

**PRINCE HOUSING & DEVELOPMENT
CORP. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
REVIEW REPORT OF INDEPENDENT
ACCOUNTANTS
JUNE 30, 2018 AND 2017**

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

REVIEW REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of Prince Housing & Development Corp.

Introduction

We have reviewed the accompanying consolidated balance sheets of Prince Housing & Development Corp. and subsidiaries (the “Group”) as at June 30, 2018 and 2017, and the related consolidated statements of comprehensive income for the three months and six months then ended, as well as the consolidated statements of changes in equity and of cash flows for the six months then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of Review

Except as explained in the following paragraph, we conducted our reviews in accordance with the Statement of Auditing Standards No. 65 “Review of Financial Information Performed by the Independent Auditor of the Entity” in the Republic of China. A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As explained in Note 4(3), the financial statements of certain insignificant consolidated subsidiaries were not reviewed by independent accountants. Those statements reflect total assets of NT\$2,841,864 thousand and NT\$4,665,499 thousand, constituting 5% and 9% of the consolidated total assets, and total liabilities of NT\$420,574 thousand and NT\$1,911,442 thousand, constituting 1% and 6% of the consolidated total liabilities as at June 30, 2018 and 2017, and total comprehensive income of NT\$85,596 thousand, NT\$121,848 thousand, NT\$184,420 thousand and NT\$164,361 thousand, constituting 55%, 86%, 47% and 45% of the consolidated total comprehensive income for the three months and six months ended June 30, 2018 and 2017, respectively. As explained in Note 6(7), investments accounted for under equity method were assessed and disclosed based on the financial statements that were not reviewed by the independent accountants, which statements reflect share of profit (loss) of associates and joint ventures of NT\$113 thousand, NT\$13,945 thousand, NT(\$751) thousand and NT\$17,903 thousand for the three months and six months ended June 30, 2018 and 2017, respectively, and investments (including credit balance transferred to other non-current liabilities-others of NT\$144,735 thousand and NT\$138,536 thousand) of NT\$1,669,320 thousand and NT\$1,700,683 thousand as at June 30, 2018 and 2017, respectively.

Qualified Conclusion

Except for the adjustments to the consolidated financial statements, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries and investments accounted for under equity method been reviewed by independent accountants, that we might have become aware of had it not been for the situation described above, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as at June 30, 2018 and 2017, and of its consolidated financial performance for the three months and six months then ended and its consolidated cash flows for the six months then ended in accordance with “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission.

Wu, Chien-Chih

Wang, Kuo-Hua

For and on behalf of PricewaterhouseCoopers, Taiwan

August 9, 2018

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated 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, PricewaterhouseCoopers 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.

PRINCE HOUSING & DEVELOPMENT CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)
(The consolidated balance sheets as of June 30, 2018 and 2017 are reviewed, not audited)

			June 30, 2018		December 31, 2017		June 30, 2017	
Assets		Notes	AMOUNT	%	AMOUNT	%	AMOUNT	%
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 3,676,642	7	\$ 4,221,849	8	\$ 3,639,582	7
1110	Financial assets at fair value through profit or loss - current	6(2) and 8	1,111,557	2	839,107	2	740,205	1
1140	Current contract assets	6(23)	482,688	1	-	-	-	-
1150	Notes receivable, net	6(4)	122,329	-	97,488	-	143,677	-
1170	Accounts receivable, net	6(4)	684,196	1	694,776	1	811,591	2
1180	Accounts receivable - related parties	7	45,445	-	14,190	-	45,296	-
1190	Receivables from customers on construction contracts	12(5)	-	-	370,577	1	443,771	1
1200	Other receivables		126,934	-	70,738	-	192,687	-
1220	Current income tax assets		-	-	85,945	-	-	-
130X	Inventory, net	6(5) and 8	22,474,877	43	22,062,479	44	23,392,222	44
1410	Prepayments		281,530	1	255,599	1	185,568	-
1476	Other financial assets - current	8	3,512,884	7	1,354,298	3	3,018,097	6
1479	Other current assets	6(6)	238,741	-	230,645	-	332,098	1
11XX	Current Assets		32,757,823	62	30,297,691	60	32,944,794	62
Non-current assets								
1510	Financial assets at fair value through profit or loss - non-current	6(2) and 8	78,728	-	78,552	-	78,381	-
1517	Total non-current financial assets at fair value through other comprehensive income	6(3) and 8	1,914,744	4	-	-	-	-
1523	Available-for-sale financial assets - non-current	8 and 12(4)	-	-	1,133,158	2	1,222,675	2
1543	Financial assets carried at cost - non-current	8 and 12(4)	-	-	855,030	2	855,030	2
1550	Investments accounted for under equity method	6(7) and 8	1,814,055	4	1,830,246	4	1,839,219	4
1600	Property, plant and equipment, net	6(8) and 8	6,335,742	12	6,422,886	13	6,449,106	12
1760	Investment property, net	6(9) and 8	5,823,130	11	5,867,885	12	5,912,558	11
1780	Intangible assets, net	6(10)	2,148,295	4	2,179,473	4	2,210,540	4
1840	Deferred income tax assets		142,920	-	123,531	-	124,074	-
1920	Refundable deposits	7 and 9	631,510	1	597,736	1	613,600	1
1980	Other financial assets - non-current	8	900,127	2	811,057	2	720,560	2
1990	Other non-current assets		77,390	-	77,880	-	81,609	-
15XX	Non-current assets		19,866,641	38	19,977,434	40	20,107,352	38
1XXX	Total assets		\$ 52,624,464	100	\$ 50,275,125	100	\$ 53,052,146	100

(Continued)

PRINCE HOUSING & DEVELOPMENT CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)
(The consolidated balance sheets as of June 30, 2018 and 2017 are reviewed, not audited)

	Liabilities and Equity	Notes	June 30, 2018		December 31, 2017		June 30, 2017	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
	Current liabilities							
2100	Short-term borrowings	6(11) and 8	\$ 990,000	2	\$ 860,000	2	\$ 1,425,659	3
2110	Short-term notes and bills payable	6(12) and 8	735,667	1	1,055,558	2	180,000	-
2130	Current contract liabilities	6(23)	1,444,812	3	-	-	-	-
2150	Notes payable		11,794	-	17,167	-	28,294	-
2170	Accounts payable		1,763,001	3	2,305,347	5	2,258,698	4
2190	Payables to customers on construction contracts	12(5)	-	-	10,202	-	28,543	-
2200	Other payables		1,983,093	4	1,008,891	2	2,554,789	5
2220	Other payables - related parties	7	48,515	-	64,651	-	38,018	-
2230	Current income tax liabilities		29,215	-	18,396	-	17,381	-
2310	Receipts in advance	6(13)	1,060	-	1,264,324	3	3,827,316	7
2320	Long-term liabilities, current portion	6(14)(15) and 8	10,541,531	20	8,688,322	17	3,946,954	8
2399	Other current liabilities		53,207	-	52,402	-	36,067	-
21XX	Current Liabilities		<u>17,601,895</u>	<u>33</u>	<u>15,345,260</u>	<u>31</u>	<u>14,341,719</u>	<u>27</u>
	Non-current liabilities							
2530	Bonds payable	6(14)	4,500,000	9	2,000,000	4	4,500,000	9
2540	Long-term borrowings	6(15) and 8	4,833,064	9	6,596,153	13	8,607,460	16
2550	Provisions for liabilities - non-current	6(16)	107,101	-	99,539	-	114,431	-
2570	Deferred income tax liabilities		315,410	1	320,839	1	345,839	1
2610	Long-term notes and accounts payable		759,330	2	744,346	2	784,665	2
2620	Long-term notes and accounts payable to related parties	7	561,680	1	571,727	1	580,292	1
2640	Net defined benefit liability - non-current		75,128	-	92,774	-	86,359	-
2645	Guarantee deposits received		137,486	-	136,198	-	138,138	-
2670	Other non-current liabilities	6(7)	197,612	-	191,637	-	187,706	-
25XX	Non-current liabilities		<u>11,486,811</u>	<u>22</u>	<u>10,753,213</u>	<u>21</u>	<u>15,344,890</u>	<u>29</u>
2XXX	Total Liabilities		<u>29,088,706</u>	<u>55</u>	<u>26,098,473</u>	<u>52</u>	<u>29,686,609</u>	<u>56</u>
	Equity attributable to owners of parent							
	Share capital							
3110	common stock	6(18)	16,233,261	31	16,233,261	32	16,233,261	31
	Capital surplus	6(19)						
3200	Capital surplus		2,260,513	4	2,260,513	5	2,260,513	4
	Retained earnings	6(20)						
3310	Legal reserve		1,933,605	4	1,805,495	3	1,805,495	3
3350	Unappropriated retained earnings		1,887,039	3	2,589,627	5	1,679,188	3
	Other equity interest	6(21) and 12(4)						
3400	Other equity interest		917,715	2	974,377	2	1,068,274	2
3500	Treasury stocks	6(18)	(1,003)	-	(1,003)	-	(1,003)	-
31XX	Equity attributable to owners of the parent		<u>23,231,130</u>	<u>44</u>	<u>23,862,270</u>	<u>47</u>	<u>23,045,728</u>	<u>43</u>
36XX	Non-controlling interest		<u>304,628</u>	<u>1</u>	<u>314,382</u>	<u>1</u>	<u>319,809</u>	<u>1</u>
3XXX	Total equity		<u>23,535,758</u>	<u>45</u>	<u>24,176,652</u>	<u>48</u>	<u>23,365,537</u>	<u>44</u>
	Significant contingent liabilities and unrecognised contract commitments	9						
3X2X	Total liabilities and equity		<u>\$ 52,624,464</u>	<u>100</u>	<u>\$ 50,275,125</u>	<u>100</u>	<u>\$ 53,052,146</u>	<u>100</u>

The accompanying notes are an integral part of these consolidated financial statements.

