

**TAIWAN TEA CORPORATION
INDIVIDUAL FINANCIAL STATEMENTS
WITH REPORT OF INDEPENDENT AUDITORS
FOR THE YEARS ENDED
DECEMBER 31, 2019 AND 2018**

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.

Independent Auditors' Report Translated from Chinese

Independent Auditors' Report

To Taiwan Tea Corporation

Opinion

We have audited the accompanying individual balance sheets of Taiwan Tea Corporation (the "Company") as of December 31, 2019 and 2018, and the related individual statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2019 and 2018, and notes to the individual financial statements, including the summary of significant accounting policies.

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 individual financial statements referred to above present fairly, in all material respects, the individual financial positions of the Company as of December 31, 2019 and 2018, and their individual financial performance and cash flows for the years ended December 31, 2019 and 2018, 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 as endorsed and became effective 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 Individual Financial Statements* section of our report. We are independent of the Company 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 2019 individual financial statements. These matters were addressed in the context of our audit of the individual 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

As of December 31, 2019, the carrying amount of investment properties amounted to NT\$17,163,854 thousand, accounting for 70% of individual total assets. The Company's investment properties are measured using the cost model. The fair value of investment property is largely dependent on valuation method and accounting assumption, which are crucial indicators for impairment assessment. Therefore, the disclosure of investment property's fair value is a key audit matter when undergoing the audit of the individual financial statements.

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

We also considered the appropriateness of the relevant disclosure included in Note 5 and Note 6.(9) to the individual financial statements.

Revenue Recognition

The Company recognized operating revenue in the amount of NT\$298,998 thousand in 2019. Revenue are primarily related to sales of goods, construction revenue and rental revenue. Due to multiple revenue streams, the complexity of revenue recognition increases. Therefore, identifying the contract performance obligations and the timing of revenue recognition, either over time or at a point in time, is a key audit matter when conducting the audit of the individual financial statements.

The audit procedures we performed regarding revenue recognition included but not limited to: evaluate the appropriateness of the accounting policies regarding revenue recognition; understand the transaction and recognition process and perform tests of control on the effectiveness of control points established by management; perform comparative analysis of major customers to assess the reasonableness of the transaction amounts and counterparties; read and understand the contracts to identify the timing of revenue recognition; perform analytical review procedures on gross profit margin by categories; verify the stage of the completion of construction; perform test of details, including select samples to inspect the customer contracts and invoices.

We also considered the appropriateness of the relevant disclosure included in Note 4 and Note 6.(17) to the individual financial statements.

Other Matter – Making Reference to the Audits of Component Auditors

We did not audit the financial statements of certain associates accounted for under the equity method whose statements are based solely on the reports of other auditors. 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. These associates under equity method amounted to NT\$ 15,615 thousand and NT\$35,708 thousand, both representing 0% of individual total assets as of December 31, 2019 and 2018. The related shares of profit or loss of associates under the equity method amounted to NT\$(20,176) thousand and NT\$10,698 thousand, representing 12% and (20)% of the individual loss before tax for the years ended December 31, 2019 and 2018, respectively, and the related shares of other comprehensive income of associates under the equity method amounted to NT\$83 thousand and NT\$109 thousand, representing 0% and (1)% of the individual other comprehensive income for the years ended December 31, 2019 and 2018, respectively.

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

Management is responsible for the preparation and fair presentation of the individual 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 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 individual financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including audit committee, are responsible for overseeing the financial reporting process of the Company.

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

Our objectives are to obtain reasonable assurance about whether the individual 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 individual 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 individual 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.
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. 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 individual 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 to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the individual financial statements, including the accompanying notes, and whether the individual 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 to express an opinion on the individual 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 2019 individual 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.

Chang, Chih-Ming
Ma, Chun-Ting
Ernst & Young, Taiwan
March 16, 2020

Notice to Readers

The accompanying individual financial statements are intended only to present the financial position, 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 individual financial statements are those generally accepted and applied in the Republic of China.

Accordingly, the accompanying individual financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice. As the financial statements are the responsibility of the management, Ernst & Young cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

English Translation of Individual Financial Statements Originally Issued in Chinese

TAIWAN TEA CORPORATION
INDIVIDUAL BALANCE SHEETS
DECEMBER 31, 2019 AND DECEMBER 31, 2018
(Expressed in Thousands of Dollars)

ASSETS	Notes	December 31, 2019	December 31, 2018
CURRENT ASSETS			
Cash and cash equivalents	4 & 6.(1)	\$125,284	\$185,840
Financial assets at fair value through other comprehensive income - current	4 & 6.(2) & 12	-	410
Contract assets - current	4 & 6.(17)	2,180	2,872
Notes receivable, net	4 & 6.(4) & 12	2,166	662
Accounts receivable, net	4 & 6.(4) & 12	16,191	14,679
Accounts receivable from related parties, net	4 & 6.(4) & 7 & 12	170	107
Other receivables	6.(8) & 12	849	10,908
Inventories	4 & 6.(5) & 8	885,040	822,739
Prepayments		67,033	48,225
Non-current assets held for sale	4 & 6.(6) & 8 & 12	12,752	17,892
Other current assets		1,336	738
Total current assets		<u>1,113,001</u>	<u>1,105,072</u>
NONCURRENT ASSETS			
Financial assets at fair value through other comprehensive income - non-current	4 & 6.(2) & 12	52,572	59,877
Financial assets measured at amortized cost - non-current	4 & 6.(3) & 8 & 12	9,614	8,871
Investments accounted for using equity method	4 & 6.(7)	15,615	35,708
Property, plant and equipment	4 & 6.(8) & 8	6,091,527	6,017,285
Right-of-use asset	4 & 6.(19)	1,864	-
Investments property, net	4 & 5 & 6.(9) & 8	17,163,854	16,729,301
Intangible assets	4 & 6.(10)	1,948	2,328
Other non-current assets	6.(8) & 6.(11) & 8	145,739	397,733
Total non-current assets		<u>23,482,733</u>	<u>23,251,103</u>
TOTAL ASSETS		<u><u>\$24,595,734</u></u>	<u><u>\$24,356,175</u></u>

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

(continued)

English Translation of Individual Financial Statements Originally Issued in Chinese

TAIWAN TEA CORPORATION
INDIVIDUAL BALANCE SHEETS
DECEMBER 31, 2019 AND DECEMBER 31, 2018
(Expressed in Thousands of Dollars)

LIABILITIES AND EQUITY	Notes	December 31, 2019	December 31, 2018
CURRENT LIABILITIES			
Short-term borrowings	6.(12) & 8 & 12	\$50,000	\$1,120
Short-term notes and bills payable	6.(13) & 8	49,772	-
Contract liabilities - current	4 & 6.(8) & 6.(17)	21,339	36,498
Notes payable	12	1,623	5,652
Accounts payable	12	11,592	12,755
Other payables	6.(8) & 7	135,047	195,954
Current tax liabilities	4 & 6.(23)	-	13,080
Leased liability - current	4 & 6.(19) & 12	611	-
Current portion of long-term debts	6.(14) & 8 & 12	344,980	229,600
Other current liabilities		3,575	4,386
Total current liabilities		<u>618,539</u>	<u>499,045</u>
NONCURRENT LIABILITIES			
Long-term borrowings	6.(14) & 8 & 12	4,951,345	4,409,420
Deferred tax liabilities	4 & 6.(23)	3,235,082	3,265,905
Leased liability - non-current	4 & 6.(19) & 12	1,271	-
Long-term deferred revenue		7,356	7,356
Defined benefit liability, net	4 & 6.(15)	13,810	18,256
Guarantee deposits received		4,662	3,037
Other non-current liabilities	6.(8) & 7	-	1,369
Total non-current liabilities		<u>8,213,526</u>	<u>7,705,343</u>
TOTAL LIABILITIES		<u>8,832,065</u>	<u>8,204,388</u>
EQUITY	6.(16)		
Common stock		7,900,000	7,900,000
Capital surplus		<u>2,206,175</u>	<u>2,206,175</u>
Retained earnings			
Legal reserve		495,587	495,587
Special reserve		3,396,105	3,426,260
Unappropriated earnings		<u>1,813,499</u>	<u>2,164,221</u>
Total retained earnings		<u>5,705,191</u>	<u>6,086,068</u>
Other equity		<u>(47,697)</u>	<u>(40,456)</u>
TOTAL EQUITY		<u>15,763,669</u>	<u>16,151,787</u>
TOTAL LIABILITIES AND EQUITY		<u>\$24,595,734</u>	<u>\$24,356,175</u>

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

English Translation of Individual Financial Statements Originally Issued in Chinese

TAIWAN TEA CORPORATION
INDIVIDUAL STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in Thousands of Dollars, Except for Earnings per Share)

		For the Years Ended December 31	
	Notes	2019	2018
OPERATING REVENUE	4 & 6.(17) & 7	\$298,998	\$254,237
OPERATING COSTS	6.(19) & 6.(20)	(178,150)	(138,634)
GROSS PROFIT		<u>120,848</u>	<u>115,603</u>
OPERATING EXPENSES			
Selling and marketing	6.(20) & 7	(100,469)	(94,758)
General and administrative	6.(19) & 6.(20)	(182,255)	(185,779)
Research and development	6.(20)	(7,199)	(7,559)
Expected credit gain (losses)	6.(18)	49	(149)
Total operating expenses		<u>(289,874)</u>	<u>(288,245)</u>
OPERATING LOSS		<u>(169,026)</u>	<u>(172,642)</u>
NON-OPERATING INCOME AND EXPENSES			
Other income	6.(21) & 7	6,898	1,632
Other gains and losses	6.(21)	85,291	161,503
Financial costs	6.(21) & 7	(75,351)	(55,167)
Expected credit losses	6.(18)	(191)	-
Share of profits and loss of subsidiaries, associates and joint ventures			
accounted for using equity method	4 & 6.(7)	(20,176)	10,698
Total non-operating income and expenses		<u>(3,529)</u>	<u>118,666</u>
LOSS BEFORE INCOME TAX		<u>(172,555)</u>	<u>(53,976)</u>
INCOME TAX INCOME	4 & 6.(23)	26,600	11,988
NET LOSS		<u>(145,955)</u>	<u>(41,988)</u>
OTHER COMPREHENSIVE INCOME	6.(22)		
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit plans		1,955	(380)
Unrealized gains (losses) from equity instruments investments			
measured at fair value through other comprehensive income		(7,236)	(14,282)
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method		83	109
Other comprehensive income for the period, net of income tax		<u>(5,198)</u>	<u>(14,553)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u><u>\$(151,153)</u></u>	<u><u>\$(56,541)</u></u>
EARNINGS (LOSSES) PER SHARE (NT\$)			
Basic earnings (losses) per share	6.(24)		
Continuing operating loss after tax, net		<u>\$(0.18)</u>	<u>\$(0.05)</u>
Net Loss		<u><u>\$(0.18)</u></u>	<u><u>\$(0.05)</u></u>
Diluted earnings (losses) per share	6.(24)		
Continuing operating loss after tax, net		<u>\$(0.18)</u>	<u>\$(0.05)</u>
Net Loss		<u><u>\$(0.18)</u></u>	<u><u>\$(0.05)</u></u>

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

English Translation of Individual Financial Statements Originally Issued in Chinese

TAIWAN TEA CORPORATION
INDIVIDUAL STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in Thousands of Dollars)

Item	Common Stock	Capital Surplus	Retained Earnings			Others		Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings	Unrealized gain (losses) on financial assets measured at	Unrealized gain or loss on	
						Fair Value through Other Comprehensive Income	Available-for-sale Financial Assets	
Balance as of January 1, 2018	\$7,700,000	\$2,109,775	\$433,378	\$3,440,083	\$2,602,866	\$-	\$(77)	\$16,286,025
Effects of retrospective application and retrospective restatement	-	-	-	-	36,950	(26,174)	77	10,853
Balance as of January 1, 2018 after adjustment	7,700,000	2,109,775	433,378	3,440,083	2,639,816	(26,174)	-	16,296,878
Appropriation of 2017 earnings:								
Legal reserve	-	-	62,209	-	(62,209)	-	-	-
Cash dividends	-	-	-	-	(384,950)	-	-	(384,950)
Net income for the year ended December 31, 2018	-	-	-	-	(41,988)	-	-	(41,988)
Other comprehensive income for the year ended December 31, 2018	-	-	-	-	(271)	(14,282)	-	(14,553)
Total comprehensive income	-	-	-	-	(42,259)	(14,282)	-	(56,541)
Issue of stocks	200,000	96,400	-	-	-	-	-	296,400
Reversal of special reserve, which previously set aside for the first-time adoption of IFRS	-	-	-	(13,823)	13,823	-	-	-
Balance as of December 31, 2018	\$7,900,000	\$2,206,175	\$495,587	\$3,426,260	\$2,164,221	\$(40,456)	\$-	\$16,151,787
Balance as of January 1, 2019	\$7,900,000	\$2,206,175	\$495,587	\$3,426,260	\$2,164,221	\$(40,456)	\$-	\$16,151,787
Appropriation of 2018 earnings:								
Cash dividends	-	-	-	-	(236,965)	-	-	(236,965)
Net loss for the year ended December 31, 2019	-	-	-	-	(145,955)	-	-	(145,955)
Other comprehensive income for the year ended December 31, 2019	-	-	-	-	2,038	(7,236)	-	(5,198)
Total comprehensive income	-	-	-	-	(143,917)	(7,236)	-	(151,153)
Disposal of equity instrument measured at fair value through other comprehensive income	-	-	-	-	5	(5)	-	-
Reversal of special reserve, which previously set aside for the first-time adoption of IFRS	-	-	-	(30,155)	30,155	-	-	-
Balance as of December 31, 2019	\$7,900,000	\$2,206,175	\$495,587	\$3,396,105	\$1,813,499	\$(47,697)	\$-	\$15,763,669

