2017	2016
	NTD	NTD
Present value of defined benefit obligation	\$60,301	\$58,306
Fair value of plan assets	(39,940)	(36,720)
Other non-current liabilities — Accrued pension liabilities recognized on the balance sheets	\$20,361	\$21,586

Reconciliation of net defined benefit liabilities(assets):

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities (assets)
2016.1.1	\$62,528	\$(27,940)	\$34,588
Current service cost	230	-	230
Interest cost (revenue)	742	(327)	415
Subtotal	63,500	(28,267)	35,233
Remeasurement of defined benefit liabilities/assets			
Expected return on plan population	19	-	19
Adjustment	(2,203)	-	(2,203)
Remeasurement of defined benefit asset	-	92	92
Subtotal	(2,184)	92	(2,092)
Payment	(3,010)	3,010	-
Contribution by employer	-	(11,555)	(11,555)
2016.12.31	58,306	(36,720)	21,586
Current period service cost	150	-	150
Interest cost (revenue)	717	(465)	252
Prior period service cost	(835)	-	(835)
Subtotal	58,338	(37,185)	21,153
Remeasurement of defined benefit liabilities/asset			
Expected return on plan population	9	-	9
Expected return on plan assets	1,462	-	1,462
Adjustment	492	-	492
Remeasurement of defined benefit asset	-	107	107
Subtotal	1,963	107	2,070
Contribution by employer	-	(2,862)	(2,862)
2017.12.31	\$60,301	\$(39,940)	\$20,361

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The following significant actuarial assumptions are used to determine the present value of the defined benefit obligation:

	December 31, 2017	December 31, 2016
Discount rate	1.00%	1.25%
Expected rate of salary increases	2.00%	2.00%

A sensitivity analysis for significant assumption as at 31 December 2017 and 2016 is, as shown below:

	For the year ended December 31, 2017		For the year ended December 31, 2016	
	Increase defined benefit obligation	Decrease defined benefit obligation	Increase defined benefit obligation	Decrease defined benefit obligation
Discount rate increase by 0.25%	\$-	\$1,435	\$-	\$1,459
Discount rate decrease by 0.25%	1,492	-	1,518	-
Future salary increase by 0.25%	1,473	-	1,503	-
Future salary decrease by 0.25%	-	1,425	-	1,452

The sensitivity analyses above are based on a change in a significant assumption (for example: change in discount rate or future salary), keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

There was no change in the methods and assumptions used in preparing the sensitivity analyses compared to the previous period.

(18) Equities

A. Common stock

The Company's authorized capital was both amounted to NT\$16,000,000 thousand, issued capital was both amounted to NT\$7,700,000 thousand and consisted of 770,000 thousand shares at \$10 par value each as of December 31, 2017 and 2016, respectively. Each share has one vote and the right to receive dividends.

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B. Capital surplus

	As of	
	December 31,	December 31,
	2017	2016
	NTD	NTD
Additional paid-in capital-premium in excess of the par value of shares issued	\$1,711,134	\$1,711,134
Treasury shares transaction	346,303	346,303
Capital surplus difference between consideration and carrying amount of subsidiaries acquired or disposed	14,671	14,671
Capital surplus changes in ownership interests in subsidiaries	8,227	8,227
Employee share options	29,375	29,375
Stock option from convertible bonds	64	64
Stock granted for free	1	1
Total	<u>\$2,109,775</u>	<u>\$2,109,775</u>

According to the Company Act, the capital reserve shall not be used except for making good the deficit of the company. When a company incurs no loss, it may distribute the capital reserves related to the income derived from the issuance of new shares at a premium or income from endowments received by the company. The distribution could be made in cash or in the form of dividend shares to its shareholders in proportion to the number of shares being held by each of them.

C. Retained earnings and dividend policies

The Company is at growing stage of its life cycle and the business scale is expanding. In order to ensure the sustainable development, the retained earnings of the future should be set aside as stated below:

According to the Company Act, the capital reserve shall not be used except for making good the deficit of the company after paying taxes. After making good of the deficit, 10% of the reserve should be set aside as legal reserve only if the amount of the legal reserve has reached that of the paid-in capital. The remaining reserve should be set aside as special reserve. If there is reserve remaining, it can be combined with the accumulated unappropriated earnings and distributed. The board of directors should make the earnings distribution proposal considering the Company's operation and ask the shareholders' resolution to distribute dividends.

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According to the Company Act, the Company needs to set aside amount to legal reserve unless where such legal reserve amounts to the total authorized capital. The legal reserve can be used to make good the deficit of the Company. When the Company incurs no loss, it may distribute the portion of legal serve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.

After the adoption of International Financial Reporting Standards, in accordance with Letter Jin-Guan-Zheng-Fa-Zi No. 1010012865 issued by FSC on April 6, 2012, at the first-time adoption of IFRSs, an entity shall appropriate a corresponding amount to special reserve same as the IFRS adjustment, in which case an entity elects to use exemption application specified in IFRS 1 and resets unrealized revaluation increment and cumulative translation differences under shareholders' equity to zero, and its retained earnings is being increased accordingly. However, if the retained earnings' arising from IFRS adjustment at the first-time adoption is insufficient, special reserve shall be appropriated by the amount that retained earnings increase from the IFRS adjustment.

The Company has reversed special reserve to retained earnings during the one year period ended December 31, 2017 and 2016 as results of the use, disposal or reclassification of related assets in the amounts set out below:

	As of	
	December 31, 2017	December 31, 2016
	NTD	NTD
Opening balance	\$3,459,277	\$3,501,329
Disposal of assets	(19,194)	(42,052)
Ending balance	\$3,440,083	\$3,459,277

For the years ended 2017 and 2016, the details of earnings distribution and dividends per share as proposed by the board meeting on March 21, 2018 and resolved by the shareholder's meeting on June 13, 2017, were as follows:

	Appropriation of earnings		Dividend per share	
	2017	2016	2017	2016
Legal reserve	\$62,209	\$31,017		
Common stock – cash dividend	385,000	384,974	\$0.5	\$0.5
Total	\$447,209	\$415,991		

The common stock – cash dividend is based on New Taiwanese Dollars. The amount contributed by fractional share is reclassified into unappropriated earnings.