PRINCE HOUSING & DEVELOPMENT CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except for earnings per share)
(UNAUDITED)

Items	Notes	Three months ended June 30				Six months ended June 30			
		2018		2017		2018		2017	
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
4000 Sales revenue	6(23), 7 and 12(5)	\$ 2,036,071	100	\$ 1,747,388	100	\$ 3,977,962	100	\$ 3,765,706	100
5000 Operating costs	6(5)(10)(27)	(1,387,047)	(68)	(1,119,118)	(64)	(2,641,171)	(66)	(2,470,314)	(65)
5900 Gross profit		<u>649,024</u>	<u>32</u>	<u>628,270</u>	<u>36</u>	<u>1,336,791</u>	<u>34</u>	<u>1,295,392</u>	<u>35</u>
Operating expenses	6(10)(27) and 7								
6100 Selling expenses		(76,873)	(4)	(70,221)	(4)	(138,678)	(4)	(145,947)	(4)
6200 General and administrative expenses		(427,390)	(21)	(432,957)	(25)	(839,267)	(21)	(832,313)	(22)
6450 Impairment gain and reversal of impairment loss determined in accordance with IFRS 9		<u>148</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>148</u>	<u>-</u>	<u>-</u>	<u>-</u>
6000 Total operating expenses		(504,115)	(25)	(503,178)	(29)	(977,797)	(25)	(978,260)	(26)
6900 Operating profit		<u>144,909</u>	<u>7</u>	<u>125,092</u>	<u>7</u>	<u>358,994</u>	<u>9</u>	<u>317,132</u>	<u>9</u>
Non-operating income and expenses									
7010 Other income	6(24)	48,078	2	95,003	6	103,908	3	124,025	3
7020 Other gains and losses	6(2)(25)	107,348	5	21,122	1	134,936	3	952	-
7050 Finance costs	6(5)(26)	(49,542)	(2)	(49,533)	(3)	(93,926)	(2)	(95,395)	(3)
7060 Share of profit/(loss) of associates and joint ventures accounted for under equity method	6(7)	<u>113</u>	<u>-</u>	<u>13,945</u>	<u>1</u>	<u>(751)</u>	<u>-</u>	<u>17,903</u>	<u>1</u>
7000 Total non-operating income and expenses		<u>105,997</u>	<u>5</u>	<u>80,537</u>	<u>5</u>	<u>144,167</u>	<u>4</u>	<u>45,581</u>	<u>1</u>
7900 Profit before income tax		250,906	12	205,629	12	503,161	13	362,713	10
7950 Income tax expense	6(28)	(27,397)	(1)	7,817	-	(33,198)	(1)	(11,147)	-
8200 Profit for the period		<u>\$ 223,509</u>	<u>11</u>	<u>\$ 213,446</u>	<u>12</u>	<u>\$ 469,963</u>	<u>12</u>	<u>\$ 351,566</u>	<u>10</u>
Other comprehensive income									
Components of other comprehensive income that will not be reclassified to profit or loss									
8316 Unrealised gains or loss on financial assets at fair value through other comprehensive income	6(3)	(\$ 69,597)	(3)	\$ -	-	(\$ 81,306)	(2)	\$ -	-
8310 Components of other comprehensive income that will not be reclassified to profit or loss		(69,597)	(3)	-	-	(81,306)	(2)	-	-
Components of other comprehensive income that will be reclassified to profit or loss									
8362 Other comprehensive (loss) income, before tax, available- for-sale financial assets	12(4)	-	-	(71,603)	(4)	-	-	10,004	-
8360 Components of other comprehensive (loss) income that will be reclassified to profit or loss		-	-	(71,603)	(4)	-	-	10,004	-
8300 Total other comprehensive (loss) income for the period		(\$ 69,597)	(3)	(\$ 71,603)	(4)	(\$ 81,306)	(2)	\$ 10,004	-
8500 Total comprehensive income for the period		<u>\$ 153,912</u>	<u>8</u>	<u>\$ 141,843</u>	<u>8</u>	<u>\$ 388,657</u>	<u>10</u>	<u>\$ 361,570</u>	<u>10</u>
Profit (loss), attributable to:									
8610 Owners of the parent		\$ 225,572	11	\$ 222,369	13	\$ 479,717	12	\$ 362,419	10
8620 Non-controlling interest		(2,063)	-	(8,923)	(1)	(9,754)	-	(10,853)	-
		<u>\$ 223,509</u>	<u>11</u>	<u>\$ 213,446</u>	<u>12</u>	<u>\$ 469,963</u>	<u>12</u>	<u>\$ 351,566</u>	<u>10</u>
Comprehensive income attributable to:									
8710 Owners of the parent		\$ 155,975	8	\$ 150,766	9	\$ 398,411	10	\$ 372,423	10
8720 Non-controlling interest		(2,063)	-	(8,923)	(1)	(9,754)	-	(10,853)	-
		<u>\$ 153,912</u>	<u>8</u>	<u>\$ 141,843</u>	<u>8</u>	<u>\$ 388,657</u>	<u>10</u>	<u>\$ 361,570</u>	<u>10</u>
Earnings per share (in dollars)	6(29)								
9750 Basic earnings per share		<u>\$ 0.14</u>		<u>\$ 0.14</u>		<u>\$ 0.30</u>		<u>\$ 0.22</u>	
9850 Diluted earnings per share		<u>\$ 0.14</u>		<u>\$ 0.14</u>		<u>\$ 0.29</u>		<u>\$ 0.22</u>	

The accompanying notes are an integral part of these consolidated financial statements.

PRINCE HOUSING & DEVELOPMENT CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

Notes	Equity attributable to owners of the parent										Non-controlling interest	Total equity	
	Share capital – common stock	Capital surplus	Legal reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Other equity interest				Treasury stocks			Total
						Retained earnings	Unrealised gains or loss on financial assets at fair value through other comprehensive income	Unrealized gain or loss on available-for-sale financial assets					
Six months ended June 30, 2017													
Balance at January 1, 2017	\$ 16,233,261	\$ 2,260,513	\$ 1,644,576	\$ 3,101,014	(\$ 48)	\$ -	-	\$ 1,058,318	(\$ 1,003)	\$ 24,296,631	\$ 330,662	\$ 24,627,293	
Profit (loss) for the period	-	-	-	362,419	-	-	-	-	-	362,419	(10,853)	351,566	
Other comprehensive income for the period	-	-	-	-	-	-	-	10,004	-	10,004	-	10,004	
Total comprehensive income (loss) for the six months ended June 30, 2017	-	-	-	362,419	-	-	-	10,004	-	372,423	(10,853)	361,570	
Appropriations and distribution of 2016 earnings													
Legal reserve	-	-	160,919	(160,919)	-	-	-	-	-	-	-	-	
Cash dividends	-	-	-	(1,623,326)	-	-	-	-	-	(1,623,326)	-	(1,623,326)	
Balance at June 30, 2017	\$ 16,233,261	\$ 2,260,513	\$ 1,805,495	\$ 1,679,188	(\$ 48)	\$ -	-	\$ 1,068,322	(\$ 1,003)	\$ 23,045,728	\$ 319,809	\$ 23,365,537	
Six months ended June 30, 2018													
Balance at January 1, 2018	\$ 16,233,261	\$ 2,260,513	\$ 1,805,495	\$ 2,589,627	(\$ 48)	\$ -	-	\$ 974,425	(\$ 1,003)	\$ 23,862,270	\$ 314,382	\$ 24,176,652	
Effects of retrospective adjustments	-	-	-	-	-	-	1,000,036	(974,425)	-	25,611	-	25,611	
Balance at 1 January, 2018 after adjustments	16,233,261	2,260,513	1,805,495	2,589,627	(48)	1,000,036	-	-	(1,003)	23,887,881	314,382	24,202,263	
Profit (loss) for the period	-	-	-	479,717	-	-	-	-	-	479,717	(9,754)	469,963	
Other comprehensive loss for the period	-	-	-	-	-	-	(81,306)	-	-	(81,306)	-	(81,306)	
Total comprehensive income (loss) for the six months ended June 30, 2018	-	-	-	479,717	-	(81,306)	-	-	-	398,411	(9,754)	388,657	
Appropriations and distribution of 2017 earnings													
Legal reserve	-	-	128,110	(128,110)	-	-	-	-	-	-	-	-	
Cash dividends	-	-	-	(1,055,162)	-	-	-	-	-	(1,055,162)	-	(1,055,162)	
Disposal of financial assets at fair value through other comprehensive income	-	-	-	967	-	-	(967)	-	-	-	-	-	
Balance at June 30, 2018	\$ 16,233,261	\$ 2,260,513	\$ 1,933,605	\$ 1,887,039	(\$ 48)	\$ 917,763	\$ -	\$ -	(\$ 1,003)	\$ 23,231,130	\$ 304,628	\$ 23,535,758	

The accompanying notes are an integral part of these consolidated financial statements.