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

English Translation of Individual Financial Statements Originally Issued in Chinese

TAIWAN TEA CORPORATION
INDIVIDUAL STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in Thousands of Dollars)

	<u>For the Years Ended December 31</u>	
	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	\$(172,555)	\$(53,976)
Adjustments:		
Income and adjustment items :		
Depreciation	93,137	87,129
Amortization	617	685
Interest expense	75,351	55,167
Interest income	(65)	(49)
Dividend income	-	(18)
Share of loss (gain) of subsidiaries, associates and joint venture accounted for using equity method	20,176	(10,698)
Loss on disposal of property, plan and equipment	238	79
Property, plan and equipment transferred to expenses	18,629	11,004
Gain on disposal of investment properties	(186,515)	(161,616)
Impairment loss of non-financial assets	101,296	-
Other item (lease modification gain)	(2)	-
Changes in operating assets and liabilities:		
Decrease (increase) in contract assets - current	692	119
Decrease (increase) in notes receivable	(1,504)	754
Decrease (increase) in accounts receivable	(1,512)	4,781
Decrease (increase) in accounts receivable from related parties	(63)	(1)
Decrease (increase) in other receivable	9,471	(8,379)
Decrease (increase) in inventories	(61,956)	(31,135)
Decrease (increase) in prepayments	(64,114)	(51,897)
Decrease (increase) in other current assets	(619)	5,218
Increase (decrease) in contract liabilities - current	(15,159)	(1,594)
Increase (decrease) in notes payable	(4,029)	2,860
Increase (decrease) in accounts payable	(1,109)	(183)
Increase (decrease) in other payables	(133,416)	25,539
Increase (decrease) in other current liabilities	(811)	(3,928)
Increase (decrease) in defined benefit liability, net	(2,491)	(2,485)
Cash from operating activities	(326,313)	(132,624)
Income taxes (paid) refund	(13,085)	3
Net cash used in operating activities	(339,398)	(132,621)

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

(continued)

English Translation of Individual Financial Statements Originally Issued in Chinese

TAIWAN TEA CORPORATION
INDIVIDUAL STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in Thousands of Dollars)

	<u>For the Years Ended December 31</u>	
	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Disposal of financial assets measured at fair value through other comprehensive income	479	-
Acquisition of financial assets measured at amortized cost	(743)	(8,871)
Acquisition of property, plant and equipment:		
Cost paid	(454,627)	(791,678)
Interest paid	(7,945)	(7,121)
Proceeds from disposal of property, plant and equipment	-	206
Increase in guarantee deposits paid	-	(5,592)
Decrease in guarantee deposits paid	84,822	-
Acquisition of intangible assets	(237)	(132)
Acquisition of investment properties:		
Cost paid	(2,842)	(8,425)
Proceeds from disposal of investment properties	306,249	270,675
Increase in other non-current assets	(37,216)	(8,767)
Increase in prepayment for business facilities	(52,847)	(42,349)
Interest received	65	49
Dividends received	-	18
Net cash used in investing activities	<u>(164,842)</u>	<u>(601,987)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term loans	48,880	1,120
Increase in short-term notes and bills payable	49,772	-
Proceeds from long-term debt	10,780,010	8,859,220
Repayments of long-term debt	(10,122,705)	(7,146,100)
Increase in guarantee deposits received	256	-
Decrease in guarantee deposit received	-	(77)
Decrease in other payables - related parties	-	(425,000)
Lease principal repayment	(1,180)	-
Cash dividends paid	(236,965)	(384,950)
Proceeds from issuing stocks	-	296,400
Interest paid	(74,384)	(52,707)
Decrease in long term payables - related parties	-	(425,000)
Net cash provided by financing activities	<u>443,684</u>	<u>722,906</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	<u>(60,556)</u>	<u>(11,702)</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>185,840</u>	<u>197,542</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$125,284</u></u>	<u><u>\$185,840</u></u>

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

Taiwan Tea Corporation
Notes to Financial Statements
For the Years Ended December 31, 2019 and 2018
(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 Company was privatized since the government implemented the Land-to-the-Tiller Policy in 1952. The Company diversified its operations into production and marketing of tea and other agricultural products, leisure industry, import/export trading (including food and wine), 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 individual financial statements of the Company for the years ended December 31, 2019 and 2018 were approved and authorized for issue by the Board of Directors on March 16, 2020.

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 Company applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission (“FSC”) and become effective for annual periods beginning on or after January 1, 2018. The nature and the impact of each new standard and amendment that has a material effect on the Company is described below:

A. IFRS 16 “Leases”

IFRS 16 “Leases” replaces IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement contains a Lease”, SIC-15 “Operating Leases - Incentives” and SIC-27 “Evaluating the Substance of Transactions Involving the Legal Form of a Lease”.

The Company followed the transition provision in IFRS 16 and the date of initial application was January 1, 2019. The impacts arising from the adoption of IFRS 16 are summarized as follows:

- (a) Please refer to Note 4 for the accounting policies before or after January 1, 2019.
- (b) For the definition of a lease, the Company elected not to reassess whether a contract was, or contained, a lease on January 1, 2019. The Company was permitted to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 but not to apply IFRS 16 to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4. That is, for contracts entered into (or changed) on or after January 1, 2019, the Company need to assess whether contracts are, or contain, leases applying IFRS 16. In comparing to IAS 17, IFRS 16 provides that a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company assessed most of the contracts are, or contain, leases and there is no significant impact arises.
- (c) The Company is a lessee and elects not to restate comparative information in accordance with the transition provision in IFRS 16. Instead, the Company recognized the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the date of initial application.
 - i. Leases previously classified as operating leases

For leases that were previously classified as operating leases applying IAS 17, the Company measured and recognized those leases as lease liability on January 1, 2019 at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019, and; the Company chose, on a lease-by-lease basis, to measure the right-of-use asset at:

an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the balance sheet immediately before January 1, 2019.

On January 1, 2019, the Company's right-of-use asset and lease liability increased by NT\$2,224 thousand and NT\$2,224 thousand, respectively.

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In accordance with the transition provision in IFRS 16, the Company used the following practical expedients on a lease-by-lease basis to leases previously classified as operating leases:

- (i) Apply a single discount rate to a portfolio of leases with reasonably similar characteristics.
 - (ii) Rely on its assessment of whether leases are onerous immediately before January 1, 2019 as an alternative to performing an impairment review.
 - (iii) Elect to account in the same way as short-term leases to leases for which the lease term ends within 12 months of January 1, 2019.
 - (iv) Exclude initial direct costs from the measurement of the right-of-use asset on January 1, 2019.
 - (v) Use hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.
- ii. Leases previously classified as finance leases
- None
- iii. Please refer to Note 4, Note 5 and Note 6 for additional disclosure of lessee and lessor which required by IFRS 16.
- iv. As at January 1, 2019, the impacts arising from the adoption of IFRS 16 are summarized as follows:
- (i) The weighted average lessee's incremental borrowing rate applied to lease liabilities recognized in the balance sheet on January 1, 2019 was 1.838%.
 - (ii) The explanation for the difference of \$NT1778 between: 1) operating lease commitments disclosed applying IAS 17 as at December 31, 2018, discounted using the incremental borrowing rate on January 1, 2019; and 2) lease liabilities recognized in the balance sheet as at January 1, 2019 is summarized as follows:

Operating lease commitments disclosed applying IAS 17 as at December 31, 2018	\$4,364
Discounted using the incremental borrowing rate on January 1, 2019	\$4,002
Less: adjustment to leases that meet and elect to account in the same way as short-term leases	(1,029)
Less: adjustment to leases that meet and elect the underlying asset of low value	(749)
The carrying value of lease liabilities recognized as at January 1, 2019	<u>\$2,224</u>

- (d) The Company is a lessor and has not made any adjustments. Please refer to Note 4, Note 5 and Note 6 for the information relating to the lessor.

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

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	Definition of a Business (Amendments to IFRS 3)	January 1, 2020
b	Definition of Material (Amendments to IAS 1 and 8)	January 1, 2020
c	Interest Rate Benchmark Reform - Amendments to IFRS 9, IAS 39 and IFRS 7	January 1, 2020

A. Definition of a Business (Amendments to IFRS 3)

The amendments clarify the definition of a business in IFRS 3 Business Combinations. The amendments are intended to assist entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

IFRS 3 continues to adopt a market participant’s perspective to determine whether an acquired set of activities and assets is a business. The amendments clarify the minimum requirements for a business; add guidance to help entities assess whether an acquired process is substantive; and narrow the definitions of a business and of outputs; etc.

B. Definition of a Material (Amendments to IAS 1 and 8)

The main amendment is to clarify new definition of material. It states that “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments clarify that materiality will depend on the nature or magnitude of information. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

C. Interest Rate Benchmark Reform - Amendments to IFRS 9, IAS 39 and IFRS 7

The amendments include a number of exceptions, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is directly affected if the interest rate benchmark reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. Hence, the entity shall apply the exceptions to all hedging relationships directly affected by the interest rate benchmark reform.

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The amendments include:

(a) highly probable requirement

When determining whether a forecast transaction is highly probable, an entity shall assume that the interest rate benchmark on which the hedged cash flows are based is not altered as a result of the interest rate benchmark reform.

(b) prospective assessments

When performing prospective assessments, an entity shall assume that the interest rate benchmark on which the hedged item, hedged risk and/or hedging instrument are based is not altered as a result of the interest rate benchmark reform.

(c) IAS 39 retrospective assessment

An entity is not required to undertake the IAS 39 retrospective assessment (i.e. the actual results of the hedge are within a range of 80-125%) for hedging relationships directly affected by the interest rate benchmark reform.

(d) separately identifiable risk components

For hedges of a non-contractually specified benchmark component of interest rate risk, an entity shall apply the separately identifiable requirement only at the inception of such hedging relationships.

The amendments also include the end of application of the exceptions' requirements and the related disclosures requirements of the amendments.

The abovementioned standards and interpretations were issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after January 1, 2020. The new or amended standards and interpretations have no material impact on the Company.

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

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	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	To be determined by IASB
b	IFRS 17 "Insurance Contracts"	January 1, 2021
c	Classification of Liabilities as Current or Non-current - Amendments to IAS 1	January 1, 2022

A. *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.

B. *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:

- (a) estimates of future cash flows;
- (b) 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
- (c) a risk adjustment for non-financial risk.

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.

C. Classification of Liabilities as Current or Non-current – Amendments to IAS 1

These are the amendments to paragraphs 69-76 of IAS 1 Presentation of Financial statements and the amended paragraphs related to the classification of liabilities as current or non-current.

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Company's financial statements were authorized for issue, the local effective dates are to be determined by FSC. The new or amended standards and interpretations have no material impact on the Company.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Statement of compliance

The financial statements of the Company for the years ended December 31, 2019 and 2018 have been prepared 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 as endorsed by FSC of the Republic of China.

(2) Basis of preparation

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

(3) Foreign currency transactions

The Company's financial statements are presented in NT\$.

Transactions in foreign currencies are initially recorded by the Company 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 IFRS 9 Financial Instruments (Before January 1, 2018: 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.

(4) Current and non-current distinction

An asset is classified as current when:

- A. The Company expects to realize the asset, or intends to sell or consume it, in its normal operating cycle
- B. The Company holds the asset primarily for the purpose of trading
- C. The Company 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 Company expects to settle the liability in its normal operating cycle
- B. The Company 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 Company 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.

(5) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term, highly liquid time deposits (including ones that have maturity within 3 months) or investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(6) Financial instruments

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

Financial assets and financial liabilities within the scope of IFRS 9 *Financial Instruments* 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

A. Financial instruments: Recognition and Measurement

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

The Company classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss considering both factors below:

- (a) the Company's business model for managing the financial assets and
- (b) the contractual cash flow characteristics of the financial asset.

Financial assets measured at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met and presented as notes receivable, accounts receivable, financial assets measured at amortized cost and other receivables etc., on balance sheet as at the reporting date:

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

Such financial assets are subsequently measured at amortized cost (the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and adjusted for any loss allowance) and is not part of a hedging relationship. A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or in order to recognize the impairment gains or losses.

Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

- i purchased or originated credit-impaired financial assets. For those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
- ii financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Financial assets measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

- i the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- ii the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Recognition of gain or loss on a financial asset measured at fair value through other comprehensive income are described as below:

- i A gain or loss on a financial asset measured at fair value through other comprehensive income recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.
- ii When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income should be reclassified from equity to profit or loss as a reclassification adjustment.
- iii Interest revenue calculated by using the effective interest method (effective interest rate times the carrying amount of the financial asset) or the method stated below should be recognized in profit or loss.
 - (i) Purchased or originated credit-impaired financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset.
 - (ii) Financial assets that are not purchased or originated credit-impaired financial assets but subsequently become credit-impaired financial assets, the Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Besides, for certain equity investments within the scope of IFRS 9 that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies, the Company made an irrevocable election to present the changes of the fair value in other comprehensive income at initial recognition. Amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss (when disposal of such equity instrument, its cumulated amount included in other components of equity is transferred directly to the retained earnings) and these investments should be presented as financial assets measured at fair value through other comprehensive income on the balance sheet. Dividends on such investment are recognized in profit or loss unless the dividends clearly represents a recovery of part of the cost of investment.

Financial asset measured at fair value through profit or loss

Financial assets were classified as measured at amortized cost or measured at fair value through other comprehensive income based on aforementioned criteria. All other financial assets were measured at fair value through profit or loss and presented on the balance sheet as financial assets measured at fair value through profit or loss.

Such financial assets are measured at fair value, the gains or losses resulting from remeasurement is recognized in profit or loss which includes any dividend or interest received on such financial assets.

B. Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on debt instrument investments measured at fair value through other comprehensive income and financial asset measured at amortized cost. The loss allowance on debt instrument investments measured at fair value through other comprehensive income is recognized in other comprehensive income and not reduce the carrying amount in the statement of financial position.

The Company measures expected credit losses of a financial instrument in a way that reflects:

- (a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- (b) the time value of money; and
- (c) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The loss allowance is measures as follow:

- (a) At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Company measures the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the credit risk on a financial asset has increased significantly since initial recognition is no longer met.

- (b) At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.
- (c) For trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Company measures the loss allowance at an amount equal to lifetime expected credit losses.
- (d) For lease receivables arising from transactions within the scope of IFRS 16 (before January 1, 2019: IAS 17), the Company measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Company needs to assess whether the credit risk on a financial asset has increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note 12 for further details on credit risk.

C. Derecognition of financial assets

A financial asset is derecognized when:

- (a) The rights to receive cash flows from the asset have expired
- (b) The Company has transferred the asset and substantially all the risks and rewards of the asset have been transferred
- (c) The Company 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.

D. Financial liabilities and equity

Classification between liabilities or equity

The Company 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 IFRS 9 *Financial Instruments* 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.

E. 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.

(7) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption 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 principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants 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 Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

(8) 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.

Rendering of services is accounted in accordance with IFRS 15 and not within the scope of inventories.

(9) Non-current assets held for sale

Non-current assets and disposal Companys 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 Company is available for immediate sale in its present condition. Non-current assets and disposal Companys 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.

(10) Investments accounted for using the equity method

The Company'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 Company 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 Company'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 Company has incurred legal or constructive obligations or made payments on behalf of the associate. Unrealized gains and losses resulting from transactions between the Company and the associate are eliminated to the extent of the Company'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 Company's percentage of ownership interests in the associate, the Company 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 Company's interest in an associate is reduced or increased as the Company 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 Company disposes of the associate.

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

The Company determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired in accordance with IAS 28 Investments in Associates and Joint Ventures. If this is the case the Company 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 Company estimates:

- 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 Company 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.

(11) 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 Company 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 Company's forest are mostly under conservation. Felling is restricted or forbidden and should be approved by the authority for 99% of the forest. For the other 1%, the Company is not intended to fell and sell the forest by the sake of environment conversation. The authority passes a limit on the number of approval every year. Therefore, the forest was recognized as land (land attachment).

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
Right-of-use assets/leased assets (note)	1~6 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

Note: The Company reclassified the lease assets to right-of-use assets after the adoption of IFRS 16 from January 1, 2019.

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.

(12) Investment property

The accounting policy from January 1, 2019 as follow:

The Company's owned 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, 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*, investment properties are measured using the cost model in accordance with the requirements of IAS 16 *Property, plant and equipment* for that model. If investment properties are held by a lessee as right-of-use assets and is not held for sale in accordance with IFRS 5, investment properties are measured in accordance with the requirements of IFRS 16.

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

Buildings	30~50 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.

The Company transfers to or from investment properties when there is a change in use for these assets.

The Company transfers to or from investment properties when there is a change in use for these assets. Properties are transferred to or from investment properties when the properties meet, or cease to meet, the definition of investment property and there is evidence of the change in use.

The accounting policy before January 1, 2019 as follow:

The Company's 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 Company 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.

The Company transfers to or from investment properties when there is a change in use for these assets.

Properties are transferred to or from investment properties when the properties meet, or cease to meet, the definition of investment property and there is evidence of the change in use.

(13) Leases

The accounting policy from January 1, 2019 as follow:

For contracts entered on or after January 1, 2019, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Company assesses whether, throughout the period of use, has both of the following:

- A. the right to obtain substantially all of the economic benefits from use of the identified asset; and
- B. the right to direct the use of the identified asset.

The Company elected not to reassess whether a contract is, or contains, a lease on January 1, 2019. The Company is permitted to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 but not to apply IFRS 16 to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.

For a contract that is, or contains, a lease, the Company accounts for each lease component within the contract as a lease separately from non-lease components of the contract. For a contract that contains a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone price of lease and non-lease components shall be determined on the basis of the price the lessor, or a similar supplier, would charge the Company for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Company estimates the stand-alone price, maximising the use of observable information.

Company as a lessee

Except for leases that meet and elect short-term leases or leases of low-value assets, the Company recognizes right-of-use asset and lease liability for all leases which the Company is the lessee of those lease contracts.

At the commencement date, the Company measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses its incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- A. fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- B. variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- C. amounts expected to be payable by the lessee under residual value guarantees;
- D. the exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
- E. payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Company measures the lease liability on an amortised cost basis, which increases the carrying amount to reflect interest on the lease liability by using an effective interest method; and reduces the carrying amount to reflect the lease payments made.

At the commencement date, the Company measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:

- A. the amount of the initial measurement of the lease liability;
- B. any lease payments made at or before the commencement date, less any lease incentives received;
- C. any initial direct costs incurred by the lessee; and
- D. an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

For subsequent measurement of the right-of-use asset, the Company measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses. That is, the Company measures the right-of-use asset applying a cost model.

If the lease transfers ownership of the underlying asset to the Company by the end of the lease term or if the cost of the right-of-use asset reflects that the Company will exercise a purchase option, the Company depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Company depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

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The Company applies IAS 36 “Impairment of Assets” to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Except for those leases that the Company accounted for as short-term leases or leases of low-value assets, the Company presents right-of-use assets and lease liabilities in the balance sheet and separately presents lease-related interest expense and depreciation charge in the statements comprehensive income.

For short-term leases or leases of low-value assets, the Company elects to recognize the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis.

Company as a lessor

At inception of a contract, the Company classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. At the commencement date, the Company recognizes assets held under a finance lease in its balance sheet and present them as a receivable at an amount equal to the net investment in the lease.

For a contract that contains lease components and non-lease components, the Company allocates the consideration in the contract applying IFRS 15.

The Company recognizes lease payments from operating leases as rental income on either a straight-line basis or another systematic basis. Variable lease payments for operating leases that do not depend on an index or a rate are recognized as rental income when incurred.

The accounting policy before January 1, 2019 as follow:

Company as a lessee

Finance leases which transfer to the Company 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 Company 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.

Company as a lessor

Leases in which the Company 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.

(14) 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.

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 Company's accounting policies on intangible asset are summarized below:

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

(15) Impairment of non-financial assets

The Company 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 Company 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 Companies 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 Company 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.

A cash generating unit, or Companies 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 (Company of units), then to the other assets of the unit (Company of units) pro rata on the basis of the carrying amount of each asset in the unit (Company 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.

(16) Revenue recognition

The Company's revenue arising from contracts with customers are primarily related to sale of goods and rendering of services. The accounting policies are explained as follow:

Sale of goods

The Company manufactures and sells tea products and sells real estate. Sales are recognized when the control of the goods is transferred to the customer and the goods are delivered to the customers. At this time, the customer have the right to decide the sale and price of the product , and are capable to prevent other enterprise to manage the use or receive the benefits of the product.

The Company provides its customer with no warranty with the purchase of the products.

The credit period of the Company's sale of goods is from 30 to 90 days. For most of the contracts, when the Company transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as accounts receivable. The Company usually collects the payments shortly after transfer of goods to customers; therefore, there is no significant financing component to the contract. For some of the contracts, the Company has transferred the goods to customers but does not has a right to an amount of consideration that is unconditional, these contacts should be presented as contract assets. Besides, in accordance with IFRS 9, the Company measures the loss allowance for a contract asset at an amount equal to the lifetime expected credit losses.

Construction Revenue

The Company provides maintenance services for the sale of interior construction. Most of the contracts of the Company is customized by the need of customers. The Company has the right to the completion ration of the construction. Accordingly, the Company may recognize the revenue by the completion ratio of the construction. Usually, the contracts have a fixed consideration. Contractual considerations are collected thoughtout the time list which are negotiated with the customers. When the Company provide the services to customers which exceed the amount paid from the customer, the contacts should be recognized as contract assets. However, when the amount paid from the customer exceed service provided by the Company, the contacts should be recognized as contract liabilities. For some of the contracts, customers pay the amount according to the bill provided by the Company, and the Company can recognize as revenue.

The period between the transfers of contractual product or service to the customer and the payments by customers is usually within one year, thus, no price was modified by time value of money.

(17) 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.

(18) Post-employment benefits

All regular employees of the Company 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. Therefore fund assets are not included in the Company's individual financial statements.

For the defined contribution plan, the Company 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.

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 Company 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.

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted and disclosed for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events.

(19) 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.

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 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.

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 Company 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 individual 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 Company's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the individual financial statements:

Operating lease commitment - Company as the lessor

The Company has entered into commercial property lease agreements for several combinations of investment properties. The Company 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.

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. 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, income approach and cost approach. Changes in assumptions about these valuation methods could affect the disclosed fair value of the investment property and impairment testing. Please refer to Note 6 and 12 for more details.

6. CONTENTS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	As at	
	December 31, 2019	December 31, 2018
Cash on hand and petty cash	\$929	\$778
Checking accounts	2,596	8,998
Demand deposits	121,759	176,064
Total	<u>\$125,284</u>	<u>\$185,840</u>

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

(2) Financial assets at fair value through other comprehensive income - current and non-current

	As at	
	December 31, 2019	December 31, 2018
Equity instrument investments measured at fair value through other comprehensive income:		
Listed companies stocks	\$-	\$410
Unlisted companies stocks	52,572	59,877
Total	<u>\$52,572</u>	<u>\$60,287</u>
Current	\$-	\$410
Non-current	52,572	59,877
Total	<u>\$52,572</u>	<u>\$60,287</u>

The Company classified certain of its financial assets as financial assets at fair value through other comprehensive income. Financial assets at fair value through other comprehensive income were not pledge.

In consideration of the Company's investment strategy, the Company disposed and derecognized partial equity instrument investments measured at fair value through other comprehensive income. Details on derecognition of such investments for the year ended December 31, 2019 and 2018 are as follow:

	For the years ended December 31,	
	2019	2018
The fair value of the investments at the date of derecognition	<u>\$479</u>	<u>\$-</u>
The cumulative gain or loss on disposal reclassified from other equity to retained earnings	<u>\$5</u>	<u>\$-</u>

(3) Financial assets measured at amortized cost

	As at	
	December 31, 2019	December 31, 2018
Cash in bank - reserve account	\$9,614	\$8,871
Non-current	\$9,614	\$8,871

The Company classified certain financial assets as financial assets measured at amortized cost. Please refer to Note 8 for more details on financial assets measured at amortized cost under pledge. Please refer to Note 12 for more details on credit risk.

(4) Notes and accounts receivable

	As at	
	December 31, 2019	December 31, 2018
Notes receivable	\$2,166	\$662
Less: loss allowance	-	-
Notes receivable, net	\$2,166	\$662
Accounts receivable	\$16,291	\$14,828
Less: loss allowance	(100)	(149)
Accounts receivable, net	16,191	\$14,679
Accounts receivable - related parties	\$170	\$107
Less: loss allowance	-	-
Accounts receivable - related parties, net	\$170	\$107

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. As of December 31, 2019 and 2018, total carrying amount of accounts receivable were NT\$16,461 thousand and NT\$14,935 thousand, respectively. Please refer to Note 6.(18) for more details on impairment of accounts receivable. Please refer to Note 12 for credit risk management.