Please refer to note 6.21 for details of bonus to employees.

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(19) Operating revenues

	For the year ended December 31, 2017	For the year ended December 31, 2016
	NTD	NTD
Net sales		
Commodity	\$325,816	\$356,200
Land	1,869,537	-
Minus: commodity return and allowance	(437)	(214)
Construction contract	7,004	20,196
Rental	19,583	208,557
Others	30,418	26,031
Total	<u>\$2,251,921</u>	<u>\$610,770</u>

(20) Operating lease

A. The Group as a lessee

According to non-cancellable operating lease, the minimum payments for the future leases in December 2017 and 2016 are:

	As of	
	December 31, 2017	December 31, 2016
	NTD	NTD
Less than one year	\$3,514	\$2,918
More than one year but less than five years	1,964	4,281
Total	<u>\$5,478</u>	<u>\$7,199</u>

Operating lease that were recognized in expense:

	For the year ended December 31, 2017	For the year ended December 31, 2016
	NTD	NTD
Minimum lease payment	<u>\$3,194</u>	<u>\$3,721</u>

B. The Group as a lessor

According to non-cancellable operating lease, the minimum payments from lessee about future leases in December 2017 and 2016 are:

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	As of	
	December 31, 2017	December 31, 2016
	NTD	NTD
Less than one year	\$11,850	\$23,406
More than one year but less than five years	1,302	11,660
More than five years	-	-
Total	\$13,152	\$35,066

(21) Summary statement of employee benefits, depreciation and amortization expenses by function is as follows:

Function Description	For the year ended December 31, 2017			For the year ended December 31, 2016		
	Operating Cost (NTD)	Operating Expense (NTD)	Total (NTD)	Operating Cost (NTD)	Operating Expense (NTD)	Total (NTD)
Employee benefits expense						
Salaries and wages	\$41,592	\$169,002	\$210,594	\$34,707	\$133,640	\$168,347
Labor and health insurance	4,211	12,727	16,938	3,775	9,468	13,243
Pension	2,504	5,437	7,941	2,231	5,056	7,287
Other employee benefits expense	3,796	26,055	29,851	3,409	10,125	13,534
Depreciation and depletion	16,972	73,013	89,985	37,967	43,224	81,191
Amortization	36	725	761	20	796	816

The Company amended the Company's Articles of Incorporation at the shareholder's meeting on June 8, 2016. According to the resolution, minimum 1% of the profit of the period should be distributed as employee's compensation and maximum 5% of the profit of the period should be distributed as supervisor's compensation. However, if there is accumulated deficit, the deficit should be covered first. The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition thereto a report of such distribution is submitted to the shareholders' meeting. Information on the board of directors' resolution regarding the employee compensation can be obtained from the "Market Observation Post System" on the website of the TWSE.

The Company's employee and supervisor compensation was NT\$19,500 thousand, estimated as 3.028% of the Company's net profit and recognized as employee's compensation for the year ended December 31, 2017. According to resolution of the board on March 21, 2018, the compensation will be granted in cash. The difference between the estimated number and the actual distributed amount from the resolution of the board is recognized in profit or loss.

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The Company's the board of director's meeting on March 23, 2017, resolved to distribute NT\$15,137 thousand of employee compensation in cash, which was reported at the shareholders' meeting on June 13, 2017. The difference between the estimated employee compensation of 2016 and the actual distribution of employee compensation is NT\$0 thousand.

(22) Non-operating income and expenses

A. Other income

	For the year ended December 31, 2017	For the year ended December 31, 2016
	NTD	NTD
Interest income	\$47	\$99
Gains on bad debt recoveries	-	12,000
Dividend income	32	-
Others (Note)	2,245	54,401
Total	<u>\$2,324</u>	<u>\$66,500</u>

Note: Others of other income in 2017 please refer to note 6.10 (Note 1) for explanation.

B. Other gains and losses

	For the year ended December 31, 2017	For the year ended December 31, 2016
	NTD	NTD
Losses on disposal of property, plant and equipment	\$(1,172)	\$(115)
Gains on disposal of investment property	251,019	328,770
Gains on disposal of investment	3,419	4
Foreign exchange gains (losses), net	(589)	464
Gains on valuation of financial assets measured at fair value	37	23
Impairment loss of financial assets accounted in cost method	-	(4,197)
Other gains (losses) — others	(22)	-
Total	<u>\$252,692</u>	<u>\$324,949</u>

C. Finance costs

	For the year ended December 31, 2017	For the year ended December 31, 2016
	NTD	NTD
Interest on borrowings from bank	\$45,013	\$62,166
Others	108	1,288
Total finance costs	<u>\$45,121</u>	<u>\$63,454</u>

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(23) Components of other comprehensive income

For the year ended December 31, 2017

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
Items that will not be reclassified to profit or loss:					
Remeasurements of defined benefit plans	\$ (2,070)	\$ -	\$ (2,070)	\$ -	\$ (2,070)
Share of other comprehensive income of associates and joint ventures accounted for using equity method	(23)	-	(23)	-	(23)
Items that may be reclassified subsequently to profit or loss:					
Unrealized gains (losses) from available-for-sale financial assets	(86)	-	(86)	-	(86)
Total of other comprehensive income	<u>\$ (2,179)</u>	<u>\$ -</u>	<u>\$ (2,179)</u>	<u>\$ -</u>	<u>\$ (2,179)</u>

For the year ended December 31, 2016

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
Items that will not be reclassified to profit or loss:					
Remeasurements of defined benefit plans	\$ 2,092	\$ -	\$ 2,092	\$ -	\$ 2,092
Share of other comprehensive income of associates and joint ventures accounted for using equity method	(66)	-	(66)	-	(66)
Items that may be reclassified subsequently to profit or loss:					
Unrealized gains (losses) from available-for-sale financial assets	9	-	9	-	9
Total of other comprehensive income	<u>\$ 2,035</u>	<u>\$ -</u>	<u>\$ 2,035</u>	<u>\$ -</u>	<u>\$ 2,035</u>

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(24) Income taxes

The major components of income tax expense (income) in 2017 and 2016 were as follows:

Income tax expense (income) recognized in profit or loss

	For the year ended December 31, 2017	For the year ended December 31, 2016
	NTD	NTD
Current income tax expense (income):		
Current income tax charge	\$-	\$29,645
Adjustments in respect of current income tax of prior periods	-	5
Land capital gain tax	7,247	6,137
Deferred tax expense (income):		
Deferred tax expense (income) relating to origination and reversal of temporary differences	(24,366)	(39,854)
Total income tax expense (income)	<u>\$(17,119)</u>	<u>\$ (4,067)</u>

Reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates was as follows:

	For the year ended December 31, 2017	For the year ended December 31, 2016
	NTD	NTD
Accounting profit (loss) before tax from continuing operations	<u>\$604,974</u>	<u>\$306,099</u>
The parent company statutory income tax rate of 17% per	\$102,845	\$52,037
Tax effect of revenues exempt from taxation	(137,572)	(47,557)
Tax effect of non-deductible expense	957	1,326
Tax effect of deferred tax assets/liabilities – tax credit	9,404	(45,660)
10% surtax on undistributed retain earnings	-	29,645
Adjustments in respect of current income tax of prior periods	-	5
Land capital gain tax	<u>7,247</u>	<u>6,137</u>
Total income tax expense (income) recognized in profit or loss	<u>\$(17,119)</u>	<u>\$ (4,067)</u>

Deferred tax assets (liabilities) relate to the following:

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For the year ended December 31, 2017

	Beginning balance as at January 1, 2017	Deferred tax income (expense) recognized in profit or loss	Ending balance as at December 31, 2017
Temporary differences			
Land capital gain tax	<u>\$(3,319,173)</u>	<u>\$24,366</u>	<u>\$(3,294,807)</u>
Deferred tax income (expense)		<u>\$24,366</u>	
Net deferred tax assets (liabilities)	<u>\$(3,319,173)</u>		<u>\$(3,294,807)</u>
Reflected in balance sheet as follows:			
Deferred tax (liabilities)	<u>\$(3,319,173)</u>		<u>\$(3,294,807)</u>

For the year ended December 31, 2016

	Beginning balance as at January 1, 2016	Deferred tax income (expense) recognized in profit or loss	Ending balance as at December 31, 2016
Temporary differences			
Land capital gain tax	<u>\$(3,359,027)</u>	<u>\$39,854</u>	<u>\$(3,319,173)</u>
Deferred tax income (expense)		<u>\$39,854</u>	
Net deferred tax assets (liabilities)	<u>\$(3,359,027)</u>		<u>\$(3,319,173)</u>
Reflected in balance sheet as follows:			
Deferred tax (liabilities)	<u>\$(3,359,027)</u>		<u>\$(3,319,173)</u>

The following table contains information of the unused tax losses of the Group:

Taiwan Tea Corporation		Unused tax losses as of		Expiration year
Year	Tax losses for the period	December 31, 2017 NTD	December 31, 2016 NTD	
2007	\$2,783,471	\$-	\$2,783,471	2017
2008	24,542	24,542	24,542	2018
2009	46,575	46,575	46,575	2019
2010	96,257	96,257	96,257	2020
2011	96,455	96,455	96,455	2021
2012	158,764	158,764	158,764	2022
2017	245,335	245,335	-	2027
		<u>\$667,928</u>	<u>\$3,206,064</u>	

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Unrecognized deferred tax assets

As of December 31, 2017 and 2016, deferred tax assets that have not been recognized as they may not be used to offset taxable profits amounted to NT\$689,471 thousand and NT\$610,235 thousand, respectively.

Imputation credit information

	As of	
	December 31, 2017	December 31, 2016
	NTD	NTD
Balances of imputation credit amounts	\$111,385	\$105,240

The expected creditable ratio for 2017 and the actual creditable ratio for 2016 were 4.28% and 5.65%, respectively. In accordance to Art. 66-6 of Income Tax Act, in the case of the amount of the deductible tax of an individual shareholder (member) residing in the territory of the Republic of China, the imputation tax credit of 2016 should be 50% less. In addition, amendments to the Income Tax Act passed third reading by the Legislative Yuan on January 18, 2018 and announced by the President on February 7, 2018. In accordance to the amendments, the dividend imputation tax system has been abolished. The expected imputation tax rate information of 2018 is for reference only.

The Company's has no retained earnings incurred prior to 1997.

The assessment of income tax returns

As of December 31, 2017, the assessment of the income tax returns of the Company and its subsidiaries was as follows:

	The assessment of income tax returns
The Company	Assessed and approved up to 2015
Subsidiary – Tai Lin Investment	Assessed and approved up to 2015

(25) Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent entity (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

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	For the year ended December 31, 2017	For the year ended December 31, 2016
A. Basic earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousands)	\$622,093	\$310,166
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousand)	770,000	770,000
Basic earnings per share	\$0.81	\$0.40
B. Diluted earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousands)	\$622,093	\$310,166
Profit attributable to ordinary shareholders (diluted)	\$622,093	\$310,166
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousand)	770,000	770,000
Dilution effect:		
Employee reward – stock (thousand)	1,511	1,478
Weighted average number of ordinary shares outstanding for basic earnings per share (diluted, in thousand)	771,511	771,478
Diluted earnings per share	\$0.81	\$0.40

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of the financial statements.

(26) Subsidiaries that have material non-controlling interests

The Group does not have subsidiaries that have material non-controlling interests.

7. RELATED PARTY TRANSACTIONS

Information of the related parties that had transactions with the Group during the financial reporting period is as follows:

Name and nature of relationship of the related parties

<u>Name of the related parties</u>	<u>Nature of relationship of the related parties</u>
Great Construction System Inc.	Associate
Xxentria Technology Materials Co., Ltd	Legal person as corporate director
Taiwan Asset Management Corporation	Legal person as corporate director
Liang, Chao	President of associate
Wang, Wei-Cheng	Director of associate
Pan, Li-Shu	Manager of associate

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Significant transactions with related parties:

(1) Sales, Rent and Receivable

A. Sales

	For the year ended December 31, 2017	For the year ended December 31, 2016
	NTD	NTD
Associate — Great Construction System Inc.	\$130	\$117
Taiwan Asset Management Corporation	94	-
Xxentria Technology Materials Co., Ltd	93	-
Total	\$317	\$117

The above related parties sales transaction was settled the next month after the engagement agreement, and no significant abnormality in transaction was noticed compared to other clients.