PRINCE HOUSING & DEVELOPMENT CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

		Six months ended June 30	
	Notes	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		\$ 503,161	\$ 362,713
Adjustments			
Income and expenses having no effect on cash flows			
Net gain on financial assets at fair value through profit or loss	6(2)(25)	(62,626)	(26,098)
Reversal of expected credit losses	12(2)	(148)	-
Reversal of provision for bad debts	12(4)	-	665
Share of loss (profit) of associates and joint ventures accounted for under equity method	6(7)	751	(17,903)
Loss on disposal of property, plant and equipment		1,066	2,673
(Gain) loss on disposal of investment property		(11)	951
Property, plant and equipment transferred to expenses		516	-
Depreciation	6(8)(9)(27)	171,585	175,611
Amortization	6(10)(27)	31,226	31,098
Interest expense	6(26)	93,326	94,795
Interest income	6(24)	(4,704)	(4,376)
Dividend income	6(24)	(55,020)	(65,163)
(Gain) loss on unrealized foreign exchange		(11,491)	26,622
Changes in assets/liabilities relating to operating activities			
Changes in operating assets			
Financial assets at fair value through profit or loss - current		(210,000)	(50,084)
Contract assets - current		(112,111)	-
Notes receivable		(24,841)	(41,338)
Accounts receivable		10,728	10,201
Accounts receivable - related parties		(31,255)	(22,636)
Receivables from customers on construction contracts		-	614,979
Other receivables		29,749	(34,061)
Inventories		(410,798)	(1,121,443)
Prepayments		(28,572)	36,867
Other current assets		(8,096)	(32,771)
Other non-current liabilities		490	(2,752)
Changes in operating liabilities			
Contract liabilities - current		302,104	-
Notes payable		(5,373)	(18,122)
Accounts payable		(542,346)	(703,225)
Payable to customers on construction contracts		-	(194,539)
Other payables		(92,420)	(254,322)
Other payables - related parties		(16,136)	(74,645)
Receipts in advance		(130,758)	2,439,861
Other current liabilities		805	(14,649)
Provisions for liabilities - non-current		7,562	39,224
Long-term notes and accounts payable-related parties		(10,047)	(8,565)
Net defined benefit liability - non-current		(17,646)	(4,750)
Other non-current liabilities-other		70	(3,353)
Cash (outflow) inflow generated from operations		(621,260)	1,141,465
Interest received		4,704	4,376
Cash dividend received		85,152	111,192
Interest paid		(81,866)	(64,982)
Income tax paid		(47,197)	(198,511)
Net cash flows (used in) from operating activities		(660,467)	993,540

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PRINCE HOUSING & DEVELOPMENT CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

	Notes	Six months ended June 30	
		2018	2017
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Increase in other financial assets - current		(\$ 2,158,586)	(\$ 2,092,176)
Return of share capital from financial assets carried at cost		-	22,770
Acquisition of property, plant and equipment		(41,107)	(71,481)
Proceeds from disposal of property, plant and equipment	6(8)	12	616
Proceeds from disposal of investment property		879	888
Increase in intangible assets	6(10)	(48)	(722)
Decrease in financial assets at fair value through other comprehensive income - non-current	6(3)	1,786	-
Return of share capital from financial assets at fair value through other comprehensive income - non-current		10,057	-
Increase in refundable deposits		(33,774)	(45,621)
Increase in other financial assets - non-current		(89,070)	(156,347)
Net cash flows used in investing activities		(2,309,851)	(2,342,073)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase (decrease) in short-term borrowings	6(32)	130,000	(850,000)
Decrease in short-term notes and bills payable	6(32)	(319,891)	(309,694)
Proceeds from issuing bonds	6(32)	2,500,000	2,000,000
Repayment of long-term borrowings	6(32)	(8,212,152)	(2,626,952)
Proceeds from long-term borrowings	6(32)	8,302,272	2,061,394
Increase in long-term notes and accounts payable	6(32)	14,984	62,103
Increase in guarantee deposits received	6(32)	1,288	2,788
Net cash flows from financing activities		2,416,501	339,639
Effect of exchange rate changes on cash and cash equivalents		8,610	(439)
Net decrease in cash and cash equivalents		(545,207)	(1,009,333)
Cash and cash equivalents at beginning of period		4,221,849	4,648,915
Cash and cash equivalents at end of period		<u>\$ 3,676,642</u>	<u>\$ 3,639,582</u>

The accompanying notes are an integral part of these consolidated financial statements.

PRINCE HOUSING & DEVELOPMENT CORP. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED JUNE 30, 2018 AND 2017

(EXPRESSED IN THOUSAND OF NEW TAIAN DOLLARS, EXCEPT AS OTHERWISE
INDICATED)

1. HISTORY AND ORGANIZATION

(1) Prince Housing & Development Corp. (the “Company”) was established in September 1973, under the Company Act and other related regulations. The Company is primarily engaged in the construction, leasing and sale of public housing, commercial building, tourism/recreation place (children’s playground, water park, etc.) and parking lot/parking tower, and leasing and sale of real estate. The common shares of the Company have been listed on the Taiwan Stock Exchange since April 1991.

(2) The main activities of the Company and its subsidiaries (collectively referred herein as the “Group”) are provided in Note 4(3) B.

2. THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

These consolidated financial statements were reported to the Board of Directors on August 9, 2018.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

New standards, interpretations and amendments endorsed by the FSC effective from 2018 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 2, ‘Classification and measurement of share-based payment transactions’	January 1, 2018
Amendments to IFRS 4, ‘Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts’	January 1, 2018
IFRS 9, ‘Financial instruments’	January 1, 2018
IFRS 15, ‘Revenue from contracts with customers’	January 1, 2018
Amendments to IFRS 15, ‘Clarifications to IFRS 15, Revenue from contracts with customers’	January 1, 2018
Amendments to IAS 7, ‘Disclosure initiative’	January 1, 2017
Amendments to IAS 12, ‘Recognition of deferred tax assets for unrealised losses’	January 1, 2017
Amendments to IAS 40, ‘Transfers of investment property’	January 1, 2018
IFRS 22, ‘Foreign currency transactions and advance consideration’	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle-Amendments to IFRS 1, ‘First-time adoption of International Financial Reporting Standards’	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle-Amendments to IFRS 12, ‘Disclosure of interests in other entities’	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle-Amendments to IAS 28, ‘Investments in associates and joint ventures’	January 1, 2018

Except for the following, the above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

A. IFRS 9, 'Financial instruments'

- (a) Classification of debt instruments is driven by the entity's business model and the contractual cash flow characteristics of the financial assets, which would be classified as financial asset at fair value through profit or loss, financial asset measured at fair value through other comprehensive income or financial asset measured at amortised cost. Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading.
- (b) The impairment losses of debt instruments are assessed using an 'expected credit loss' approach. An entity assesses at each balance sheet date whether there has been a significant increase in credit risk on that instrument since initial recognition to recognise 12-month expected credit losses or lifetime expected credit losses (interest revenue would be calculated on the gross carrying amount of the asset before impairment losses occurred); or if the instrument that has objective evidence of impairment, interest revenue after the impairment would be calculated on the book value of net carrying amount (i.e. net of credit allowance). The Group shall always measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables that do not contain a significant financing component.
- (c) The Group has elected not to restate prior period financial statements using the modified retrospective approach under IFRS 9. For details of the significant effect as at January 1, 2018, please refer to Notes 12(4)B and C.

B. IFRS 15, 'Revenue from contracts with customers' and amendments

- (a) IFRS15, 'Revenue from contracts with customers' replaces IAS 11 'Construction contracts', IAS 18 'Revenue' and relevant interpretations. According to IFRS 15, revenue is recognised when a customer obtains control of promised goods or services. A customer obtains control of goods or services when a customer has the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset.

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

Step 1: Identify contracts with customer.

Step 2: Identify separate performance obligations in the contract(s).

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price.

Step 5: Recognise revenue when the performance obligation is satisfied.