(5) Inventories

	As at	
	December 31, 2019	December 31, 2018
Property - land	\$704,223	\$703,781
Merchandise inventory	35,968	22,551
Finished goods	37,892	27,764
Work in process	44,249	47,009
Raw materials	46,314	12,585
Supplies	16,390	8,555
Goods in transit	4	494
Total net value	<u>\$885,040</u>	<u>\$822,739</u>

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

B. The expenses relevant to inventory were recognized in operating cost in 2019 and 2018 as follows:

	For the years ended December 31,	
	2019	2018
Inventory sales cost	\$148,224	\$124,063
Inventory scrap loss	1,390	57
Inventory short (over)	(95)	(25)
Inventory write-down (gain on the reversal of write-down of inventories)	2,703	(903)
Total	<u>\$152,222</u>	<u>\$123,192</u>

C. The Company did not recognize gain from price recovery of inventory for the year ended December 31, 2019

D. Due to the rising value of the wine products and the products sold in 2018, the Company had recognized gain from price recovery of inventory in the amount of NT\$903 thousand for the year ended December 31, 2018

(6) 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 Company 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 Company is available for immediate sale in its present condition.

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Non-current assets held for sale:

	As at	
	December 31, 2019	December 31, 2018
Land	\$12,752	\$17,892

- 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 carrying value or fair value and the cost of selling the land. Please refer to Note 12 for more detailed information on 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.

(7) Investments accounted for using the equity method

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

Investee	As at			
	December 31, 2019		December 31, 2018	
	Amount	Percentage of Ownership (%)	Amount	Percentage of Ownership (%)
<u>Investments in associates</u>				
Great Construction System Inc.	\$15,615	34.36%	\$35,708	34.36%

Investments in associates

- A. The investments in associates of the Company were not significant. The summary financial information of related party is listed below:

	For the years ended December 31,	
	2019	2018
Net (loss) income	\$(20,176)	\$10,698
Other comprehensive income, net	83	109
Comprehensive income for the period	\$(20,093)	\$10,807

- B. There is no public quote for investments in associates.
- C. The abovementioned associates had no contingent liabilities or capital commitments as of December 31, 2019 and 2018. No investments in the associates were pledged.

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(8) Property, plant and equipment

	December 31, 2019(Note)	December 31, 2018
Owner occupied property, plant and equipment	\$6,082,253	-
Property, plant and equipment leased out under operating leases	9,274	-
Total	<u>\$6,091,527</u>	<u>\$6,017,285</u>

Note: The Company adopted IFRS 16 since January 1, 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

A. Owner occupied property, plant and equipment (applicable under IFRS 16 requirements)

	Machinery								
	Land and land improvements	Buildings	and equipment	Transportation equipment	Leasehold improvement	Bearer plant	Other equipment	Construction in progress	Total
Cost									
As at January 1, 2019	\$4,093,778	\$473,725	\$45,395	\$32,006	\$15,298	\$417,169	\$216,077	\$1,020,315	\$6,313,763
Additions	11,417	1,146	4,195	810	-	134,080	20,871	362,149	534,668
Disposals	(1,020)	-	(811)	-	-	(7,872)	(405)	-	(10,108)
Transfer between accounts (Note)	33,710	53,695	(1,537)	1,016	-	30,167	78,339	(592,764)	(397,374)
As at December 31, 2019	<u>\$4,137,885</u>	<u>\$528,566</u>	<u>\$47,242</u>	<u>\$33,832</u>	<u>\$15,298</u>	<u>\$573,544</u>	<u>\$314,882</u>	<u>\$789,700</u>	<u>\$6,440,949</u>
Depreciation and impairment:									
As at January 1, 2019	\$6,237	\$148,987	\$27,610	\$14,013	\$15,298	\$17,229	\$76,656	\$-	\$306,030
Depreciation	1,675	14,063	3,932	4,125	-	2,819	27,511	-	54,125
Disposals	-	-	(573)	-	-	(534)	(318)	-	(1,425)
Transfer between accounts	-	(18)	(528)	-	-	-	512	-	(34)
As at December 31, 2019	<u>\$7,912</u>	<u>\$163,032</u>	<u>\$30,441</u>	<u>\$18,138</u>	<u>\$15,298</u>	<u>\$19,514</u>	<u>\$104,361</u>	<u>\$-</u>	<u>\$358,696</u>
Net carrying amount as at:									
December 31, 2019	<u>\$4,129,973</u>	<u>\$365,534</u>	<u>\$16,801</u>	<u>\$15,694</u>	<u>\$-</u>	<u>\$554,030</u>	<u>\$210,521</u>	<u>\$789,700</u>	<u>\$6,082,253</u>

Note1: Including transfer to investment property (Miaoli Branch, North District Branch and Pingtung Laopi Tea Farm) amounting to NT\$540,028 thousand and other reclassification.

Note2: The Company adopted IFRS 16 since January 1, 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

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B. Property, plant and equipment leased out under operating leases (applicable under IFRS 16 requirements)

	January 1, 2019	Additions	December 31, 2019
Cost:			
Buildings	\$13,378	\$-	\$13,378
Depreciation and impairment:			
Buildings	3,826	278	4,104
Net carrying amount as of:	<u>\$9,552</u>	<u>\$278</u>	<u>\$9,274</u>

Note: The Company adopted IFRS 16 since January 1, 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

C. Property, plant and equipment (prior to the application of IFRS 16)

	Machinery								
	Land and land improvements	Buildings	and equipment	Transportation equipment	Leasehold improvement	Bearer plant	Other equipment	Construction in progress	Total
Cost									
As at January 1, 2018	\$3,039,459	\$478,585	\$44,818	\$28,778	\$15,354	\$239,182	\$172,865	\$517,124	\$4,536,165
Additions	515	2,178	1,395	3,468	-	140,942	25,263	625,038	798,799
Disposals	-	(305)	(818)	(240)	-	(53)	(2,546)	-	(3,962)
Transfer between accounts (Note)	1,053,804	6,645	-	-	(56)	37,098	20,495	(121,847)	996,139
As at December 31, 2018	<u>\$4,093,778</u>	<u>\$478,103</u>	<u>\$45,395</u>	<u>\$32,006</u>	<u>\$15,298</u>	<u>\$417,169</u>	<u>\$216,077</u>	<u>\$1,020,315</u>	<u>\$6,327,141</u>
Depreciation and impairment:									
As at January 1, 2018	\$4,539	\$139,389	\$24,444	\$10,440	\$12,469	\$14,580	\$58,099	\$-	\$263,960
Depreciation	1,698	13,729	3,797	3,769	2,874	2,821	21,005	-	49,693
Disposals	-	(305)	(631)	(196)	-	(53)	(2,492)	-	(3,677)
Transfer between accounts	-	-	-	-	(45)	(119)	44	-	(120)
As at December 31, 2018	<u>\$6,237</u>	<u>\$152,813</u>	<u>\$27,610</u>	<u>\$14,013</u>	<u>\$15,298</u>	<u>\$17,229</u>	<u>\$76,656</u>	<u>\$-</u>	<u>\$309,856</u>
Net carrying amount as at:									
December 31, 2018	<u>\$4,087,541</u>	<u>\$334,290</u>	<u>\$17,785</u>	<u>\$17,993</u>	<u>\$-</u>	<u>\$399,940</u>	<u>\$139,421</u>	<u>\$1,020,315</u>	<u>\$6,017,285</u>

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D. Accumulated impairment

As at December 31, 2019 and 2018, the accumulated impairment of the Company's property, plant and equipment is as follows:

Item	As at	
	December 31, 2019	December 31, 2018
Buildings	\$8,092	\$8,092
Machinery and equipment	3,599	3,608
Transportation equipment	5	5
Other equipment	1,678	1,678
Total	<u>\$13,374</u>	<u>\$13,383</u>

In 2019 and 2018, the Company did not recognize impairment loss in property, plant and equipment. In 2019, the reversal of accumulated impairment resulted from the disposal of property, plant and equipment.

E. The capitalized borrowing costs and capitalization rate of borrowing costs for inventory (property - land) and property, plant and equipment are as follows:

	For the years ended December 31,	
	2019	2018
Property - Land & Construction in Progress	<u>\$7,945</u>	<u>\$7,121</u>
Capitalization rate of borrowing costs	<u>1.74%~1.82%</u>	<u>1.55%~1.80%</u>

Interest expenses before capitalization were NT\$83,296 thousand and NT\$62,288 thousand, and the capitalized borrowing costs were NT\$7,945 thousand and NT\$7,121 thousand for the years ended December 31, 2019 and 2018, respectively.

F. The Company's property, plant and equipment is provided as a pledge for bank loan. Please refer to Note 8 for details.

G. 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 Company's premium from land recognized as other non-current liabilities except for those that was expected to complete transfer within one year. As at December 31, 2019 and 2018, the lands that were not recognized profit of sales is NT\$0 thousand in 2019 and NT\$1,369 thousand in 2018 under other non-current liabilities.

- H. The Company's land at Tongluo Township Miaoli County was acquired by The Science Park Bureau according to Article 11 of the Land Expropriation Act. and was transferred in 2001. Some of the compensation payable to the lessee was still under discussion. Therefore, the compensation payable to the lessee and the receivable from the Miaoli County Government were recorded as estimates. Adjustments can be made should there be any difference. As of December 31, 2019 and 2018, the compensation receivable from the Miaoli County Government was both NT\$654 thousand, recognized as other receivable. As of December 31, 2019 and 2018, the compensation payable to the lessee was both NT\$2,075 thousand, recognized as other payable. As of the report date, the discussion of the compensation has not been completed.
- I. 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 at December 31, 2019 and 2018, the lands that were yet to be registered for property rights are worth NT\$43,231 thousand and NT\$94,198 thousand and were recognized in other non-current assets.

(9) Investment property

The Company's investment properties includes owned investment properties.

The Company has entered into commercial property leases on its owned investment properties with terms of between 1 and 10 years.

	Land	Building	Total
Cost:			
As at January 1, 2019	\$15,953,371	\$1,064,996	\$17,018,367
Addition - subsequent expenditure	2,842	-	2,842
Disposals	(114,222)	-	(114,222)
Transfer from non-current assets held for sold	5,140	-	5,140
Transfer from property, plant and equipment and other account	671,912	7,765	679,677
As at December 31, 2019	<u>\$16,519,043</u>	<u>\$1,072,761</u>	<u>17,591,804</u>
As at January 1, 2018	\$17,030,548	\$1,064,748	\$18,095,296
Addition - subsequent expenditure	8,177	248	8,425
Disposals	(112,713)	-	(112,713)
Transfer to non-current assets held for sold	(1,574)	-	(1,574)
Transfer to property, plant and equipment and other account	(971,067)	-	(971,067)
As at December 31, 2018	<u>\$15,953,371</u>	<u>\$1,064,996</u>	<u>\$17,018,367</u>

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	Land	Building	Total
Depreciation and impairment			
As at January 1, 2019	\$56,554	\$232,512	\$289,066
Depreciation	-	37,588	37,588
Impairment losses	-	101,296	101,296
As at December 31, 2019	<u>\$56,554</u>	<u>\$371,396</u>	<u>\$427,950</u>
As at January 1, 2018	\$56,554	\$195,076	\$251,630
Depreciation	-	37,436	37,436
As at December 31, 2018	<u>\$56,554</u>	<u>\$232,512</u>	<u>\$289,066</u>
Net carrying amount as at:			
December 31, 2019	<u>\$16,462,489</u>	<u>\$701,365</u>	<u>\$17,163,854</u>
December 31, 2018	<u>\$15,896,817</u>	<u>\$832,484</u>	<u>\$16,729,301</u>

For the year ended December 31, 2019, the carrying amount of certain investment properties for lease have been written down to their recoverable amount, and as a result impairment loss amount of NT\$101,296 thousand has been recognized in the statement of comprehensive income. The recoverable amount was based on fair value less costs of disposal. The fair value was measured using a weighted average of the income approach and the comparison approach, which has been categorized within Level 3 of the fair value hierarchy.

The key assumptions the Company uses to measure the fair value less costs of disposal are as follows:

- (i) Income approach: considering the market rent or average income that a property can be expected to earn under current market conditions, the vacancy rate, additional cost of renovations and the capitalization rate, which is 1.83%.
- (ii) Comparison approach: estimated by the price per *ping* (about 3.3 square meters) .

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 19, 2016, ownerships to the lands have all been transferred, and all of the payment were paid at March 5, 2018. The usage of the lands are all planned according to the proposal book approved by Council of Agriculture Executive Yuan. As at December 31, 2019, the Company classified the land by the condition in use. About NT\$40 million worth of land were recognized as investment property, and the other were recognized as property, plant and equipment.