B. Rental income

	For the year ended December 31, 2017	For the year ended December 31, 2016
	NTD	NTD
Associate – Great Construction System Inc.	\$971	\$971

During the lease period, the payment was made monthly in accordance with the two years contract.

C. Notes receivable and accounts receivable

	For the year ended December 31, 2017	For the year ended December 31, 2016
	NTD	NTD
Associate – Great Construction System Inc.	\$106	\$106

(2) Guarantee related matter

As of December 31 2017, a part of the Group's loan wasn't secured by key management personnel as guarantors. As of December 31 2016, a part of the Group's loan was secured by key management personnel as guarantors.

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(3) Compensation for key management

	As of	
	December 31, 2017	December 31, 2016
	NTD	NTD
Short term employee benefits	\$40,461	\$43,775
Post employment benefits	419	347
Total	<u>\$40,880</u>	<u>\$44,122</u>

(4) Property Transaction

A. Xxentria Technology Materials Co., Ltd was elected as a legal person as corporate director on the September 29, 2016. The Group had purchased 6 thousand shares of the Xxentria Technology with a total of NT\$474 thousand in August 2016.

B. The outstanding balances for purchasing the right to accounts receivable items from Taiwan Asset Management Corporation is listed here:

	As of	
	December 31, 2017	December 31, 2016
	NTD	NTD
Other notes payable – related parties	\$425,000	\$850,000
Interest payable	\$-	\$1,761
Notes payable, non-current – related parties	<u>\$425,000</u>	<u>\$850,000</u>

C. Taiwan Asset Management Corporation was elected as a corporate director on the September 29, 2016. The above dealings (B) are not related parties' transactions. Please refer to note 6.11.

D. For the years ended December 31, 2017 and 2016, the information of the stock sold to the related parties was as below:

For the year ended December 31, 2017			
Date	Trade counterpart	Trading object	Selling price
March, 2017	Liang, Chao	300 thousand shares of Great Construction System Inc.	<u>\$1,496</u>
March, 2017	Wang, Wei-Cheng	300 thousand shares of Great Construction System Inc.	<u>\$1,496</u>
March, 2017	Pan, Li-Shu	400 thousand shares of Great Construction System Inc.	<u>\$1,994</u>

The above selling price 5 dollars was decided according to Great Construction System Inc.'s book value per share 4.5451 dollars of its 2016 financial statement.

For the year ended December 31, 2016			
Date	Trade counterpart	Trading object	Selling price
		None	

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(5) Capital Lending

2017.12.31

None.

2016.12.31

Other receivables – due from affiliates	Highest balance	Ending balance	Interest rate range	Interest amount of the year
Associate – Great Construction System Inc.	\$5,200	\$-	1.20%	\$26

2016.1.1

None.

(6) Other related parties transactions

A. Interest Income

	For the year ended December 31, 2017	For the year ended December 31, 2016
	NTD	NTD
Associate – Great Construction System Inc.	\$-	\$26

B. Other Income

	For the year ended December 31, 2017	For the year ended December 31, 2016
	NTD	NTD
Associate – Great Construction System Inc.	\$254	\$240

C. Finance costs

	For the year ended December 31, 2017	For the year ended December 31, 2016
	NTD	NTD
Taiwan Asset Management Corporation	\$10,401	\$5,228

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8. PLEDGED ASSETS

The following assets (book value) were pledged to banks as collaterals for bank loans and land development:

Pledged Assets	Contents	As of	
		December 31, 2017	December 31, 2016
		NTD	NTD
Inventory – property	Bank loan and long-term payables pledge	\$699,806	\$1,927,362
Other financial assets (under other non-current asset)	Business related pledge and construction contract compliance fee	609	603
Non-current assets – held for sale	Bank loan	1,505	1,766
Property, plant and equipment:			
Land	Bank loan, other notes payable and long-term notes payable	2,939,056	2,933,413
Buildings	Bank loan	187,175	192,460
Investment property			
Land	Bank loan and commercial paper pledge, other notes payable and long-term notes payable	6,553,200	6,599,633
Buildings	Bank loan	869,672	906,568
Total		<u>\$11,251,023</u>	<u>\$12,561,805</u>

9. SIGNIFICANT COMMITMENTS AND CONTINGENT LIABILITIES

- (1) Part of the Company's land is for rent or afforestation, if the land was collected or sold and the contract terminated, loss or compensation of the 37.5% Arable Rent Reduction Act could incur and the Company will record the compensation according to the case.
- (2) As of December 31 2017, in response to merchandise import, the Company has opened a line of credit with unused amount estimated to be NT\$1,399 thousand.
- (3) As of December 31 2017, the notes receivable and the guaranteed deposit related to sale of land or construction contract are NT\$71,718 thousand.
- (4) As of December 31 2017, the notes payable and the guaranteed deposits paid related to bank financing and construction project are NT\$2,107,406 thousand.

10. SIGNIFICANT DISASTER LOSSES

None.

11. SIGNIFICANT SUBSEQUENT EVENTS

- (1) Amendments to the Income Tax Act passed third reading by the Legislative Yuan on January 18, 2018 and announced by the President on February 7, 2018. In accordance to the amendment, the income tax rate will increase from 17% to 20% and the amendment is retroactively effective from January 1, 2018. The raise of the tax rate have no material impact on the Company.
- (2) The Company commissioned the National Agricultural Bank of Taiwan Co., Ltd. to organize the loan of NT\$2,100,000 thousand, which was in contract with the credit agency on February 13, 2018. As of March 5, 2018, The Company draw the amount to NT\$850,000 was made by the bank to reimburse the balance of “Debt Receivables Debt Grant Agreement” of Taiwan Asset Management Co., Ltd. (paying for the purchase price of Pingtung Laojiao Farm).