Further, IFRS 15 includes a set of comprehensive disclosure requirements that requires an entity to disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

(b) The Group has elected not to restate prior period financial statements and recognised the cumulative effect of initial application as retained earnings at January 1, 2018, using the modified retrospective approach under IFRS 15. The significant effects of adopting the modified transition as of January 1, 2018 are summarised below:

- i. According to IFRS 15, contract revenue related to construction shall be recognised as contract assets before which the consideration is paid by the customer or the payment can be collected from customer. Contract liabilities shall be recognised when the payment has been paid by the customer or the payment can be collected from customer before the goods or services transferred to customer. Under IAS 11, 'construction contract', net outcome of the progress billings, recognised cost and profits (loss) in relation to construction contract in previous period shall be presented as receivables (payables) from customers on construction contracts.
- ii. Under IFRS 15, liabilities in relation to real estate selling and leasing contracts are recognised as contract liabilities, but were previously presented as advance sales receipts in the balance sheet.
- iii. Accordingly, receivables from customers on construction contracts, payables from customers on construction contracts and advance sales receipts will have to be decreased by \$370,577, \$10,202 and \$1,132,506 on January 1, 2018, respectively, and contract assets and contract liabilities increased by \$370,577 and \$1,142,708, respectively.

C. Amendments to IAS 40, 'Transfers of investment property'

The amendment clarified that to transfer to, or from, investment properties there must be a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A change in management's intentions, in isolation, does not provide evidence of the change in use. In addition, the amendments added examples for the evidence of a change in use. The examples include assets under construction or development (not completed properties) transfer from investment property to owner-occupied property at commencement of development with a view to owner-occupation and transfer from inventories to investment property at inception of an operating lease to another party.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

New standards, interpretations and amendments endorsed by the FSC effective from 2019 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 9, 'Prepayment features with negative compensation'	January 1, 2019
IFRS 16, 'Leases'	January 1, 2019
Amendments to IFRS 19, 'Plan amendment, curtailment or settlement'	January 1, 2019
Amendments to IAS 28, 'Long-term interests in associates and joint ventures'	January 1, 2019
IFRS 23, 'Uncertainty over income tax treatments'	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

Except for the following, the above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment. The quantitative impact will be disclosed when the assessment is complete.

IFRS 16, 'Leases'

IFRS 16, 'Leases', replaces IAS 17, 'Leases' and related interpretations and SICs. The standard requires lessees to recognise a 'right-of-use asset' and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

In the first quarter of 2018, the Group reported to the Board of Directors that IFRS 16 has material impact to the Group.

The Group will adopt the simple modified retrospective transitional provisions of IFRS 16 'Lease', and classify the effects on the lease contract of lessee to January 1, 2019 in accordance with IFRS 16.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, 'Sale of contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2021

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted are consistent with Note 4 in the consolidated financial statements for the year ended December 31, 2017, except for the compliance statement, basis of preparations, basis of consolidation and additional policies as set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

- A. The consolidated financial statements of the Group have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Accounting Standard 34, ‘Interim financial reporting’ as endorsed by the FSC.
- B. These consolidated financial statements are to be read in conjunction with the consolidated financial statements for the year ended December 31, 2017.

(2) Basis of preparation

- A. Except for the following items, these consolidated financial statements have been prepared under the historical cost convention:
 - (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
 - (b) Financial assets at fair value through other comprehensive income / Available-for-sale financial assets measured at fair value.
 - (c) Defined benefit liabilities recognised based on the net amount of pension fund assets less unrecognised actuarial gains and present value of defined benefit obligation.
- B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.
- C. In adopting IFRS 9 and IFRS 15 effective January 1, 2018, the Group has elected to apply modified retrospective approach whereby the cumulative impact of the adoption was recognised as retained earnings or other equity as of January 1, 2018 and the financial statements for the year ended December 31, 2017 and the second quarter of 2017 were not restated. The financial statements for the year ended December 31, 2017 and the second quarter of 2017 were prepared in compliance with International Accounting Standard 39 (‘IAS 39’), International Accounting Standard 11 (‘IAS 11’), International Accounting Standard 18 (‘IAS 18’) and related financial reporting interpretations. Please refer to Notes 12(4) and (5) for details of significant accounting policies and details of significant accounts.

(3) Basis of consolidation

- A. Basis for preparation of consolidated financial statements:

The basis for preparation of consolidated financial statements is consistent with the basis used in the 2017 consolidated financial statements.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			June 30, 2018	December 31, 2017	
Prince Housing & Development Corp.	Prince Property Management Consulting Co., Ltd.	Real estate managers	100	100	Note 2
	Cheng-Shi Investment Holdings Co., Ltd.	General investments	100	100	
	Prince Housing Investment Co., Ltd.	Overseas investment	100	100	Note 2
	Dong-Feng Enterprises Co., Ltd.	Housebuilders and sales	100	100	Note 2
	The Splendor Hotel Taichung	Hotels and catering	50	50	Note 1
	Time Square International Co., Ltd.	Hotels and catering	100	100	
	Jin-Yi-Xing Plywood Co., Ltd.	Manufacture of plywood	99.65	99.65	Note 2
	Prince Industrial Co., Ltd.	Development of public housing and building	100	100	Note 2
	Prince Real Estate Co., Ltd.	Real estate trading and leasing	99.65	99.65	Note 2
	Times Square International Stays Corp.	Hotel and catering	100	-	Note 3
Prince Property Management Consulting Co., Ltd.	Prince Apartment Management Maintain Co., Ltd.	Management of apartment	100	100	Note 2
	Prince Security Co., Ltd.	Security	100	100	Note 2
Cheng-Shi Investment Holdings Co., Ltd.	Ta-Chen Construction & Engineering Corp.	Construction	100	100	
	Prince Utility Co., Ltd.	Electricity and water pipe maintenance	100	100	Note 2
	Cheng-Shi Construction Co., Ltd.	Construction	100	100	Note 2

Name of investor	Name of subsidiary	Main business activities	Ownership (%)	
			June 30, 2017	Description
Prince Housing & Development Corp.	Prince Property Management Consulting Co., Ltd.	Real estate managers	100	Note 2
	Cheng-Shi Investment Holdings Co., Ltd.	General investments	100	
	Prince Housing Investment Co., Ltd.	Overseas investment	100	Note 2
	Dong-Feng Enterprises Co., Ltd.	Housebuilders and sales	100	Note 2
	The Splendor Hotel Taichung	Hotels and catering	50	Note 1
	Time Square International Co., Ltd.	Hotels and catering	100	Note 4
	Jin-Yi-Xing Plywood Co., Ltd.	Manufacture of plywood	99.65	Note 2
	Prince Industrial Co., Ltd.	Development of public housing and building	100	Note 2
	Prince Real Estate Co., Ltd.	Real estate trading and leasing	99.65	Note 2
Prince Property Management Consulting Co., Ltd.	Prince Apartment Management Maintain Co., Ltd.	Management of apartment	100	Note 2
	Prince Security Co., Ltd.	Security	100	Note 2
Cheng-Shi Investment Holdings Co., Ltd.	Ta-Chen Construction & Engineering Corp.	Construction	100	
	Prince Utility Co., Ltd.	Electricity and water pipe maintenance	100	Note 2
	Cheng-Shi Construction Co., Ltd.	Construction	100	Note 2

Note 1: The Group does not directly or indirectly own above 50% of voting shares of The Splendor Hotel Taichung. However, as the Group has control over the finance and operations of the company, it is included in the consolidated financial statements.

Note 2: The financial statements of the entity as of and for the six months ended June 30, 2018 and 2017 were not reviewed by the independent accountants as the entity did not meet the definition of a significant subsidiary.

Note 3: It was a newly established company in the second quarter of 2018.

Note 4: The financial statements of the entity as of and for the six months ended June 30, 2017 were not reviewed by the independent accountants as the entity did not meet the definition of a significant subsidiary.

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group:

The Group's non-controlling interest is not material and thus, is not applicable.

(4) Financial assets at fair value through profit or loss

Effective 2018

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial liabilities at fair value. All related transaction costs are recognised in profit or loss. The Group subsequently measures these financial liabilities at fair value with any gain or loss recognised in profit or loss.
- D. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(5) Financial assets at fair value through other comprehensive income

Effective 2018

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value:
The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(6) Financial assets at amortised cost

Effective 2018

- A. Financial assets at amortised cost are those that meet all of the following criteria:
 - (a) The objective of the Group's business model is achieved by collecting contractual cash flows.
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at amortised cost are recognised and derecognised using trade date accounting.

- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognised in profit or loss when the asset is derecognised or impaired.
- D. The Group's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(7) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(8) Impairment of financial assets

For financial assets at amortised cost, at each reporting date, the Group recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Group recognises the impairment provision for lifetime ECLs.

(9) Notes and accounts payable

- A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.
- B. The Group initially measures notes and accounts payable at fair value and subsequently amortises the interest expense in profit or loss over the period of circulation using the effective interest method.