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	For the years ended December 31,	
	2019	2018
Rental income from investment property	\$9,654	\$7,949
Less: current rental income recognized from direct operating of investment property	(517)	(1)
current rental income unrecognized from direct operating of investment property	(6,919)	(9,061)
Total	<u>\$2,218</u>	<u>\$(1,113)</u>

A. The Company's investment property was pledged as collateral for bank loan, refer to Note 8.

B. The Company possesses investment property measured at fair value amounting to NT\$44,702,847 thousand and NT\$41,628,649 thousand on December 31, 2019 and 2018, 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\$5,681,562 thousand and NT\$5,151,925 thousand, respectively. 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\$39,021,285 thousand and NT\$36,476,724 thousand, respectively.

C. The Company's investment property contains several items about land development and recreation industry which principally take place at Taipei, New Taipei city, Taoyuan, Miaoli, Nantou, etc. Additionally, business office located on Sec. 1 Zhongxiao W Road acquired Food and Beverage Service Activities authority.

(10) Intangible assets

	Computer Software
Cost:	
As at January 1, 2019	\$6,839
Addition - sole acquisition	237
As at December 31, 2019	<u>\$7,076</u>
As at January 1, 2018	\$6,707
Addition - sole acquisition	132
As at December 31, 2018	<u>\$6,839</u>

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	Computer Software
Cost:	
Amortization and Impairment:	
As at January 1, 2019	\$4,511
Amortization	617
As at December 31, 2019	<u>\$5,128</u>
As at January 1, 2018	\$3,869
Amortization	642
As at December 31, 2018	<u>\$4,511</u>
Net carrying amount as at:	
December 31, 2019	<u>\$1,948</u>
December 31, 2018	<u>\$2,328</u>

Amortization cost that were recognized in intangible asset is listed:

	<u>For the years ended December 31,</u>	
	2019	2018
Operating Expense	<u>\$617</u>	<u>\$642</u>

(11) Other non-current assets

	<u>As at</u>	
	<u>December 31,</u> 2019	<u>December 31,</u> 2018
Prepayments for business facilities	\$36,732	\$38,090
Guarantee deposits paid	10,212	95,034
Other non-current assets - employed other people's names to register land	43,231	94,198
Other non-current assets - others	55,564	170,411
Total	<u>\$145,739</u>	<u>\$397,733</u>

Please refer to Note 6.(8).I for detailed information of the other non-current assets - employed other people's names to register land.

Other non-current assets are mainly land development projects, involving a number of land lots. All costs associated with the land development projects have been classified under construction in progress and other non-current assets. The project-related cost was mainly capitalized personnel expenses and progress payment.

(12) Short-term borrowings

	As at	
	December 31, 2019	December 31, 2018
Credit loans	\$50,000	\$-
Letter of credit loans	-	1,120
Total	\$50,000	\$1,120
Available credit limit	\$29,668	\$72,949
Interest rates	1.35%~3.88%	1.35%~4.20%

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

(13) Short-term notes and bills payable

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

As at December 31, 2019

Loan type	Contract due date	Interest	Amount
Commercial paper	September 8, 2020	1.20%~1.25%	\$49,772
		Unused credit limit	\$-

As at December 31, 2018

Loan type	Contract due date	Interest	Amount
Commercial paper	September 8, 2019	1.20%	\$-
		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 Company.

C. For information relating to the Company's assets that were pledged as collateral, please refer to Note 8.

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(14) Long-term borrowings

Creditor	As at December 31, 2019	Maturity and terms of repayment
Taiwan Business Bank	\$204,000	The contract will be due on November 7, 2021. Since May 7, 2014, the payment was made semi-annually with a total of 15 terms.
Taiwan Business Bank	300,000	The contract will be due on October 30, 2021 and capital employment and repayment are under the Note Issuance Facility.
Mega Bills	1,183,000	The contract will be due on January 8, 2021 and capital employment and repayment are under the Note Issuance Facility.
Mega Bank	270,000	The contract will be due on July 1, 2022. Since July 1, 2015, the payment was made semi-annually with a total of 11 terms(1 st ~4 TH term NT\$100,000 thousand, 5 TH ~10 TH term NT\$30,000 thousand, 11 TH term NT\$120,000 thousand)
Mega Bank	600,000	The contract will be due on July 1, 2022. Since July 1, 2020, the payment was made semi-annually with a total of 5 terms(1 st ~4 TH term NT\$60,000 thousand, 5 TH term NT\$360,000 thousand)
Mega Bank	300,000	The contract will be due on June 4, 2021 for repayment.
Chang Hwa Bank	50,000	The contract will be due on September 30, 2021. 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	209,100	The contract will be due on March 11, 2030 and since April 11, 2012 interest payment was amortized into 216 terms.
Taiwan Cooperative Bank	260,000	The contract will be due on January 11, 2021 for repayment.
Agricultural Bank of Taiwan	300,000	The contract will be due on March 5, 2028 for repayment.
Agricultural Bank of Taiwan	850,000	The contract will be due on March 5, 2028. Since March 5, 2021, the payment was made semi-annually with a total of 14 terms(1 st term NT\$70,000 thousand, 2 ND ~14 TH term NT\$60,000 thousand)
Agricultural Bank of Taiwan	480,560	The loan from the bank was made separately, and the contract will be due on March 5, 2028. Since March 5, 2021, the payment was made semi-annually with a total of 14 terms(NT\$50,000 thousand per term)
Agricultural Bank of Taiwan	75,370	The loan from the bank was made separately, and the contract will be due on March 5, 2028. Since March 5, 2021, the payment was made semi-annually with a total of 14 terms(1 st term NT\$90,000 thousand, 2 ND ~14 TH term NT\$70,000 thousand)
Hua Nan Bank	90,000	The contract will be due on May 15, 2021 for repayment.
Hua Nan Bank	24,295	The contract will be due on May 22, 2029 for repayment and since May 22, 2019 interest payment was amortized monthly.
Hua Tai Bank	100,000	The contract will be due on September 25, 2020 for repayment.
Subtotal	5,296,325	
Less: current portion	(344,980)	
Total	\$4,951,345	
Authorized credit limit	\$7,139,800	
Unused line of credit	\$689,070	
Interest rate range	1.26%~2.40%	

In 2019, the new loan issued amounting to NT10,780,010 thousand and principal repayment amounting to NT\$10,122,705 thousand.

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Creditor	As at December 31, 2018	Maturity and terms of repayment
Taiwan Business Bank	\$595,000	The contract will be due on September 17, 2020 and capital employment and repayment are under the Note Issuance Facility
Taiwan Business Bank	306,000	The contract will be due on November 7, 2021, since May 7, 2014, payment for interest and principal was amortized semiannually with a total of 15 terms
Mega Bills	284,000	The contract will be due on January 7, 2020 and capital employment and repayment are under the Note Issuance Facility
Mega Bank	300,000	The contract will be due on July 1, 2020. Since July 1, 2015 to July 1, 2017, 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 June 4, 2020 for repayment.
Mega Bank	570,000	The contract will be due on July 1, 2020 for repayment.
Chang Hwa Bank	50,000	The contract will be due on September 30, 2021. 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	229,500	The contract will be due on March 11, 2030. and since April 11, 2012 interest payment was amortized into 216 terms.
Taiwan Cooperative Bank	260,000	The contract will be due on January 11, 2020 for repayment.
Land Bank of Taiwan	28,800	The contract will be due on December 14, 2022 and since December 14, 2012 interest and principal payment was amortized into 120 terms.
Agricultural Bank of Taiwan	850,000	The contract will be due on March 5, 2028. Since March 5, 2021, the payment was made semi-annually with a total of 14 terms(1 st term NT\$70,000 thousand, 2 ND ~14 TH term NT\$60,000 thousand)
Agricultural Bank of Taiwan	67,930	The loan from the bank was made separately, and the contract will be due on March 5, 2028. Since March 5, 2021, the payment was made semi-annually with a total of 14 terms(NT\$50,000 thousand per term)
Agricultural Bank of Taiwan	177,300	The loan from the bank was made separately, and the contract will be due on March 5, 2028. Since March 5, 2021, the payment was made semi-annually with a total of 14 terms(NT\$50,000 thousand per term)
Agricultural Bank of Taiwan	41,490	The loan from the bank was made separately, and the contract will be due on March 5, 2028. Since March 5, 2021, the payment was made semi-annually with a total of 14 terms(1 st term NT\$9,000 thousand, 2 ND ~14 TH term NT\$7,000 thousand)
Agricultural Bank of Taiwan	435,000	The contract will be due on March 5, 2021 for repayment.
Hua Nan Bank	34,000	The contract will be due on May 16, 2020 for repayment.
Hua Nan Bank	10,000	The contract will be due on May 16, 2020 for repayment.
Hua Tai Bank	100,000	The contract will be due on September 25, 2020 for repayment.
Subtotal	4,639,200	
Less: current portion	(229,600)	
Total	\$4,409,420	
Authorized line of credit	\$6,247,000	
Unused line of credit	\$558,280	
Interest rate range	1.26%~2.25%	

In 2018, the new loan issued amount to NT\$8,859,220 thousand and principal repayment amounting to NT\$7,146,100 thousand.

Refer to Note 8 for collateral for long-term borrowings.

(15) 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, 2019 and 2018, the expenses related to defined contribution plan amounted to NT\$8,977 thousand and NT\$8,632 thousand, respectively.

B. Defined benefits plan

The Company adopt a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. Under the Labor Standards Act, the Company contribute an amount equivalent to 8.58% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee. Before the end of each year, the Company assess the balance in the designated labor pension fund. If the amount is inadequate to pay pensions calculated for workers retiring in the same year, the Company will make up the difference in one appropriation before the end of March the following year.

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under mandation, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19.

As at December 31, 2019 and 2018, the defined benefit plan of the Company was expected to be expired in 2028 and 2026, respectively.

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Pension costs recognized in profit or loss for the years ended December 31, 2019 and 2018:

	For the years ended December 31,	
	2019	2018
Current period service costs	\$164	\$159
Interest income or expense	127	189
Total	\$291	\$348

Changes in the defined benefit obligation and fair value of plan assets are as follows:

	As at	
	December 31, 2019	December 31, 2018
Present value of defined benefit obligation	\$52,475	\$62,098
Plan assets at fair value	(38,665)	(43,842)
Other non-current liabilities - Accrued pension liabilities recognized on the balance sheets	\$13,810	\$18,256

Reconciliation of liability of the defined benefit plan is as follows:

	Defined benefit obligation	Fair value of plan assets	Benefit liability (asset)
As at January 1, 2018	\$60,301	\$(39,940)	\$20,361
Current period service costs	159	-	159
Net interest expense (income)	593	(404)	189
Subtotal	61,053	(40,344)	20,709
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in financial assumptions	1,390	-	1,390
Experience adjustments	165	-	165
Return on plan assets	-	(1,175)	(1,175)
Subtotal	1,555	(1,175)	380
Payments from the plan	(510)	510	-
Contributions by employer	-	(2,833)	(2,833)
As at December 31, 2018	62,098	(43,842)	18,256
Current period service costs	164	-	164
Net interest expense (income)	442	(315)	127
Subtotal	62,703	(44,157)	18,547
Remeasurement of defined benefit liabilities/asset			
Actuarial gains and losses arising from changes in financial assumptions	248	-	248
Experience adjustments	(567)	-	(567)
Return on plan assets	-	(1,636)	(1,636)
Subtotal	(319)	(1,636)	(1,955)
Payments from the plan	(9,910)	9,910	-
Contribution by employer	-	(2,782)	(2,782)
As at December 31, 2019	\$52,475	\$(38,665)	\$13,810

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

	As at	
	December 31, 2019	December 31, 2018
Discount rate	0.70%	0.75%
Expected rate of salary increases	2.00%	2.00%

A sensitivity analysis for significant assumption as at December 31, 2019 and 2018 is, as shown below:

	Effect on the defined benefit obligation			
	2019		2018	
	Increase defined benefit obligation	Decrease defined benefit obligation	Increase defined benefit obligation	Decrease defined benefit obligation
Discount rate increase by 0.25%	\$-	\$1,220	\$-	\$1,389
Discount rate decrease by 0.25%	1,268	-	1,443	-
Future salary increase by 0.25%	1,248	-	1,421	-
Future salary decrease by 0.25%	-	1,208	-	1,376

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.

(16)Equities

A. Common stock

For the purpose to operating funding, pay off debt, or to one or more use for long term development, the Company plan to increase its capital by issuing common stocks maximum of 150,000 thousand shares by private, and conduct in one year after resolution.It was resolved by the shareholder's meeting on June 13, 2017.

On April 9, 2018, board of directors meeting of the Company resolved to increase its capital by issuing 20,000 thousand shares of common stocks with the issue price of \$14.82 per share through private placement. The record date of the capital increase is on April 10, 2018. Change of the capital increase was registered on April 16, 2018, and the 130,000 thousand shares remaining will not be issued.

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The Company's authorized capital were both NT\$16,000,000 thousand, issued capital were both NT\$7,900,000 thousand, consisting of 790,000 thousand shares and 790,000 thousand shares at \$10 par value each as of December 31, 2019 and 2018, respectively. Each share has one vote and the right to receive dividends.