12. OTHERS

(1) Categories of financial instruments

	As of	
	December 31, 2017	December 31, 2016
Financial Assets	NTD	NTD
Financial assets measures at fair value through profit or loss – hold for trading	\$-	\$12,023
Available-for-sale financial assets		
Measured at fair value	397	483
Measured at cost	63,319	83,575
Subtotal	63,716	84,058
Loans and receivables:		
Cash and cash equivalents (excluding cash on hand)	196,668	77,265
Notes receivable, net (including related parties)	1,416	17,378
Accounts receivable, net (including related parties)	19,566	21,465
Other financial assets – non-current	1,099	603
Subtotal	218,749	116,711
Total	\$282,465	\$212,792

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	As of	
	December 31, 2017	December 31, 2016
Financial Liabilities	NTD	NTD
Financial liabilities at amortized cost:		
Accounts payable (including related parties)	\$440,730	\$883,517
Long-term notes payable (including related parties)	425,000	850,000
Long-term borrowings (including current portion)	2,925,900	3,010,500
Total	\$3,791,630	\$4,744,017

(2) Financial risk management objectives and policies

The Group's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activities. The Group identifies measures and manages the above mentioned risks based on the Group's policy and risk appetite.

The Group has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant transactions, due approval process by the Company's board of directors and audit committee must be carried out based on related protocols and internal control procedures. The Group complies with its financial risk management policies at all times.

(3) Market risk

The Group's market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in market risk. Market risk comprises currency risk, interest rate risk and other price risk (such as equity risk).

In practice, it is rarely the case that a single risk variable will change independently from other risk variable, and there are usually interdependencies between risk variables. However the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

Foreign currency risk

The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense are denominated in a different currency from the Group's functional currency) and the Group's net investments in foreign subsidiaries.

The Group has certain foreign currency receivables to be denominated in the same foreign currency with certain foreign currency payables, therefore natural hedge is received.

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The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Group's profit is performed on significant monetary items denominated in foreign currencies as at the end of the reporting period. The Group's foreign currency risk is mainly related to the volatility in the exchange rates for a foreign currency: US dollars, Japanese yen and Renminbi. As the net values of major foreign currency after carrying forward of their assets and liabilities, is considered insignificant, the impact of appreciation or depreciation in foreign currency on New Taiwanese Dollars is insignificant as reflected in profit and loss summary of the Company in 2017 and 2016.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the bank borrowings with fixed interest rates and variable interest rates.

The interest rate sensitivity analysis is performed on items exposed to interest rate risk at the end of the reporting period, including investments and borrowings with variable interest rates and interest rate swaps. At the reporting date, a change of 0.1% of interest rate in a reporting period could cause the profit to decrease/increase by NT\$2,734 thousand and NT\$2,941 thousand for the years ended December 31, 2017 and 2016, respectively.

Equity price risk

The Group's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group's listed equity securities are classified under held for trading financial assets or available-for-sale financial assets, while unlisted equity securities are classified as available-for-sale. The Group manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Group's board of directors reviews and approves all equity investment decisions.

When the price of the listed equity securities classified as available-for-sale decreases 1%, it has no significant impact on the profit/loss or equity attributable to the Group of the years ended December 31, 2017 and 2016. An increase of 1% in the value of the listed securities would only impact equity but would not have an effect on profit or loss.

(4) Credit risk management

Credit risk is the risk that a counterparty will not meet its obligations under a contract, leading to a financial loss. The Group is exposed to credit risk from operating activities (primarily for accounts receivable and notes receivable) and from its financing activities, including bank deposits and other financial instruments.

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Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit limits are established for all customers based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Group's internal rating criteria etc. Certain customer's credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment or insurance.

As of December 31, 2017 and 2016, accounts receivable from top ten customers represented 55% and 17% of the total accounts receivable of the Group, respectively. The credit concentration risk of other accounts receivable is insignificant.

Credit risk from balances with banks, fixed income securities and other financial instruments is managed by the Group's treasury in accordance with the Group's policy. The Group only transacts with counterparties approved by the internal control procedures, which are banks and financial institutions, companies and government entities with good credit rating and with no significant default risk. Consequently, there is no significant credit risk for these counterparties.

(5) Liquidity risk management

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents and bank borrowings. The table below summarizes the maturity profile of the Group's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted payment relating to borrowings with variable interest rates is extrapolated based on the estimated interest rate yield curve as of the end of the reporting period.

Non-derivative financial instruments

	<u>Less than 1 year</u>	<u>2 to 3 years</u>	<u>4 to 5 years</u>	<u>> 5 years</u>	<u>Total</u>
December 31, 2017					
Borrowings	\$233,608	\$2,419,716	\$158,795	\$150,266	\$2,962,385
Accounts payable (including related parties)	440,730	-	-	-	440,730
Long-term notes payable (including related parties)	-	425,000	-	-	425,000
December 31, 2016					
Borrowings	\$28,068	\$2,386,984	\$467,586	\$178,479	\$3,061,117
Accounts payable (including related parties)	883,517	-	-	-	883,517
Long-term notes payable (including related parties)	-	850,000	-	-	850,000

(6) Fair values of financial instruments

A. The methods and assumptions applied in determining the fair value of financial instruments:

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- (a) The carrying amount of cash and cash equivalents, accounts receivable, accounts payables and other current liabilities approximate their fair value because of its shorter maturities.
- (b) For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities and bonds) at the reporting date.
- (c) Fair value of equity instruments without market quotations (including quoted and unquoted public company) are estimated using the market method valuation techniques based on parameters such as recent fund raising activities, valuation of similar companies, individual company's development, market conditions and other economic indicators.

B. Fair value of financial instruments measured at amortized cost

The carrying amount of the Group's financial assets and liabilities measured at amortized cost approximate their fair value:

C. Information about financial instrument fair value level

For the information of fair value hierarchy please refer to related note 12.7.

(7) Fair value hierarchy

A. Definition

For the assets and liabilities measured and disclosed under fair value, the fair value hierarchy is categorized on the basis of the lowest level input that is significant to the fair value measurement in its entirety. The inputs of each level are as follows:

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Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: inputs other than quoted market prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: unobservable inputs for the asset or liabilities.

At the end of each reporting period, the fair value hierarchy for each financial instrument is revaluated to decide if there is any transfer into or out of any hierarchy.