(10) Employee benefits

Pension-defined contribution plans

Pension cost for the interim period is calculated on a year-to-date basis by using the pension cost rate derived from the actuarial valuation at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events. And, the related information is disclosed accordingly.

(11) Income taxes

- A. The interim period income tax expense is recognised based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period, and the related information is disclosed accordingly.
- B. If a change in tax rate is enacted or substantively enacted in an interim period, the Group recognises the effect of the change immediately in the interim period in which the change occurs. The effect of the change on items recognised outside profit or loss is recognised in other comprehensive income or equity while the effect of the change on items recognised in profit or loss is recognised in profit or loss.

(12) Revenue recognition

A. Sales of services

The Group provides security and property management services. Revenue from a service contract in which the Group bills an agreed amount of service provided is recognised at the amount to which the Group has the right to invoice.

B. Land development and resale

(a) The Group develops and sells residential properties. Revenue is recognised when control over the property has been transferred to the customer. The properties have generally no alternative use for the Group due to contractual restrictions. However, an enforceable right to payment does not arise until legal title has passed to the customer. Therefore, revenue is recognised at a point in time when the legal title has passed to the customer.

(b) The revenue is measured at an agreed upon amount under the contract. The consideration is due when legal title has been transferred. While deferred payment terms may be agreed in rare circumstances, the deferral never exceeds twelve months. The transaction price is therefore not adjusted because the contract does not include a significant financing component.

C. Construction contract revenue

The Group sub-contracts public construction projects, sale and lease of public housings and business buildings. The construction contracts are identified to be one performance obligation satisfied over time. Contract revenue should be recognised by reference to the stage of completion of the contract activity, using the percentage-of-completion method of accounting, over the contract term. The stage of completion of a contract is measured by the proportion of contract costs incurred for work performed to date to the estimated total costs for the contract. If the outcome of a performance obligation cannot be estimated reliably in the beginning of the contract, but the incurred costs for satisfying performance obligation can be recovered, contract revenue should be recognised only to the extent of contract costs incurred that it is probable will be recoverable until the performance obligation can be estimated reliably. The customer pays at the time specified in the payment schedule. If the input construction cost exceed the payment, a contract asset is recognised. If the payments exceed the input construction cost, a contract liability is recognised.

D. Hospitality service revenue

The Group provides related services, such as accommodation and room service. Sales revenue will be recognised when goods are sold or services are provided. Consideration is collected when customers purchase goods or services.

E. Service concession revenue

Information on service concession revenue is provided in Note 4(13).

F. Rental revenue

The Group leases offices and dormitories. Rental revenue is recognised when services rendered to the customers in the reporting period. Revenue and accounts receivable from a service contract are recognised in which the Group bills at the amount to which the Group has the right to invoice.

G. Incremental costs of obtaining a contract

The Group recognises an asset (shown as 'other current assets') the incremental costs (mainly comprised of sales commissions) of obtaining a contract with a customer if the Group expects to recover those costs. The recognised asset is amortised on a systematic basis that is consistent with the transfers to the customer of the goods or services to which the asset relates. The Group recognises an impairment loss to the extent that the carrying amount of the asset exceeds the remaining amount of consideration that the Group expects to receive less the costs that have not been recognised as expenses.

(13) Service concession arrangements

- A. The Group was contracted by National Taiwan University (grantor) to provide construction for the government's infrastructure assets for public services and operate those assets for Changxing St. Campus for 44 years and 6 months, and for Shuiyuan Campus for 44 years and 4 months after construction is completed. When the term of operating period expires, the underlying infrastructure assets will be transferred to National Taiwan University without consideration. The Group allocates the fair value of the consideration received or receivable in respect of the service concession arrangement between construction services and operating services provided based on their relative fair values, and recognises such allocated amounts as revenues in accordance with IFRS 15, 'Revenue from contracts with customers'.
- B. Costs incurred on provision of construction services or upgrading services under a service concession arrangement are accounted for in accordance with IFRS 15, 'Revenue from contracts with customers'.
- C. The consideration received or receivable from the grantor in respect of the service concession arrangement is recognised at its fair value. Such considerations are recognised as an intangible asset based on how the considerations from the grantor to the operator are made as specified in the arrangement.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. The above information is addressed below:

(1) Critical judgements in applying the Group's accounting policies

Investment property

The Group uses a portion of the property for its own use and another portion to earn rentals or for capital appreciation. When these portions cannot be sold separately and cannot be leased out separately under a finance lease, the property is classified as investment property only if the own-use portion accounts for less insignificant portion of the property.

(2) Critical accounting estimates and assumptions

Revenue recognition

Construction contract revenue should be recognised by reference to the stage of completion in the contract period using the percentage of completion method. Construction costs are recognised in the incurred period. The stage of completion of a contract is measured by the proportion of contract costs incurred for work performed up to the balance sheet date to the estimated total contract costs.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>June 30, 2018</u>	<u>December 31, 2017</u>	<u>June 30, 2017</u>
Cash on hand and revolving funds	\$ 10,209	\$ 10,948	\$ 129,421
Checking accounts and demand deposits	3,367,433	3,990,901	3,055,862
Time deposits	79,000	-	204,299
Repurchase bonds	<u>220,000</u>	<u>220,000</u>	<u>250,000</u>
	<u>\$ 3,676,642</u>	<u>\$ 4,221,849</u>	<u>\$ 3,639,582</u>

A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. The repurchase bonds held by the Group has high liquidity, so they were classified as cash equivalents.

(2) Financial assets at fair value through profit or loss

Items	June 30, 2018	December 31, 2017	June 30, 2017
Current items:			
Financial assets mandatorily measured at fair value through profit or loss (Note 1)			
Listed (TSE and OTC) stocks	\$ 264,520	\$ -	\$ -
Beneficiary certificates	750,620	-	-
	1,015,140	-	-
Valuation adjustments	96,417	-	-
	<u>\$ 1,111,557</u>	<u>\$ -</u>	<u>\$ -</u>
Financial assets held for trading (Note 2)			
Listed (TSE and OTC) stocks	\$ -	\$ 264,520	\$ 264,520
Beneficiary certificates	-	540,620	450,084
	-	805,140	714,604
Valuation adjustments	-	33,967	25,601
	<u>\$ -</u>	<u>\$ 839,107</u>	<u>\$ 740,205</u>
Non-current items:			
Financial assets mandatorily measured at fair value through profit or loss (Note 1)			
Beneficiary certificates	\$ 76,000	\$ -	\$ -
Valuation adjustments	2,728	-	-
	<u>\$ 78,728</u>	<u>\$ -</u>	<u>\$ -</u>
Financial assets held for trading (Note 2)			
Beneficiary certificates	\$ -	\$ 76,000	\$ 76,000
Valuation adjustments	-	2,552	2,381
	<u>\$ -</u>	<u>\$ 78,552</u>	<u>\$ 78,381</u>

Note 1: The Group reclassified listed stocks and beneficiary certificates as financial assets mandatorily measured at fair value through profit or loss in accordance with IFRS 9 on January 1, 2018.

Note 2: As at December 31, 2017 and June 30, 2017, the Group reclassified listed stocks and beneficiary certificates as financial assets held for trading in accordance with IAS 39.

- A. The Group recognised net (loss) gain of \$53,242, (\$4,727), \$62,626 and 26,098 on financial assets at fair value through profit or loss for the three months and six months ended June 30, 2018 and 2017, respectively.
- B. Details of the Group's financial assets at fair value through profit or loss pledged to others as collateral are provided in Note 8.

(3) Financial assets at fair value through other comprehensive income

Effective 2018

<u>Items</u>	<u>June 30, 2018</u>
Non-current items:	
Designation of equity instrument	
Listed stocks	\$ 116,176
Unlisted stocks	<u>888,170</u>
	1,004,346
Valuation adjustment	<u>910,398</u>
	<u>\$ 1,914,744</u>

- A. The Group has elected to classify stocks that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$1,914,744 as at June 30, 2018.
- B. In response to the modified investment strategy, the Group sold \$1,786 of unlisted stocks at fair value and resulted in cumulative gains on disposal of \$967 for the six months ended June 30, 2018.
- C. Amounts recognised in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	<u>2018</u>
<u>Equity instruments at fair value through other comprehensive income</u>	
Fair value change recognised in other comprehensive income	(\$ <u>81,306</u>)
Cumulative gains reclassified to retained earnings due to derecognition	<u>\$ 967</u>
Dividend income recognised in profit or loss held at end of period	<u>\$ 55,020</u>

- D. Details of the Group's financial assets at fair value through other comprehensive income pledged to others as collateral are provided in Note 8.
- E. The information on available-for-sale financial assets and financial assets at cost as of December 31, 2017 and June 30, 2017, is provided in Note 12(4).