B. Capital surplus

	As at	
	December 31, 2019	December 31, 2018
Additional paid-in capital-premium in excess of the par value of shares issued	\$1,807,534	\$1,807,534
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>\$2,206,175</u>	<u>\$2,206,175</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 paid-in 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, 2019 and 2018 as results of the use, disposal or reclassification of related assets in the amounts set out below:

	As at	
	December 31, 2019	December 31, 2018
	NTD	NTD
Opening balance	\$3,426,260	\$3,440,083
Disposal of assets	(30,155)	(13,823)
Ending balance	<u>\$3,396,105</u>	<u>\$3,426,260</u>

For the years ended December 31, 2019 and 2018, the details of earnings distribution and dividends per share as proposed by the board meeting on March 16, 2020 and resolved by the shareholder's meeting on May 23, 2019, are as follows:

	Appropriation of earnings		Dividend per share	
	2019	2018	2019	2018
Legal reserve	\$-	\$-		
Common stock - cash dividend	-	236,965	\$-	\$0.3
Total	<u>\$-</u>	<u>\$236,965</u>		

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.(20) for details of bonus to employees.

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(17) Operating revenue

	For the years ended December 31,	
	2019	2018
Revenue from contract with customers		
Commodity	\$282,039	\$240,050
Construction contract	5,448	2,417
Subtotal	287,487	242,467
Rental revenue	11,511	11,770
Total	\$298,998	\$254,237

Analysis of revenue from contracts with customers during the year ended December 31, 2019 and 2018 are as follows:

A. Disaggregation of revenue

For the year ended December 31, 2019

	Trade and Department Store	Assets	Others	Total
Revenue from contract with customers				
Commodity	\$274,828	\$7,211	\$-	\$282,039
Construction contract	-	-	5,448	5,448
Subtotal	274,828	7,211	5,448	287,487
Rental revenue	-	11,511	-	11,511
Total	\$274,828	\$18,722	\$5,448	\$298,998

Timing of revenue recognition :

At a point in time	\$274,828	\$7,211	\$-	\$282,039
Over time	-	11,511	5,448	16,959
Total	\$274,828	\$18,722	\$5,448	\$298,998

For the year ended December 31, 2018

	Trade and Department Store	Assets	Others	Total
Revenue from contract with customers				
Commodity	\$231,178	\$8,872	\$-	\$240,050
Construction contract	-	-	2,417	2,417
Subtotal	231,178	8,872	2,417	242,467
Rental revenue	-	10,506	1,264	11,770
Total	\$231,178	\$19,378	\$3,681	\$254,237

Timing of revenue recognition :

At a point in time	\$231,178	\$8,872	\$-	\$240,050
Over time	-	10,506	3,681	14,187
Total	\$231,178	\$19,378	\$3,681	\$254,237

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B. Contract balances

(a) Contract assets - current

	As at	
	December 31, 2019	December 31, 2018
Rendering service	\$2,180	\$2,872
	As at	
	December 31, 2019	December 31, 2018
Accumulated costs - construction in progress	\$9,857	\$20,698
Accumulated profit or (loss) that were recognized-gross profit	1,257	1,586
Accumulated construction contract fee received in advance	(8,934)	(19,412)
Contract assets - rendering service	\$2,180	\$2,872

(b) Contract liabilities - current

	As at		
	December 31, 2019	December 31, 2018	January 1, 2018
Sales of goods	\$21,257	\$36,498	\$38,062
Rendering service	82	-	30
Total	\$21,339	\$36,498	\$38,092

The significant changes in the Company's balances of contract liabilities for the year ended December 31, 2019 and 2018 are as follows:

	As at	
	December 31, 2019	December 31, 2018
The opening balance transferred to revenue	\$31,640	\$38,062

Contract liabilities - Rendering service

	As at	
	December 31, 2019	December 31, 2018
Accumulated costs - construction in progress	\$12,732	\$462,114
Accumulated profit or (loss) that were recognized - gross profit	584	65,095
Accumulated construction contract fee received in advance	(13,398)	(527,209)
Contract liabilities - rendering service	\$(82)	\$-

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- (c) Transaction price allocated to unsatisfied performance obligations

The Company's transaction price allocated to unsatisfied performance obligations is not significant.

- (d) Assets recognized from costs to fulfil a contract

None.

(18) Expected credit losses/ (gains)

	For the years ended December 31,	
	2019	2018
Operating expenses - Expected credit losses/(gains)		
Accounts receivable	\$(49)	\$149
Non-operating income and expenses - Expected credit losses/(gains)		
Other receivables	\$191	\$-

Please refer to Note 12 for more details on credit risk.

The Company's contract assets are mainly arise from construction . The Company only transacts with counterparties with good credit rating and with no significant default risk. Consequently, it is not expected that the counterparties will not meet its obligations under a contract, leading to a financial loss.

The Company measures the loss allowance of its accounts receivables (including accounts receivables - related parties) at an amount equal to lifetime expected credit losses. The assessment of the Company's loss allowance as at December 31, 2019 and 2018 were as follow:

- A. the Company considers the grouping of accounts receivables by counterparties' credit rating, by geographical region and by industry sector and its loss allowance is measured by using a provision matrix, details are as follow:

As at December 31, 2019

	Not yet due	Overdue			
	(Note)	<=30 days	31-60 days	>=61 days	Total
Gross carrying amount	\$16,361	\$-	\$101	\$-	\$16,461
Loss ratio	0.33%	32.22%	46.23%	100%	
Lifetime expected credit losses	54	-	46	-	100
Subtotal	\$16,307	\$-	\$54	\$-	\$16,361

As at December 31, 2018

	Not yet due	Overdue				
	(Note)	<=30 days	31-60 days	61-90 days	>=91 days	Total
Gross carrying amount	\$14,888	\$47	\$-	\$-	\$-	\$14,935
Loss ratio	1%	1%	1%	1%	100%	
Lifetime expected credit losses	148	1	-	-	-	149
Subtotal	\$14,740	\$46	\$-	\$-	\$-	\$14,786

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Note: The Company's note receivables are not overdue.

The movement in the provision for impairment of accounts receivable, during the year ended December 31, 2019 and 2018 is as follows:

	<u>Accounts receivable</u>
Bal. as at January 1, 2018 (in accordance with IAS 39)	\$-
Transition adjustment to retained earnings as at January 1, 2018	-
Bal. as at January 1, 2018 (in accordance with IFRS 9)	-
Addition/(reversal) for the current period	149
Bal. as at December 31, 2018	149
Addition/(reversal) for the current period	(49)
Bal. as at December 31, 2019	<u>\$100</u>

- B. The Company measures the loss allowance of its other receivables at an amount equal to the lifetime expected credit losses. For the year ended December 31, 2019, the Company recognized an expected credit losses of NT\$191 thousand considering the counterparties' credit risk. The Company's other receivables are not overdue as at December 31, 2018.

(19) Leases

- A. Company as a lessee (applicable to the disclosure requirement under IFRS 16)

The Company leases various properties, including real estate such as land and buildings, transportation equipment and office equipment. The lease terms range from 1 to 10 years. There are no restrictions placed upon the Company by entering into these leases.

The Company's leases effect on the financial position, financial performance and cash flows are as follow:

- (a) Amounts recognized in the balance sheet

- i. Right-of-use assets

The carrying amount of right-of-use assets

	<u>As at</u>
	<u>December 31, 2019</u>
	<u>December 31, 2018 (Note)</u>
Land and Buildings	\$-
Transportation equipment	1,619
Office equipment	245
Total	<u>\$1,864</u>

Note: The Company adopted IFRS 16 since January 1, 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

During the year ended December 31, 2019, the Company's additions to right-of-use assets amounting to NT\$1,007 thousand.

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ii. Lease liabilities

	As at	
	December 31, 2019	December 31, 2018 (Note)
Lease liabilities	\$1,882	
Current	\$611	
Non-current	\$1,271	

Please refer to Note 6.(21).C for the interest on lease liabilities recognized during the year ended December 31, 2019 and refer to Note 12.(5) Liquidity Risk Management for the maturity analysis for lease liabilities as at December 31, 2019.

Note: The Company adopted IFRS 16 since January 1, 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

(b) Amounts recognized in the statement of profit or loss

Depreciation charge for right-of-use assets

	For the years ended December 31,	
	2019	2018 (Note)
Land and Buildings	\$528	
Transportation equipment	66	
Office equipment	552	
Total	\$1,146	

Note: The Company adopted IFRS 16 since January 1, 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

(c) Income and costs relating to leasing activities

	For the years ended December 31,	
	2019	2018 (Note)
The expenses relating to short-term leases	\$779	
The expenses relating to leases of low-value assets (Not including the expenses relating to short-term leases of low-value assets)	1,909	

Note: The Company adopted IFRS 16 since January 1, 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

(d) Cash outflow relating to leasing activities

During year ended December 31, 2019, the Company's cash outflows for lease principal repayment is NT\$1,180 thousand and for short-term leases payment is NT\$2,670 thousand.

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(e) Other information relating to leasing activities

None.

B. Operating lease commitments - Company as a lessee (applicable to the disclosure requirement in IAS 17)

The Company has entered into commercial leases on certain buildings, transportation equipment and office equipment. These leases have an average life of one to five years with no renewal option included in the contracts. There are no restrictions placed upon the Company by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases as at December 31, 2019 and December 31, 2018 are as follows:

	As at	
	December 31, 2019 (Note)	December 31, 2018
Not later than one year		\$1,934
Later than one year and not later than five years		2,430
Later than five years		-
Total		<u>\$4,364</u>

Operating lease expenses recognized are as follows:

	For the years ended December 31,	
	2019 (Note)	2018
Minimum lease payments		<u>\$2,955</u>

Note: The Company adopted IFRS 16 since January 1, 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

C. Company as a lessor (applicable to the disclosure requirement in IFRS 16)

Please refer to Note 6.(8) for details on the Company's owned investment properties and investment properties held by the Company as right-of-use assets. Leases of owned investment properties are classified as operating leases as they do not transfer substantially all the risks and rewards incidental to ownership of underlying assets.

	For the years ended December 31,	
	2019	2018 (Note)
Lease income for operating leases		
Income relating to fixed lease payments and variable lease payments that depend on an index or a rate		<u>\$11,511</u>

Note: The Company adopted IFRS 16 since January 1, 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

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Please refer to Note 6.(8) for relevant disclosure of property, plant and equipment for operating leases under IFRS 16. For operating leases entered by the Company, the undiscounted lease payments to be received and a total of the amounts for the remaining years as at December 31, 2019 are as follow:

	As at	
	December 31, 2019	December 31, 2018 (Note)
Not later than one year	\$7,841	
Later than one year but not later than two years	757	
Later than two years but not later than three years	686	
Later than three years but not later than four years	686	
Later than four years but not later than five years	686	
Later than five years	3,079	
Total	<u>\$13,735</u>	

Note: The Company adopted IFRS 16 since January 1, 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

D. Operating lease commitments - Company as a lessor (applicable to the disclosure requirement in IAS 17)

Future minimum rentals receivable under non-cancellable operating leases as at December 31, 2019 and December 31, 2018 are as follows:

	As at	
	December 31, 2019 (Note)	December 31, 2018
Not later than one year		\$8,999
Later than one year and not later than five years		814
Total		<u>\$9,813</u>

Note: The Company adopted IFRS 16 since January 1, 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

(20) Summary statement of employee benefits, depreciation and amortization expenses by function

Function Description	For the year ended December 31, 2019			For the year ended December 31, 2018		
	Operating Cost	Operating Expense	Total	Operating Cost	Operating Expense	Total
Employee benefits expense						
Salaries and wages	\$42,639	\$133,121	\$175,760	\$44,486	\$119,758	\$164,244
Labor and health insurance	4,470	14,494	18,964	4,153	12,639	16,792
Pension	2,483	6,785	9,268	2,537	6,443	8,980
Director's remuneration	-	10,970	10,970	-	9,853	9,853
Other employee benefits expense	4,224	15,756	19,980	4,563	17,718	22,281
Depreciation and depletion	22,030	71,107	93,137	15,984	71,145	87,129
Amortization	-	617	617	-	685	685

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As at December 31, 2019 and 2018, the number of employees of the Company were 314 and 304, respectively. Among them, the number of directors who have not served as employees were both 11.

The Company's average employee benefits expense was NT\$739 thousand for the year ended December 31, 2019. (the current year employee benefits expense excluding director's remuneration / the current year average number of employees excluding the number of non-employee directors)

The Company's average employee benefits expense was NT\$725 thousand for the year ended December 31, 2018. (the prior year employee benefits expense excluding director's remuneration / the prior year average number of employees excluding the number of non-employee directors)

The Company's average salaries and wages were NT\$580 thousand for the year ended December 31, 2019. (the current year salaries and wages / the current year average number of employees excluding the number of non-employee directors)

The Company's average salaries and wages were NT\$561 thousand for the year ended December 31, 2018. (the prior year salaries and wages / the prior year average number of employees excluding the number of non-employee directors)

The Company's average salaries and wages increased by 3% for the year ended December 31, 2019. (the current year average salaries and wages minus the prior year average salaries and wages / the prior year average salaries and wages)

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.