B. The recurring fair value at each fair value hierarchy for financial instruments of the Group is as follows:

December 31, 2017

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Stocks	\$397	\$-	\$-	\$397

December 31, 2016

	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through profit or loss – beneficiary certification	\$12,023	\$-	\$-	\$12,023
Available-for-sale financial assets				
Stocks	483	-	-	483

As of December 31, 2017 and 2016, the Group had no recurring assets and liabilities transfer between level 1 input and level 2 input.

The profit and (loss) related to possession of shares that were recognized in the total comprehensive income are 37 thousand and 23 thousand for the periods up to December 31, 2017 and 2016.

C. Non-recurring and non-financial assets disclosed by the fair value hierarchy information:

December 31, 2017

	Level 1	Level 2	Level 3	Total
Non-current assets held for sale	\$-	\$-	\$42,097	\$42,097

December 31, 2016

	Level 1	Level 2	Level 3	Total
Non-current assets held for sale	\$-	\$-	\$114,714	\$114,714

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	Non-current assets held for sale	
	For the year ended December 31, 2017	For the year ended December 31, 2016
	NTD	NTD
Opening balance	\$114,714	\$180,970
Sale	(536,901)	(157,856)
Reclassified from investment property	464,284	91,600
Ending balance	\$42,097	\$114,714

The use of significant unobservable inputs (Level 3) for fair value measurement information				
Comment	2017.12.31	Valuation method	The use of unobservable inputs	Weighted average
	Fair value			
Non-current assets held for sale	\$42,097	Market comparison	Price per square meter (NTD)	\$1

The use of significant unobservable inputs (Level 3) for fair value measurement information				
Comment	2016.12.31	Valuation method	The use of unobservable inputs	Weighted average
	Fair value			
Non-current assets held for sale	\$114,714	Market comparison	Price per square meter (NTD)	\$1

D. Not measure by the fair value but have to disclose by the fair value hierarchy information:

December 31, 2017

	Level 1	Level 2	Level 3	Total
Investment property (Note 6.11)	\$-	\$-	\$48,028,484	\$48,028,484

December 31, 2016

	Level 1	Level 2	Level 3	Total
Investment property (Note 6.11)	\$-	\$-	\$50,520,592	\$50,520,592

(8) Significant assets and liabilities denominated in foreign currencies

The Group does not possess significant assets and liabilities denominated in foreign currencies.

(9) Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

(10) Account reclassification

The Company's subsidiary bought the Company's stock in 2000 and was sold in 2007 and 2008. The loss on disposal was recognized as the deduction of accumulated unappropriated earnings.

However, according to explanatory letter No. 323 issued by the Accounting Research and Development Foundation, if a subsidiary hold the parent company's stock as long-term investment, the unrealized loss should remain on parent company's book and reclassified to profit or loss when the subsidiary dispose the stock. The price difference of the disposal and the treasury share cost should be considered as equity transaction.

Therefore, on January 1, 2013, the Group reduce the retained earnings and increase the capital surplus – treasury by NT\$346,303 thousand. The total amount of the stockholder's equity was not affected.

(11) Legal Claim

As of October 21, 2016, the Company received the indictment regarding the denunciation from Xinshixin International Investment Co., Ltd. against its board meeting's resolution. The first instance decision was made by Taiwan Shilin District Court as follow:

- A. The board resolution of the seventh resolution "the list of candidates for the Company's directors (including independent directors)", which was made by the board meeting on September 1, 2016, was invalid.
- B. The resolution of the list of candidates for the Company's directors (including independent directors, which was made by the provisional shareholder's meeting on September 29, 2016, shall be cancelled.
- C. The resolution of the new director's disqualification from the competition, which was made by the provisional shareholder's meeting on September 29, 2016, shall be cancelled.

This judgment is the first instance. The company has appealed for the verdict to the Taiwan High Court, in order to protect the rights of all shareholders and the company.

13. OTHER DISCLOSURE

(1) Significant transaction information

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- A. Financings provided to others: None.
- B. Endorsement/guarantee provided to others: None.
- C. Securities held as of December 31, 2017 (not including subsidiaries, associates and joint ventures): Please refer to Attachment 1.
- D. Individual securities acquired or disposed of with accumulated amount exceeding NT\$300 million or 20 percent of the capital stock: None.
- E. Acquisition of property with the amount exceeding NT\$300 million or 20% of the Company's paid-in capital: None.
- F. Disposal of property with amount exceeding NT\$300 million or 20% of the Company's paid-in capital: Please refer to Attachment 3.
- G. Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more: None.
- H. Receivables from related parties with amounts exceeding NT\$100 million or 20 percent of capital stock: None.
- I. Derivative financial instruments undertaken: None.
- J. Significant intercompany transactions between consolidated entities: None.

(2) Investee information

Names, locations and related information of investee companies as of 31 December 2017 (excluding Mainland China)

- A. Financing provided to others: None.
- B. Endorsement/guarantee provided to others for the year ended December 31, 2017: None.
- C. Securities held as of December 31, 2017: Please refer to Attachment 1.
- D. Individual securities acquired or disposed of with accumulated amount exceeding NT\$300 million or 20 percent of the capital stock: None.

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- E. Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more: None.
- H. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: None.
- I. Derivative financial instruments undertaken: None.
- J. Significant inter-company transactions: Please refer to Attachment 2.

(3) Investment in Mainland China as of December 31, 2017

- A. The Group has investment in mainland China for the year ended December 31 2016: None.
- B. Significant transactions with investment companies from mainland China: None.

14. OPERATING SEGMENT INFORMATION

(1) For management purposes, the Group is organized into business units based on its products and services and has two reportable segments as follows:

- A. Trade and department store segment: Sale of tea and other agricultural products, import commodity for resale (including food, wine and chemical products) and business in recreational tourism.
- B. Assets segment: Management of land assets, such as land inspections, land and house leases, and contract changes. If someone wants to purchase land (such as tenants, etc.), the land sales related operations would be handled.

For information regarding the segment reporting and operating activities, please refer to “Other” section of the note.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. However, group finance costs, finance income and income taxes are managed on a group basis and are not allocated to operating segments.