(4) Notes and accounts receivable, net

	June 30, 2018	December 31, 2017	June 30, 2017
Notes receivable	<u>\$ 122,329</u>	<u>\$ 97,488</u>	<u>\$ 143,677</u>
Accounts receivable	\$ 688,669	\$ 699,397	\$ 816,554
Less: Allowance for doubtful accounts	(4,473)	(4,621)	(4,963)
	<u>\$ 684,196</u>	<u>\$ 694,776</u>	<u>\$ 811,591</u>

A. The ageing analysis of notes receivable and accounts receivable that were past due but not impaired is as follows:

	June 30, 2018		December 31, 2017		June 30, 2017	
	Notes receivable	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable	Accounts receivable
Without past due	\$ 122,329	\$ 675,980	\$ 97,488	\$ 687,441	\$ 143,677	\$ 802,533
Up to 30 days	-	8,613	-	5,795	-	7,106
31 to 90 days	-	8	-	287	-	410
91 to 180 days	-	73	-	170	-	37
Over 181 days	-	3,995	-	5,704	-	6,468
	<u>\$ 122,329</u>	<u>\$ 688,669</u>	<u>\$ 97,488</u>	<u>\$ 699,397</u>	<u>\$ 143,677</u>	<u>\$ 816,554</u>

The above ageing analysis was based on past due date.

B. As at June 30, 2018, December 31, 2017 and June 30, 2017, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's notes receivable were \$122,329, \$97,488 and \$143,677 respectively; the maximum exposure to credit risk in respect of the amount that best represents the Group's accounts receivable were \$684,196, \$694,776 and \$811,591, respectively.

C. Information relating to credit risk of notes receivable and accounts receivable is provided in Note 12(2).

D. The Group does not hold any collateral pledged for notes and accounts receivable.

(5) Inventories

June 30, 2018			
	Cost	Allowance for valuation loss	Book value
Land held for construction site	\$ 9,980,600	(\$ 64,249)	\$ 9,916,351
Construction in progress	6,157,723	-	6,157,723
Buildings and land held for sale	5,106,434	(13,275)	5,093,159
Prepayment for land	187,026	-	187,026
Prepayment for buildings and land	1,099,272	-	1,099,272
Merchandise	21,346	-	21,346
	<u>\$ 22,552,401</u>	<u>(\$ 77,524)</u>	<u>\$ 22,474,877</u>
December 31, 2017			
	Cost	Allowance for valuation loss	Book value
Land held for construction site	\$ 10,214,457	(\$ 64,249)	\$ 10,150,208
Construction in progress	5,284,594	-	5,284,594
Buildings and land held for sale	5,497,948	(39,329)	5,458,619
Prepayment for land	187,026	-	187,026
Prepayment for buildings and land	945,903	-	945,903
Merchandise	36,129	-	36,129
	<u>\$ 22,166,057</u>	<u>(\$ 103,578)</u>	<u>\$ 22,062,479</u>
June 30, 2017			
	Cost	Allowance for valuation loss	Book value
Land held for construction site	\$ 11,317,865	(\$ 64,249)	\$ 11,253,616
Construction in progress	4,681,152	-	4,681,152
Buildings and land held for sale	6,440,036	(41,473)	6,398,563
Prepayment for land	132,652	-	132,652
Prepayment for buildings and land	882,027	-	882,027
Merchandise	44,212	-	44,212
	<u>\$ 23,497,944</u>	<u>(\$ 105,722)</u>	<u>\$ 23,392,222</u>

A. The cost of inventories recognised as expense for the three months and six months ended June 30, 2018 and 2017 was \$1,350,403, \$1,009,368, \$2,567,877 and \$2,240,364, respectively, including the amounts of \$-, \$8,401, \$26,054 and \$8,879, respectively, that the Group wrote down from cost to net realisable value accounted for as cost of goods sold.

B. Details of the Group's inventories pledged to others as collateral are provided in Note 8.

C. The interest capitalized as cost of inventory is as follows:

	Three months ended June 30,	
	2018	2017
Interest paid before capitalization	\$ 109,057	\$ 119,079
Interest capitalized	\$ 59,815	\$ 69,846
Annual interest rate used for capitalization	0.69%-2.58%	1.24%-3.84%
	Six months ended June 30,	
	2018	2017
Interest paid before capitalization	\$ 209,108	\$ 221,889
Interest capitalized	\$ 115,782	\$ 127,094
Annual interest rate used for capitalization	0.69%-2.58%	0.41%-3.84%

D. Details of significant inventories:

(a) Buildings and land in progress

<u>Taipei branch</u>	<u>June 30, 2018</u>	<u>December 31, 2017</u>	<u>June 30, 2017</u>
Ling Ko Dist. Li Shing Section No. 1209, etc.	\$ 1,731,154	\$ 1,675,282	\$ 1,569,976
W Prince (New Taipei City Shing Jheng Section No.883, etc.)	1,071,595	1,035,789	991,638
Bali Dist Chung Chang Section No.2222 and 211-1, etc.	689,082	688,073	686,578
Prince Hua Wei (Shilin Dist. Zhishan Section No. 602, etc.)	675,560	591,174	378,686
Jhong Li City Shuang Ling Section No. 1449, etc.	645,376	590,070	525,641
Prince Fu III (Taoyuan Qing Sun Section No. 446)	-	-	1,595,805
	<u>\$ 4,812,767</u>	<u>\$ 4,580,388</u>	<u>\$ 5,748,324</u>
<u>Taichung branch</u>	<u>June 30, 2018</u>	<u>December 31, 2017</u>	<u>June 30, 2017</u>
Prince Yu Ding (Hui Li Section No. 195)	\$ 1,134,851	\$ 1,067,003	\$ 936,788
Ping Hsin Section No. 694, etc.	1,109,485	1,053,354	959,225
Chaotun Section No. 755, etc.	541,318	475,092	369,303
Kao An Section No. 591-1	469,308	370,019	226,500
Hsinfuliao Section No. 1096, No. 1097, NO.1098, No. 1108, etc.	344,602	315,167	244,708
Jin Shuei Dist. Wu Show Section No. 1037, No. 1038, No. 1040, etc.	207,147	206,877	206,662
Others	-	7	7
	<u>\$ 3,806,711</u>	<u>\$ 3,487,519</u>	<u>\$ 2,943,193</u>

<u>Tainan branch</u>	<u>June 30, 2018</u>	<u>December 31, 2017</u>	<u>June 30, 2017</u>
Prince Feng Yun (Hsin Ying Section No. 841-9)	\$ 1,002,422	\$ 897,501	\$ 789,815
Jin Hua Section No. 1361	688,250	688,235	688,200
Chin An Section No. 296, No. 297, etc.	286,548	239,505	189,280
Shan Chia Section No. 939, etc.	154,206	154,181	153,175
Prince Jum Fon Huei (Yu Ming Section No. 681-8)	-	585,323	464,817
Others	3,738	3,738	3,738
	<u>\$ 2,135,164</u>	<u>\$ 2,568,483</u>	<u>\$ 2,289,025</u>
<u>Kaohsiung branch</u>	<u>June 30, 2018</u>	<u>December 31, 2017</u>	<u>June 30, 2017</u>
Prince Yun (Nanzi subsection No. 158)	\$ 1,061,199	\$ 680,998	\$ 333,476
Prince Cloud C apartment (Ren Wu New Hougang West Section No. 69-148 etc.)	658,206	504,977	295,870
Prince Cloud B (Ren Wu New Hougang West Section No .42, etc.)	379,133	379,133	379,133
Ren Wu New Hougang West Section No. 88 experimental house	72,933	72,929	72,929
Prince Cloud E townhouse (Ren Wu New Hougang West Section No .90, etc.)	39,609	348	4
Prince Cloud C townhouse (Ren Wu New Hougang West Section No .69, etc.)	-	-	488,512
	<u>\$ 2,211,080</u>	<u>\$ 1,638,385</u>	<u>\$ 1,569,924</u>
Total buildings and land in progress	<u>\$ 12,965,722</u>	<u>\$ 12,274,775</u>	<u>\$ 12,550,466</u>

(b)Land held for construction site

<u>Taipei branch</u>	<u>June 30, 2018</u>	<u>December 31, 2017</u>	<u>June 30, 2017</u>
Zhong Li Pu Ren Lot No. 720, etc.	\$ 140,156	\$ 140,156	\$ 140,156
Others	5,978	5,978	5,978
	<u>\$ 146,134</u>	<u>\$ 146,134</u>	<u>\$ 146,134</u>
<u>Taichung branch</u>	<u>June 30, 2018</u>	<u>December 31, 2017</u>	<u>June 30, 2017</u>
Wu Feng Lot No. 365~855 etc.	\$ 175,661	\$ 175,661	\$ 175,661
Song Quan Lot No. 164 etc.	137,697	137,697	137,697
Tu Ku Section No. 9-7, etc.	55,167	55,167	55,167
Song Chang Lot No. 577 etc.	19,912	19,912	19,912
Hou Long Zi Section No. 133-004	19,513	19,513	19,513
Xi Zhou Lot No. 112-54 etc.	2,766	11,941	11,941
Others	18,780	18,780	18,780
	<u>\$ 429,496</u>	<u>\$ 438,671</u>	<u>\$ 438,671</u>