As the operations in 2019 and 2018 resulted in a net loss, no employee compensation and remuneration to directors and supervisors were estimated and accrued .

(21) Non-operating income and expenses

A. Other income

	For the years ended December 31,	
	2019	2018
Interest income		
Financial assets measured at amortized cost	\$65	\$49
Others	6,833	1,565
Dividend income	-	18
Total	<u>\$6,898</u>	<u>\$1,632</u>

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B. Other gains and losses

	For the years ended December 31,	
	2019	2018
Losses on disposal of property, plant and equipment	\$(238)	\$(79)
Gains on disposal of investment properties	186,515	161,616
Foreign exchange gains (losses), net	310	(34)
Impairment losses - Investment properties	(101,296)	-
Total	<u>\$85,291</u>	<u>\$161,503</u>

C. Finance costs

	For the years ended December 31,	
	2019	2018
Interest on borrowings from bank	\$69,175	\$54,697
Interest on lease liabilities	54	(Note)
Others	6,122	470
Total finance costs	<u>\$75,351</u>	<u>\$55,167</u>

Note: The Company adopted IFRS 16 since January 1, 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

(22) Components of other comprehensive income

For the year ended December 31, 2019

	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
Not to be reclassified to profit or loss:					
Remeasurements of defined benefit plans	\$1,955	\$-	\$1,955	\$-	\$1,955
Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income	(7,236)	-	(7,236)	-	(7,236)
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method	83	-	83	-	83
Total of other comprehensive income	<u>\$(5,198)</u>	<u>\$-</u>	<u>\$(5,198)</u>	<u>\$-</u>	<u>\$(5,198)</u>

For the year ended December 31, 2018

	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
Not to be reclassified to profit or loss:					
Remeasurements of defined benefit plans	\$(380)	\$-	\$(380)	\$-	\$(380)
Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income	(14,282)	-	(14,282)	-	(14,282)
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method	109	-	109	-	109
Total of other comprehensive income	<u>\$(14,553)</u>	<u>\$-</u>	<u>\$(14,553)</u>	<u>\$-</u>	<u>\$(14,553)</u>

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(23) Income taxes

Based on the amendments to the Income Tax Act announced on February 7, 2018, the Company's applicable corporate income tax rate for the year ended December 31, 2018 has changed from 17% to 20%. The corporate income surtax on undistributed retained earnings has changed from 10% to 5%.

The major components of income tax expense (income) are as follows:

Income tax expense (income) recognized in profit or loss

	For the years ended December 31,	
	2019	2018
Current income tax expense (income):		
Current income tax charge	\$-	\$13,080
Land capital gain tax	4,218	3,834
Adjustments in respect of current income tax of prior periods	5	-
Deferred tax expense (income):		
Deferred tax expense (income) relating to origination and reversal of temporary differences	(30,823)	(28,902)
Total income tax expense (income)	<u>\$(26,600)</u>	<u>\$(11,988)</u>

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

	For the years ended December 31,	
	2019	2018
Accounting profit (loss) before tax from continuing operations	<u>\$(172,555)</u>	<u>\$(53,976)</u>
The parent company statutory income tax rate of 20% per	\$(34,511)	\$(10,795)
Tax effect of revenues exempt from taxation	(19,942)	(21,568)
Tax effect of non-deductible expense	1,890	2,276
Tax effect of deferred tax assets/liabilities-tax	21,740	1,185
Corporate income surtax on undistributed retain earnings	-	13,080
Adjustments in respect of current income tax of prior periods	5	-
Land capital gain tax	4,218	3,834
Total income tax expense (income) recognized in profit or loss	<u>\$(26,600)</u>	<u>\$(11,988)</u>

Deferred tax assets (liabilities) relate to the following:

For the year ended December 31, 2019

	Beginning balance as at January 1, 2019	Deferred tax income (expense) recognized in profit or loss	Ending balance as at December 31, 2019
Temporary differences			
Land capital gain tax	\$(3,265,905)	\$30,823	\$(3,235,082)
Deferred tax income/ (expense)		<u>\$30,823</u>	
Net deferred tax assets/ (liabilities)	<u>\$(3,265,905)</u>		<u>\$(3,235,082)</u>
Reflected in balance sheet as follows:			
Deferred tax (liabilities)	<u>\$(3,265,905)</u>		<u>\$(3,235,082)</u>

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For the year ended December 31, 2018

	Beginning balance as at January 1, 2018	Deferred tax income (expense) recognized in profit or loss	Ending balance as at December 31, 2018
Temporary differences			
Land capital gain tax	\$(3,294,807)	\$28,902	\$(3,265,905)
Deferred tax income/ (expense)		\$28,902	
Net deferred tax assets/ (liabilities)	\$(3,294,807)		\$(3,265,905)
Reflected in balance sheet as follows:			
Deferred tax (liabilities)	\$(3,294,807)		\$(3,265,905)

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

Year	Tax losses for the period	Unused tax losses as at		Expiration year
		December 31, 2019	December 31, 2018	
2009	\$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	245,335	2027
2018	102,738	102,738	107,738	2028
2019(estimated)	90,821	90,821	-	2029
		\$790,370	\$746,124	

Unrecognized deferred tax assets

As of December 31, 2019 and 2018, deferred tax assets have not been recognized in respect of unused tax losses, unused tax credits and deductible temporary differences amounting to NT\$322,870 thousand and NT\$284,532 thousand, respectively, as the future taxable profit may not be available.

The assessment of income tax returns

As of December 31, 2019, the income tax returns of the Company is assessed and approved up to 2017. No significant difference existed between the tax declared and approved.

(24) 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.

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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.

	<u>For the years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
A. Basic earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousand NT\$)	\$(145,955)	\$(41,988)
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	790,000	784,575
Basic earnings per share (NT\$)	<u>\$(0.18)</u>	<u>\$(0.05)</u>

Due to the loss in 2019 and 2018, the calculation of diluted earnings per share were not needed.

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.

7. RELATED PARTY TRANSACTIONS

Information of the related parties that had transactions with the Company 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
Taiwan Asset Management Corporation(Note1)	Legal person as corporate director
Xxentria Technology Materials Co., Ltd. (Note2)	Legal person as corporate director
Anmei Investment Inc.	Legal person as corporate director
Weifu Investment Co., Ltd	Legal person as corporate director
Sanyang Motor Co., Ltd	Other related party
Nan Yang Industries Co.,Ltd.	Other related party
YEC Biotech Company	Other related party
Vitalon Foods Company	Other related party
Oriental Silicas Corporation	Other related party
Alibaba International Ltd.	Other related party

Note1: Since October 30, 2018, Taiwan Asset Management Corporation was not the Legal person as corporate director of the Company because Taiwan Asset Management Corporation sold more than half of shares which were at elected as a corporate director.

Note2: Since August 1, 2019, Xxentria Technology Materials Co., Ltd. was not the Legal person as corporate director of the Company due to the re-election of corporate directors.

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Significant transactions with related parties:

(1) Sales, Rent and Receivables

A. Sales

	For the years ended December 31,	
	2019	2018
Associate - Great Construction System Inc.	\$109	\$131
Legal person as corporate director	36	239
Other related parties	606	-
Others	153	-
Total	<u>\$904</u>	<u>\$370</u>

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 customers.

B. Rental income

	For the years ended December 31,	
	2019	2018
Associate - Great Construction System Inc.	<u>\$971</u>	<u>\$971</u>

The term of the lease agreement is one year. The payment is made monthly.

C. Receivables

	For the years ended December 31,	
	2019	2018
Associate - Great Construction System Inc.	\$108	\$107
Other related parties	47	-
Others	15	-
Total	<u>\$170</u>	<u>\$170</u>

(2) Key management personnel compensation

	For the years ended December 31,	
	2019	2018
Short-term employee benefits	\$20,829	\$20,877
Post-employment benefits	330	419
Total	<u>\$21,159</u>	<u>\$21,296</u>

(3) Other related parties transactions

A. Operating expenses

	For the years ended December 31,	
	2019	2018
Other related parties	<u>\$31</u>	<u>\$-</u>

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B. Other Income

	For the years ended December 31,	
	2019	2018
Associate - Great Construction System Inc.	\$255	\$254

C. Finance costs

	For the years ended December 31,	
	2019	2018
Legal person as corporate director	\$-	\$1,705

8. ASSETS PLEDGED AS SECURITY

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

Pledged Assets	Contents	As at	
		December 31, 2019	December 31, 2018
Inventory - property	Bank loan	\$704,223	\$703,781
Financial assets measured at amortized cost	Bank credit agreement	9,614	8,871
Other financial assets (under other non-current asset)	Business related pledge and construction contract compliance fee	559	614
Non-current assets - held for sale	Bank loan	-	74
Property, plant and equipment:			
Land	Bank loan	4,017,827	3,992,785
Buildings	Bank loan	176,605	181,890
Investment property:			
Land	Bank loan and commercial paper pledge	5,999,929	5,528,889
Buildings	Bank loan	802,660	832,484
Total		\$11,711,417	\$11,249,388

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, 2019, the notes receivable and the guaranteed deposit related to sale of land or construction contract are NT\$55,531 thousand.
- (3) As of December 31, 2019, the notes payable and the guaranteed deposits paid related to bank financing and construction project are NT\$63,000 thousand
- (4) As of December 31, 2019, in response to merchandise import, the Company has opened a line of credit with unused amount estimated to be NT\$332 thousand.

10. LOSSES DUE TO MAJOR DISASTERS

None.

11. SIGNIFICANT SUBSEQUENT EVENTS

None.

12. OTHERS

(1) Categories of financial instruments

<u>Financial assets</u>	As at	
	December 31, 2019	December 31, 2018
Financial assets at fair value through other comprehensive income	\$52,572	\$60,287
Financial assets measured at amortized cost:		
Cash and cash equivalents (excluding cash on hand and petty cash)	124,355	185,062
Financial assets measured at amortized cost (including non-current)	9,614	8,871
Notes receivable, net (including related parties)	2,166	662
Accounts receivable, net (including related parties)	16,361	14,786
Other receivables	849	10,908
Other financial assets - non-current	559	614
Subtotal	153,904	220,903
Total	\$206,476	\$281,190
<u>Financial liabilities</u>	As at	
	December 31, 2019	December 31, 2018
Financial liabilities at amortized cost:		
Short-term borrowings	\$50,000	\$1,120
Short-term notes and bills payable	49,772	-
Accounts payable (including related parties)	13,215	18,407
Other payables	135,047	195,954
Long-term borrowings (including current portion)	5,296,325	4,639,020
Lease liabilities(including non-current)	1,882	(Note)
Total	\$5,546,241	\$4,854,501

Note: The Company adopted IFRS 16 since January 1, 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

(2) Financial risk management objectives and policies

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

The Company 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 Company complies with its financial risk management policies at all times.

(3) Market risk

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

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

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Company's profit is performed on significant monetary items denominated in foreign currencies as at the end of the reporting period. The Company'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 2019 and 2018.

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 Company'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 10 basis points of interest rate in a reporting period could cause the profit for the year ended December 31, 2019 and 2018 to decrease/increase by NT\$5,265 thousand and NT\$4,455 thousand, respectively.

Equity price risk

The Company's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Company's listed equity securities are classified under financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income), while unlisted equity securities are classified as available-for-sale. The Company 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 Company's senior management on a regular basis. The Company's board of directors reviews and approves all equity investment decisions.

As of December 31, 2019, the Company does not possess investments in equity instrument at fair value through profit or loss

For the year ended December 31, 2019 and 2018, a change of 1% in the price of the listed companies stocks classified as equity instruments investments measured at fair value through other comprehensive income could have no significant impact on the equity attributable to the Company.

(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 Company 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.

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

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As of December 31, 2019 and 2018, amounts receivable from top ten customers represent 46% and 37% of the total accounts receivable of the Company, 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 Company's treasury in accordance with the Company's policy. The Company 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.

As of December 31, 2019, the Company does not possess investments in debt instrument at fair value through profit or loss

(5) Liquidity risk management

The Company'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 Company'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 liabilities

	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
As at December 31, 2019					
Borrowings	\$401,424	\$3,689,362	\$524,530	\$827,093	\$5,442,409
Short-term notes and bills payable	49,772	-	-	-	49,772
Trade payable (including related parties)	13,215	-	-	-	13,215
Other payables	135,047	-	-	-	135,047
Lease liabilities	792	720	488	174	2,174
As at December 31, 2018					
Borrowings	\$234,830	\$3,331,685	\$440,180	\$716,121	\$4,722,816
Trade payable (including related parties)	18,407	-	-	-	18,407
Other payables	195,954	-	-	-	195,954

(6) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for the year ended December 31, 2019:

	Short-term borrowings	Long-term borrowings (including current portion)	Leases liabilities	Short-term notes and bills payable	Total liabilities from financing activities
As at January 1, 2019	\$1,120	\$4,639,020	\$-	\$-	\$4,640,140
Cash flows	48,880	657,305	(1,180)	49,772	754,777
Non-cash changes	-	-	3,062	-	3,062
As at December 31, 2019	\$50,000	\$5,296,325	\$1,882	\$49,772	\$5,397,979

Reconciliation of liabilities for the year ended December 31, 2018:

All of the Company's changes in liabilities from financing activities changed by cash flows.