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The transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

(2) Information about reportable segment profit or loss, assets and liabilities

Information for the years ended December 31, 2017

	Trade and Department Store	Assets	Reportable Segment subtotal	Others	Adjustment and eliminations	Consolidated Amount
Revenue						
External customer	\$346,084	\$1,897,573	\$2,243,657	\$8,264	\$-	\$2,251,921
Inter-segment	-	-	-	35	(35)	-
Total revenue	<u>\$346,084</u>	<u>\$1,897,573</u>	<u>\$2,243,657</u>	<u>\$8,299</u>	<u>\$(35)</u>	<u>\$2,251,921</u>
Interest revenue	\$1	\$3	\$4	\$43	\$-	\$47
Interest expense	33	45,088	45,121	-	-	45,121
Depreciation and amortization	24,337	60,351	84,688	6,058	-	90,746
Segment profit	<u>\$(1,181)</u>	<u>\$730,270</u>	<u>\$729,089</u>	<u>\$(124,115)</u>	<u>\$-</u>	<u>\$604,974</u>
Assets						
Investments accounted for using the equity method	\$-	\$-	\$-	\$24,901	\$-	\$24,901
Expense from non-current assets	912,112	20,730,357	21,642,469	479,871	-	22,122,340
Segment assets	<u>\$1,035,667</u>	<u>\$21,478,067</u>	<u>\$22,513,734</u>	<u>\$1,105,664</u>	<u>\$-</u>	<u>\$23,619,398</u>
Segment liabilities	<u>\$55,689</u>	<u>\$6,287,712</u>	<u>\$6,343,401</u>	<u>\$989,972</u>	<u>\$-</u>	<u>\$7,333,373</u>

Information for the years ended December 31, 2016

	Trade and Department Store	Construction	Reportable Segment subtotal	Others	Adjustment and eliminations	Consolidated Amount
Revenue						
External customer	\$373,261	\$211,759	\$585,020	\$25,750	\$-	\$610,770
Inter-segment	-	-	-	36	(36)	-
Total revenue	<u>\$373,261</u>	<u>\$211,759</u>	<u>\$585,020</u>	<u>\$25,786</u>	<u>\$(36)</u>	<u>\$610,770</u>
Interest revenue	\$1	\$27	\$28	\$71	\$-	\$99
Interest expense	40	63,413	63,453	1	-	63,454
Depreciation and amortization	24,518	51,634	76,152	5,855	-	82,007
Segment profit	<u>\$(11,707)</u>	<u>\$420,192</u>	<u>\$408,485</u>	<u>\$(100,092)</u>	<u>\$(2,294)</u>	<u>\$306,099</u>
Assets						
Investments accounted for using the equity method	\$-	\$-	\$-	\$84,699	\$(64,538)	\$20,161
Expense from non-current assets	640,758	20,827,397	21,468,155	227,358	-	21,695,513
Segment assets	<u>\$848,686</u>	<u>\$22,878,993</u>	<u>\$23,727,679</u>	<u>\$708,855</u>	<u>\$(64,541)</u>	<u>\$24,371,993</u>
Segment liabilities	<u>\$46,817</u>	<u>\$6,446,191</u>	<u>\$6,493,008</u>	<u>\$1,820,547</u>	<u>\$(3)</u>	<u>\$8,313,552</u>

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(3) Information on reconciliations of revenue, profit or loss, assets, liabilities and other material items of reportable segments:

A. Revenue

	For the year ended December 31, 2017	For the year ended December 31, 2016
	NTD	NTD
Total revenue from reportable segments	\$2,243,657	\$585,020
Other revenue	8,299	25,786
Elimination of inter-segment revenue	(35)	(36)
Total revenue	<u>\$2,251,921</u>	<u>\$610,770</u>

B. Profit or loss

	For the year ended December 31, 2017	For the year ended December 31, 2016
	NTD	NTD
Net income from reportable segments	\$729,089	\$408,485
Net income from other segments	(124,115)	(100,092)
Adjustment	-	(2,294)
Net income from continuing operations	<u>\$604,974</u>	<u>\$306,099</u>

C. Assets

	As of	
	December 31, 2017	December 31, 2016
	NTD	NTD
Total assets of reportable segments	\$22,513,734	\$23,727,679
Other assets	1,105,664	708,855
Adjustment	-	(64,541)
Segment assets	<u>\$23,619,398</u>	<u>\$24,371,993</u>

D. Liabilities

	As of	
	December 31, 2017	December 31, 2016
	NTD	NTD
Total liabilities of reportable segments	\$6,343,401	\$6,493,008
Other liabilities	989,972	1,820,547
Adjustment	-	(3)
Segment liabilities	<u>\$7,333,373</u>	<u>\$8,313,552</u>

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E. Other material items

For the year ended 31 December 2017

	Reportable segments	Other segments	Adjustments	Consolidated
Interest revenue	\$4	\$43	\$-	\$47
Interest expense	45,121	-	-	45,121
Expense on non-current asset	21,642,469	479,871	-	22,122,340
Depreciation and amortization	84,688	6,058	-	90,746

For the year ended 31 December 2016

	Reportable segments	Other segments	Adjustments	Consolidated
Interest revenue	\$28	\$71	\$-	\$99
Interest expense	63,453	1	-	63,454
Expense on non-current asset	21,468,155	227,358	-	21,695,513
Depreciation and amortization	76,152	5,855	-	82,007

(4) Geographical information

Revenue from external customers

	For the year ended December 31, 2017	For the year ended December 31, 2016
	NTD	NTD
Taiwan	\$2,251,921	\$610,770

The revenue information above is based on the location of the customer.