<u>Tainan branch</u>	<u>June 30, 2018</u>	<u>December 31, 2017</u>	<u>June 30, 2017</u>
Shan Zhong Lot No. 1468, 1475 & 1476 etc.	\$ 234,699	\$ 234,699	\$ 234,699
Xue Zhong Lot No. 679, etc.	50,798	50,798	50,798
Chin An Section No. 294.	49,640	49,640	-
Yong Kang Ding An Lot No. 879, etc.	28,610	28,610	28,610
Bei An Section No. 54-3, etc.	15,344	15,344	15,344
Chin An Section No. 373~377	15,139	15,139	15,139
Bao An Lot No. 882, etc.	10,325	10,325	10,325
Others	14,550	14,550	14,550
	<u>\$ 419,105</u>	<u>\$ 419,105</u>	<u>\$ 369,465</u>

<u>Kaohsiung branch</u>	<u>June 30, 2018</u>	<u>December 31, 2017</u>	<u>June 30, 2017</u>
Ren Wu New Hougang West Section No. 53, etc.	\$ 968,071	\$ 968,071	\$ 968,071
Ren Wu New Hougang West Section No. 30 & 52-74	407,357	407,357	407,357
Da Hua Lot No. 434 & 436	13,923	13,923	13,923
	<u>\$ 1,389,351</u>	<u>\$ 1,389,351</u>	<u>\$ 1,389,351</u>
Total land held for construction site	<u>\$ 2,384,086</u>	<u>\$ 2,393,261</u>	<u>\$ 2,343,621</u>

(c)Buildings and land held for sale

<u>Taipei branch</u>	<u>June 30, 2018</u>	<u>December 31, 2017</u>	<u>June 30, 2017</u>
Taipei Shin Yi (Xin Zhuang Fuduxin)	\$ 1,752,540	\$ 2,012,385	\$ 2,108,805
Prince Fu III	1,411,662	1,690,994	-
Prince Fu II	97,814	110,680	197,350
Prince Da Din	12,446	12,446	12,446
Prince Guo Boa	5,738	5,738	5,738
Prince Dragon House III	-	42,432	42,432
Prince Tanmei	-	-	2,270,855
Others	546	546	546
	<u>\$ 3,280,746</u>	<u>\$ 3,875,221</u>	<u>\$ 4,638,172</u>

<u>Taichung branch</u>	<u>June 30, 2018</u>	<u>December 31, 2017</u>	<u>June 30, 2017</u>
Chin Fon Gin	\$ 131,676	\$ 170,233	\$ 329,436
Prince Fu	-	27,417	27,417
Others	8,397	6,118	10,889
	<u>\$ 140,073</u>	<u>\$ 203,768</u>	<u>\$ 367,742</u>

<u>Tainan branch</u>	<u>June 30, 2018</u>	<u>December 31, 2017</u>	<u>June 30, 2017</u>
Flower Bo Five	\$ 830,605	\$ 968,124	\$ 1,170,628
Prince Jum Fon Huei	626,361	-	-
Jun Chan LV	19,725	19,725	19,725
Prince Golden Age	6,094	7,284	10,058
Tun Sha Building III	104	104	104
Others	2,188	2,188	2,188
	<u>\$ 1,485,077</u>	<u>\$ 997,425</u>	<u>\$ 1,202,703</u>

Kaohsiung branch

	<u>June 30, 2018</u>	<u>December 31, 2017</u>	<u>June 30, 2017</u>
Prince Cloud D	\$ 127,888	\$ 196,339	\$ 194,791
Prince Hua Yang	81,294	81,294	81,242
Prince Cloud C townhouse	45,442	\$ 182,449	-
Prince Dai Din	8,473	9,125	9,125
	<u>\$ 263,097</u>	<u>\$ 469,207</u>	<u>\$ 285,158</u>
Total buildings and land held for sale	<u>\$ 5,168,993</u>	<u>\$ 5,545,621</u>	<u>\$ 6,493,775</u>

(d)Prepayment for land

	<u>June 30, 2018</u>	<u>December 31, 2017</u>	<u>June 30, 2017</u>
<u>Tainan branch</u>			
Ren Wu New Hougang West Section No. 20, etc.	<u>\$ 187,026</u>	<u>\$ 187,026</u>	<u>\$ 132,652</u>

(e)Prepayment for buildings and land

	<u>June 30, 2018</u>	<u>December 31, 2017</u>	<u>June 30, 2017</u>
Taisugar Nanzi Section	\$ 843,768	\$ 786,213	\$ 786,213
Taisugar Kao An Section	255,504	159,690	95,814
	<u>\$ 1,099,272</u>	<u>\$ 945,903</u>	<u>\$ 882,027</u>

E. Disclosure of significant constructions:

(a) As of June 30, 2018, significant constructions are set forth below:

Name of construction contract	Contract amount	Estimated construction cost	Percentage of completion	Accumulated construction profit/(loss)
Tai She Zhi Shan Yuan - New construction	\$ 2,417,143	\$ 2,272,083	14.15%	\$ 20,526
West Coast Expressway 130K FangLi to Dia An Construction	2,056,675	1,969,427	99.47%	86,786
San Bau Bei Tou DaYe - New Construction	1,552,187	1,451,138	100.00%	101,049
Construction of T.S. Landmark Plaza (1.2 billion)	1,280,520	1,245,727	1.27%	442

(b) As of December 31, 2017, significant constructions are set forth below:

Name of construction contract	Contract amount	Estimated construction cost	Percentage of completion	Accumulated construction profit/(loss)
Tai She Zhi Shan Yuan - New construction	\$ 2,417,143	\$ 2,272,083	3.50%	\$ 5,077
West Coast Expressway 130K FangLi to Dia An Construction	2,056,675	1,969,427	93.82%	81,856
San Bau Bei Tou DaYe - New Construction	1,552,187	1,459,143	97.76%	90,960
Construction of T.S. Landmark Plaza (1.2 billion)	1,280,520	1,245,727	0.80%	278

(c) As of June 30, 2017, significant constructions are set forth below:

Name of construction contract	Contract amount	Estimated construction cost	Percentage of completion	Accumulated construction profit/(loss)
Tainan Spinning Dream Mall	\$ 4,799,021	\$ 4,707,000	99.98%	\$ 92,003
New Construction of Chaozhou Railway Station	4,368,825	4,204,228	99.46%	163,708
Construction of West Coast Expressway 130K FangLi to Dia An	2,056,675	1,969,427	79.77%	69,598
Taoyuan MRT Airport Line - CU03	1,606,884	1,561,122	99.98%	45,753
San Bau Bei Tou DaYe - New Construction	1,627,610	1,551,397	90.37%	68,874
Improvement plan for High Speed Railway ground access road in Changhua	1,255,059	1,200,702	100.00%	54,357

(6) Other current assets

Items	June 30, 2018	December 31, 2017	June 30, 2017
Deferred sales commission	\$ 230,384	\$ 223,298	\$ 298,370
Others	8,357	7,347	33,728
	<u>\$ 238,741</u>	<u>\$ 230,645</u>	<u>\$ 332,098</u>

(7) Investments accounted for under equity method

Name of associates	June 30, 2018		December 31, 2017		June 30, 2017	
	Carrying amount	Percentage of ownership	Carrying amount	Percentage of ownership	Carrying amount	Percentage of ownership
Geng-Ding Co., Ltd.	\$ 288,461	30.00%	\$ 299,577	30.00%	\$ 316,416	30.00%
Uni-President Development Corp.	1,107,077	30.00%	1,126,160	30.00%	1,104,350	30.00%
PPG Investment Inc. (Note 1)	-	27.30%	5,451	27.30%	11,523	27.30%
Queen Holdings Ltd.	388,067	27.30%	369,575	27.30%	377,821	27.30%
Ming-Da Enterprise Co., Ltd.	30,450	20.00%	29,483	20.00%	29,109	20.00%
Amida Truslink Assets Management Co., Ltd. (Note 2)	-	45.21%	-	45.21%	-	45.21%
	<u>\$ 1,814,055</u>		<u>\$ 1,830,246</u>		<u>\$ 1,839,219</u>	

Note 1: As of June 30, 2018, carrying amount of investing in PPG Investment Inc. has been transferred to other non-current liabilities in the amount of \$5,905 due to it had declined to less than zero.

Note 2: As of June 30, 2018, December 31, 2017 and June 30, 2017, the book value of the Company's investment in Amida Truslink Assets Management Co., Ltd. was a credit balance thus, the investment was transferred to other non-current liabilities which amounted to \$138,830, \$138,830 and \$138,536, respectively.