(7) Fair values of financial instruments

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used by the Company to measure or disclose the fair values of financial assets and financial liabilities:

- The carrying amount of cash and cash equivalents, accounts receivables, accounts payable and other current liabilities approximate their fair value due to their short maturities.
- 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, beneficiary certificates, bonds and futures etc.) at the reporting date.
- Fair value of equity instruments without market quotations (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities).

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B. Fair value of financial instruments measured at amortized cost

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

C. Information about financial instrument fair value level

Please refer to Note 12.(8) for fair value measurement hierarchy for financial instruments of the Company.

(8) Fair value hierarchy

A. Definition

All asset and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

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.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

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

As at December 31, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income				
Equity instrument measured at fair value through other comprehensive income	\$-	\$-	\$52,572	\$52,572

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As at December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income				
Equity instrument measured at fair value through other comprehensive income	\$410	\$-	\$59,877	\$60,287

Transfers between Level 1 and Level 2 during the period

During the year ended December 31, 2019 and 2018, there were no transfers between Level 1 and Level 2 fair value measurements.

The profit and (loss) related to possession of shares that were recognized in the total comprehensive income are both NT\$0 thousand for the periods up to December 31, 2019 and 2018.

Reconciliation for fair value measurements in Level 3 of the fair value hierarchy for movements during the period is as follows:

	Assets
	At fair value through other comprehensive income
	Stocks
Beginning balances as at January 1, 2019	\$59,877
Amount recognized in OCI (presented in "Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income)	(7,305)
Ending balances as at December 31, 2019	\$52,572
	Assets
	At fair value through other comprehensive income
	Stocks
Ending balances as at December 31, 2017	\$-
Effects of retrospective application and retrospective reprogramming	74,172
Beginning balances as at January 1, 2018	74,172
Amount recognized in OCI (presented in "Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income)	(14,295)
Ending balances as at December 31, 2018	\$59,877

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Information on significant unobservable inputs to valuation

Description of significant unobservable inputs to valuation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy is as follows:

As at December 31, 2019

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets:					
Financial assets at fair value through other comprehensive income					
Stocks	Market approach	discount for lack of marketability	10%~30%	The higher the discount for lack of marketability, the lower the fair value of the stocks	10% increase (decrease) in the discount for lack of marketability would result in increase (decrease) in the Company's profit or loss by NT\$6,065 thousand

As at December 31, 2018

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets:					
Financial assets at fair value through other comprehensive income					
Stocks	Market approach	discount for lack of marketability	40%	The higher the discount for lack of marketability, the lower the fair value of the stocks	10% increase (decrease) in the discount for lack of marketability would result in increase (decrease) in the Company's profit or loss by NT\$9,980 thousand

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Valuation process used for fair value measurements categorized within Level 3 of the fair value hierarchy

The Company's Accounting Department is responsible for validating the fair value measurements and ensuring that the results of the valuation are in line with market conditions, based on independent and reliable inputs which are consistent with other information, and represent exercisable prices. The Department analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Company's accounting policies at each reporting date.

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

As at December 31, 2019

	Level 1	Level 2	Level 3	Total
Non-current assets held for sale	\$-	\$-	\$40,635	\$40,635

As at December 31, 2018

	Level 1	Level 2	Level 3	Total
Non-current assets held for sale	\$-	\$-	\$32,610	\$32,610

	<u>Non-current assets held for sale</u> <u>For the years ended December 31,</u>	
	2019	2018
Opening balance	\$32,610	\$42,097
Sale	(152,330)	(328,540)
Reclassified from investment property	160,355	319,053
Ending balance	<u>\$40,635</u>	<u>\$32,610</u>

The use of significant unobservable inputs (Level 3) for fair value measurement information

Comment	Fair value as at December 31, 2019	Valuation method	The use of unobservable inputs	Weighted average
Non-current assets held for sale	\$40,635	Market comparison	Price per square meter (TWD)	\$1

The use of significant unobservable inputs (Level 3) for fair value measurement information

Comment	Fair value as at December 31, 2018	Valuation method	The use of unobservable inputs	Weighted average
Non-current assets held for sale	\$32,610	Market comparison	Price per square meter (TWD)	\$1

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D. Fair value measurement hierarchy of the Company's assets and liabilities not measured at fair value but for which the fair value is disclosed

As at December 31, 2019

	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value but for which the fair value is disclosed:				
Investment properties (Note 6.(9))	\$-	\$-	\$44,702,847	\$44,702,847

Financial liabilities not measured at fair value but for which the fair value is disclosed:

Loans	-	5,346,325	-	5,346,325
Short-term notes and bills payable	-	49,772	-	49,772

As at December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value but for which the fair value is disclosed:				
Investment properties (Note 6.(9))	\$-	\$-	\$41,628,649	\$41,628,649

Financial liabilities not measured at fair value but for which the fair value is disclosed:

Loans	-	4,640,140	-	4,640,140
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(9) Significant assets and liabilities denominated in foreign currencies

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

(10) Capital management

The primary objective of the Company'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 Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

(11) Legal Claim

Xinshixin International Investment Co., Ltd brought a complaint against the Company regarding confirmation of 2016 board meetings' and special shareholders' meetings' resolution. The Company has filed an appeal to the Supreme Court. On August 2, 2019, the Company was notified that the respondent, Xinshixin International Investment Co., Ltd., has withdrawn the complaint. Pursuant to Paragraph 1, Article 262 of the Code of Civil Procedure, the Company consented to the dismissal of the complaint. Since, the respondent, Xinshixin International Investment Co., Ltd., voluntarily withdrew the complaint in the third instance, the Supreme Court was not required by law to render a ruling. Thus, the action has no significant impact on the Company's financial status and business operation.

13. OTHER DISCLOSURE

(1) Significant transaction information

- A. Financings provided to others: None.
- B. Endorsement/guarantee provided to others: None.
- C. Securities held as of December 31, 2019 (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: 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 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 December 31, 2019 (excluding Mainland China)

A. Financing provided to others: None.

B. Endorsement/guarantee provided to others for the year ended December 31, 2019: None.

C. Securities held as of December 31, 2019: 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 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, 2019

A. The Company has investment in mainland China for the year ended December 31, 2019: None.

B. Significant transactions with investment companies from mainland China: None.

14. SEGMENT INFORMATION

(1) For management purposes, the Company 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.

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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, Company finance costs, finance income and income taxes are managed on a Company basis and are not allocated to operating segments.

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

(2) Information about profit or loss, assets and liabilities of reportable segments.

For the year ended December 31, 2019

	Trade and Department Store	Assets	Reportable Segment subtotal	Others	Adjustment and eliminations	Total
Revenue						
External customer	\$274,828	\$18,722	\$293,550	\$5,448	\$-	\$298,998
Inter-segment	-	-	-	-	-	-
Total revenue	\$274,828	\$18,722	\$293,550	\$5,448	\$-	\$298,998
Interest revenue	\$1	\$1	\$2	\$63	\$-	\$65
Interest expense	37	75,309	75,346	5	-	75,351
Depreciation and amortization	51,928	36,704	88,632	5,122	-	93,754
Segment profit	\$18,579	\$(83,155)	\$(64,576)	\$(107,979)	\$-	\$(172,555)
Assets						
Investments accounted for using the equity method	\$-	\$-	\$-	\$15,615	\$-	\$15,615
Capital expenditures on non-current assets	\$195,273	\$22,229	\$217,502	\$364,351	\$-	\$581,853
Segment assets	\$1,703,539	\$21,880,788	\$23,584,327	\$1,011,407	\$-	\$24,595,734
Segment liabilities	\$59,455	\$8,681,940	\$8,741,395	\$90,670	\$-	\$8,832,065

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For the year ended December 31, 2018

	Trade and Department Store	Assets	Reportable Segment subtotal	Others	Adjustment and eliminations	Total
Revenue						
External customer	\$231,178	\$19,378	\$250,556	\$3,681	\$-	\$254,237
Inter-segment	-	-	-	-	-	-
Total revenue	\$231,178	\$19,378	\$250,556	\$3,681	\$-	\$254,237
Interest revenue	\$2	\$5	\$7	\$42	\$-	\$49
Interest expense	41	54,682	54,723	444	-	55,167
Depreciation and amortization	28,656	53,192	81,848	5,966	-	87,814
Segment profit	\$4,032	\$14,582	\$18,614	\$(72,590)	\$-	\$(53,976)
Assets						
Investments accounted for using the equity method	\$-	\$-	\$-	\$35,708	\$-	\$35,708
Capital expenditures on non-current assets	\$172,310	\$25,507	\$197,817	\$626,604	-	\$824,421
Segment assets	\$1,261,650	\$21,427,618	\$22,689,268	\$1,666,907	\$-	\$24,356,175
Segment liabilities	\$54,189	\$7,972,269	\$8,026,458	\$177,930	\$-	\$8,204,388

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

A. Revenue

	For the years ended December 31,	
	2019	2018
Total revenue from reportable segments	\$293,550	\$250,556
Other revenue	5,448	3,681
Elimination of inter-segment revenue	-	-
Total revenue	\$298,998	\$254,237

B. Profit or loss

	For the years ended December 31,	
	2019	2018
Total profit or loss for reportable segments	\$(64,576)	\$18,614
Other profit or loss	(107,979)	(72,590)
Elimination of inter-segment profit	-	-
Profit (loss) before tax from continuing operations	\$(172,555)	\$(53,976)

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C. Assets

	As at	
	December 31, 2019	December 31, 2018
Total assets of reportable segments	\$23,584,327	\$22,689,268
Other assets	1,011,407	1,666,907
Adjustment and elimination	-	-
Total assets	<u>\$24,595,734</u>	<u>\$24,356,175</u>

D. Liabilities

	As at	
	December 31, 2019	December 31, 2018
Total liabilities of reportable segments	\$8,741,395	\$8,026,458
Other liabilities	90,670	177,930
Adjustment and elimination	-	-
Total liabilities	<u>\$8,832,065</u>	<u>\$8,204,388</u>

E. Other material items

For the year ended December 31, 2019

	Reportable segments	Other segments	Adjustments	Total
Interest revenue	\$2	\$63	\$-	\$65
Interest expense	75,346	5	-	75,351
Capital expenditures on non-current assets	217,502	364,351	-	581,853
Depreciation and amortization	88,632	5,122	-	93,754

For the year ended December 31, 2018

	Reportable segments	Other segments	Adjustments	Total
Interest revenue	\$7	\$42	\$-	\$49
Interest expense	54,723	444	-	55,167
Capital expenditures on non-current assets	197,817	626,604	-	824,421
Depreciation and amortization	81,848	5,966	-	87,814

(4) Geographical information

Revenue from external customers

	For the years ended December 31,	
	2019	2018
Taiwan	\$298,998	\$254,237

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

(5) Information about major customers

	For the years ended December 31,	
	2019	2018
Customer A from trade segment	\$41,657	\$26,146
Customer B from trade segment	16,435	14,726
Total	\$58,092	\$40,872

ATTACHMENT 1 (Securities held as at December 31, 2019) (Excluding subsidiaries, associates and joint ventures)
(Amount in thousand; Currency denomination in NTD or in foreign currencies)

The Company

				December 31, 2019				
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 at fair value through other comprehensive income - non-current	763	2,525	1	2,525	
Stock	CHINESE PRODUCTS PROMOTION CENTER	-	Financial assets at fair value through other comprehensive income - non-current	26	2,452	7	2,452	
Stock	CORE PACIFIC CITY CO., LTD.	-	Financial assets at fair value through other comprehensive income - non-current	7,476	45,529	1	45,529	
Stock	NEXCELL BATTERY CO., LTD.	-	Financial assets at fair value through other comprehensive income - non-current	1,120	574	1	574	
Stock	PACIFIC REHOUSE SERVICE CO., LTD	-	Financial assets at fair value through other comprehensive income - non-current	38	239	-	239	
Stock	PCHOME INVESTMENT & DEVELOPMENT CORPORATION	-	Financial assets at fair value through other comprehensive income - non-current	79	1,253	3	1,253	
Stock	PACIFIC CONSTRUCTION CO., LTD.	-	Financial assets at fair value through other comprehensive income - non-current	0.014	-	-	-	

Note1 : Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities, as defined in IFRS 9“Financial Instruments”.

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 at December 31, 2019) (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 at December 31, 2019			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	\$42,406	\$42,406	3,436	34.36%	\$15,615	\$(58,724)	\$(20,176)	Note 4

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.