(5) Information about major customers

	For the year ended December 31, 2017	For the year ended December 31, 2016
	NTD	NTD
Customer A from trade segment	\$122,775	\$154,794
Customer B from asset segment	-	185,889
Customer C from asset segment	1,869,537	-
Total	\$1,992,312	\$340,683

ATTACHMENT 1 (Securities held as of December 31, 2017) (Excluding subsidiaries, associates and joint ventures)
(Amount in thousand; Currency denomination in NTD or in foreign currencies)

The Company

				December 31, 2017				
Type of Securities Category	Name of securities	Relationship	Financial statement account	Units (thousand)/ bonds/ shares (thousand)	Carrying amount	Percentage of ownership (%)	Fair value/ Net assets value	Note
Stock	KING KONG IRON WORKS, LTD.	-	Financial assets measured at cost	763	\$1,854	1	\$ -	
Stock	CHINESE PRODUCTS PROMOTION CENTER	-	Financial assets measured at cost	26	281	7	-	
Stock	CORE PACIFIC CITY CO., LTD.	-	Financial assets measured at cost	12,000	60,363	1	-	
Stock	NEXCELL BATTERY CO., LTD.	-	Financial assets measured at cost	1,120	448	1	-	
Stock	PACIFIC REHOUSE SERVICE CO., LTD	-	Financial assets measured at cost	38	31	-	-	
Stock	PCHOME INVESTMENT & DEVELOPMENT CORPORATION	-	Financial assets measured at cost	79	342	3	-	
Stock	PACIFIC CONSTRUCTION CO., LTD.	-	Financial assets measured at cost	0.014	-	-	-	
Stock	XXENTRIA TECHNOLOGY MATERIALS CO., LTD.	The legal person as corporate director	Available-for-sale financial assets	6	397	-	397	

Note1 : Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities, as defined in IAS 39" Financial instruments: Recognition and Measurement".

Note2 : If the securities listed above are issued by related parties, the column is specified with further information.

Note3 : For securities measured at fair value, fill in the book value column with fair value of the securities less accumulated impairment. For securities not measured at fair value, fill in the book value column with the original cost or amortized cost less accumulated impairment.

Note4 : The listed securities, which are restricted by providing to secured, mortgage loan or other agreement, shall indicate the share of secured or mortgage security, the amount of secured or mortgage and the situation of restriction in the column.

ATTACHMENT 2 (Names, locations and related information of investee companies as of December 31, 2017) (Not including investment in Mainland China)
(Amount in thousand; Currency denomination in NTD or in foreign currencies)

The Company

Investee company	Address	Main businesses and products	Initial Investment		Investment as of December 31, 2017			Net income (loss) of investee company	Investment income (loss) recognized	Note
			Ending balance	Beginning balance	Number of shares (thousand)	Percentage of ownership (%)	Carrying amount			
TAI LIN INVESTMENT COMPANY	15F., No.3, Park St., Nangang Dist., Taipei City	Various investments in production banks, insurance companies, trading companies, cultural companies, and the construction of commercial buildings and houses, etc.	\$-	\$2,566,641	-	-	\$-	\$842	\$842	Note 5
GREAT CONSTRUCTION SYSTEM INC.	15F., No.3, Park St., Nangang Dist., Taipei City	Various metal and metal wall materials manufacturing processing and trading business	42,406	35,998	3,436	34	24,901	27,096	8,239	Note 4

TAI LIN INVESTMENT COMPANY

Investee company	Address	Main businesses and products	Initial Investment		Investment as of December 31, 2017			Net income (loss) of investee company	Investment income (loss) recognized	Note
			Ending balance	Beginning balance	Number of shares (thousand)	Percentage of ownership (%)	Carrying amount			
GREAT CONSTRUCTION SYSTEM INC.	15F., No.3, Park St., Nangang Dist., Taipei City	Various metal and metal wall materials manufacturing processing and trading business	\$-	\$16,414	-	-	\$-	\$27,096	\$1,279	Note 5

Note1 : If a public company has holding company in other country and had issued consolidated financial statement under local regulations, about these investee could disclosed their holding company's relevant information.

Note2 : If not belong to Note 1, filled in by the following rules

(1) In "Investee", "Region", "Main Business", "Original cost" and "At the end of period" columns should filled in in order follow the company invest directly or invest indirectly and explain each relationship in "Note" column.

(2) In "Investees company net income" column should filled in each investee net income.

(3) In "Share of Profits/Losses" column only need to filled in the company recognized each subsidiaries and the company under equity method's profits or loss. Make sure it had contained each subsidiaries had contained their investee profit or loss in their net income.

Note3 : It is evaluated and disclosed according to the financial statements audited by the accountants of each subsidiary and investee company over the same period.

Note4 : Great construction system inc. is an associate by the Company for using equity method.

Note5 : The Company has merge the subsidiary company, Tai Lin Investment Company, on December 18, 2017.

ATTACHMENT 3 (Disposal of property with amount exceeding NT\$300 million or 20 percent Company's paid-in capital for the year ended December 31, 2017)

(Amount in thousand; Currency denomination in NTD or in foreign currencies)

The Company

<u>Names of properties</u>	<u>Transaction date</u>	<u>Date of original acquisition</u>	<u>Carrying amount</u>	<u>Transaction amount</u>	<u>Status of proceeds collection</u>	<u>Gain (Loss) from disposal</u>	<u>Counter-party</u>	<u>Relationship</u>	<u>Reason of disposal</u>	<u>Price reference</u>	<u>Other commitments</u>
The land located at Shanyi Ping and Dacuo, Zhunan Township, Miaoli County	2016/11/14	1997/12/15	\$1,248,017	\$1,869,537	Fully charged	\$621,520	HENG FU INDUSTRIAL CO., LTD.	None	Based on the activation of assets, the Company determine to dispose of the land.	After reference to the price of the appraisal price, the Company determine the resolution of the board of directors for the sale price	None

Note 1: Disposal of assets, should be a should be appraisal, should note the appraisal results in the "price reference" column.

Note 2: Paid-in capital referred to herein is the paid-in capital of parent company. According to the regulation about the transaction amount of 20% paid-up capital, if the par value of issuer's stock is NT\$0 or not equal to NT\$10, it will be calculated by 10% of the equity attributable to shareholders of the parent.

Note 3: The fact date is the date of the transaction signing date, payment date, entrusted transaction date, transfer date, board resolution day or other sufficient date to determine the transaction object and the transaction amount, which ever is earlier.

Note 4: The appraisal price is NT\$1,764,021 thousand and NT\$1,785,430 thousand, which is provided by Hong Bang real estate appraisers joint venture and Savills Studley real estate appraisers joint venture, separately.