Associates

A. The basic information of the associate that is material to the Group is as follows:

Company name	Principal place of business	Nature of relationship	Method of measurement
Uni President Development Corp.	Taiwan	The Group holds more than 20% of voting rights	Equity method

B. The summarized financial information of the associate that is material to the Group is as follows:

Balance sheet

	Uni President Development Corp.		
	June 30, 2018	December 31, 2017	June 30, 2017
Current assets	\$ 314,909	\$ 208,093	\$ 294,788
Non-current assets	8,546,825	8,703,214	8,970,237
Current liabilities	(3,495,977)	(3,432,033)	(3,682,569)
Non-current liabilities	(1,675,499)	(1,725,406)	(1,901,289)
Total net assets	<u>\$ 3,690,258</u>	<u>\$ 3,753,868</u>	<u>\$ 3,681,167</u>
Share in associate's net assets	<u>\$ 1,107,077</u>	<u>\$ 1,126,160</u>	<u>\$ 1,104,350</u>

Statements of comprehensive income

		Uni President Development Corp.	
		Three months ended June 30,	
		2018	2017
Revenue		\$ 231,162	\$ 225,599
Profit for the period from continuing operations		\$ 30,878	\$ 16,246
Total comprehensive income		\$ 30,878	\$ 16,246

		Uni President Development Corp.	
		Six months ended June 30,	
		2018	2017
Revenue		\$ 463,648	\$ 451,435
Profit for the period from continuing operations		\$ 36,830	\$ 39,133
Total comprehensive income		\$ 36,830	\$ 39,133

- C. The carrying amount of the Group's interests in all individually immaterial associates and the Group's share of the operating results are summarized below:

As of June 30, 2018, December 31, 2017 and June 30, 2017, the carrying amount of the Group's individually immaterial associates amounted to \$562,243, \$565,256 and \$596,333, respectively.

		Three months ended June 30,	
		2018	2017
(Loss) income for the period from continuing operations	(\$	33,017)	\$ 25,849
Other comprehensive (loss) income, net of tax		-	-
Total comprehensive (loss) income	(\$	33,017)	\$ 25,849

		Six months ended June 30,	
		2018	2017
(Loss) income for the period from continuing operations	(\$	38,576)	\$ 23,583
Other comprehensive (loss) income, net of tax		-	-
Total comprehensive (loss) income	(\$	38,576)	\$ 23,583

- D. The Group's investments had no quoted market price.
- E. The Group's investments accounted for under equity method expressed herein was solely based on investees' financial statements of the same reporting periods which were not reviewed by the independent accountants. For the three months and six months ended June 30, 2018 and 2017, the Group recognised share of profit (loss) of associates accounted for under equity method of \$113, \$13,945, (\$751) and \$17,903 and the investments as at June 30, 2018 and 2017, totalled

\$1,669,320 and \$1,700,683, respectively. The disclosures in relation to certain investments accounted for under equity method as at December 31, 2017, were solely based on investees' financial statements which were audited by other independent accountants. The investments accounted for under equity method as at December 31, 2017 was \$535,773.

F. Details of the Group's investments accounted for under equity method pledged to others as collateral are provided in Note 8.

(8) Property, plant and equipment

A. Details of book values are as follows:

	June 30, 2018	December 31, 2017	June 30, 2017
Land	\$ 2,865,610	\$ 2,865,610	\$ 2,865,610
Buildings	3,074,548	3,148,409	3,140,066
Machinery and equipment	6,038	6,304	6,583
Computer and communication equipment	4,901	6,866	8,018
Transportation equipment	4,266	4,905	5,460
Office equipment	283,999	303,233	297,754
Leasehold improvements	22,333	22,996	23,659
Other equipment	56,239	57,385	58,447
Construction in progress and equipment under acceptance	17,808	7,178	43,509
	<u>\$ 6,335,742</u>	<u>\$ 6,422,886</u>	<u>\$ 6,449,106</u>

B. Changes in property, plant and equipment for the period are as follows:

Cost	Six months ended June 30, 2018				
	Opening net book amount	Additions	Disposals	Reclassifications	Closing net book amount
Land	\$ 2,865,610	\$ -	\$ -	\$ -	\$ 2,865,610
Buildings and structures	4,554,929	6,455 (	26,034)	6,476	4,541,826
Machinery and equipment	15,314	510	-	-	15,824
Computer and communication equipment	61,609	-	-	-	61,609
Transportation equipment	13,695	-	-	-	13,695
Office equipment	841,888	11,620 (	9,366)	5,568	849,710
Leasehold improvements	73,533	-	-	-	73,533
Other equipment	92,828	2,114 (	1,671)	596	93,867
Construction in progress and equipment under acceptance	7,178	20,408	- (	9,778)	17,808
	<u>\$ 8,526,584</u>	<u>\$ 41,107</u>	<u>(\$ 37,071)</u>	<u>\$ 2,862</u>	<u>\$ 8,533,482</u>

Six months ended June 30, 2017					
Cost	Opening net book amount	Additions	Disposals	Reclassifications	Closing net book amount
Land	\$ 2,865,610	\$ -	\$ -	\$ -	\$ 2,865,610
Buildings and structures	4,456,675	12,877 (	457)	1,564	4,470,659
Machinery and equipment	14,476	363	-	10	14,849
Computer and communication equipment	62,147	- (	591)	-	61,556
Transportation equipment	11,803	2,800 (	1,000)	-	13,603
Office equipment	814,179	8,780 (	19,772)	8,638	811,825
Leasehold improvements	73,533	-	-	-	73,533
Other equipment	91,943	997 (	1,475)	75	91,540
Construction in progress and prepayments for equipment	8,057	45,664	- (	10,212)	43,509
	<u>\$ 8,398,423</u>	<u>\$ 71,481</u>	<u>(\$ 23,295)</u>	<u>\$ 75</u>	<u>\$ 8,446,684</u>

Six months ended June 30, 2018					
Accumulated depreciation	Opening net book amount	Additions	Disposals	Reclassifications	Closing net book amount
Buildings and structures	\$ 1,406,520	\$ 86,792	(\$ 26,034)	\$ -	\$ 1,467,278
Machinery and equipment	9,010	776	-	-	9,786
Computer and communication equipment	54,743	1,965	-	-	56,708
Transportation equipment	8,790	639	-	-	9,429
Office equipment	538,655	36,176 (	9,120)	-	565,711
Leasehold improvements	50,537	663	-	-	51,200
Other equipment	35,443	2,508 (	323)	-	37,628
	<u>\$ 2,103,698</u>	<u>\$ 129,519</u>	<u>(\$ 35,477)</u>	<u>\$ -</u>	<u>\$ 2,197,740</u>

Six months ended June 30, 2017					
Accumulated depreciation	Opening net book amount	Additions	Disposals	Reclassifications	Closing net book amount
Buildings and structures	\$ 1,244,446	\$ 86,307	(\$ 160)	\$ -	\$ 1,330,593
Machinery and equipment	7,539	727	-	-	8,266
Computer and communication equipment	51,673	2,456 (	591)	-	53,538
Transportation equipment	8,037	495 (	389)	-	8,143
Office equipment	493,374	39,562 (	18,865)	-	514,071
Leasehold improvements	49,210	664	-	-	49,874
Other equipment	30,590	2,504 (	1)	-	33,093
	<u>\$ 1,884,869</u>	<u>\$ 132,715</u>	<u>(\$ 20,006)</u>	<u>\$ -</u>	<u>\$ 1,997,578</u>

C.Details of the Group's property, plant and equipment pledged to others as collateral are provided in Note 8.

(9) Investment property

A. Details of book values are as follows:

	June 30, 2018	December 31, 2017	June 30, 2017
Land	\$ 265,550	\$ 265,550	\$ 265,550
Leased assets-land	2,590,873	2,592,078	2,592,114
Leased assets-buildings	2,966,707	3,010,257	3,054,894
	<u>\$ 5,823,130</u>	<u>\$ 5,867,885</u>	<u>\$ 5,912,558</u>

B. Changes in investment property for the period are as follows:

Six months ended June 30, 2018					
Cost	Opening net book amount	Additions	Disposals	Reclassifications	Closing net book amount
Land	\$ 265,550	\$ -	\$ -	\$ -	\$ 265,550
Leased assets-land	2,592,078	-	(14)	(1,191)	2,592,873
Leased assets-buildings	3,922,660	-	(1,088)	(1,022)	3,920,550
	<u>\$ 6,780,288</u>	<u>\$ -</u>	<u>(\$ 1,102)</u>	<u>(\$ 2,213)</u>	<u>\$ 6,776,973</u>

Six months ended June 30, 2017					
Cost	Opening net book amount	Additions	Disposals	Reclassifications	Closing net book amount
Land	\$ 265,550	\$ -	\$ -	\$ -	\$ 265,550
Leased assets-land	2,592,149	-	(35)	-	2,592,114
Leased assets-buildings	3,928,100	-	(2,339)	-	3,925,761
	<u>\$ 6,785,799</u>	<u>\$ -</u>	<u>(\$ 2,374)</u>	<u>\$ -</u>	<u>\$ 6,783,425</u>

Six months ended June 30, 2018					
Accumulated depreciation	Opening net book amount	Additions	Disposals	Reclassifications	Closing net book amount
Leased assets-buildings	\$ 912,403	\$ 42,066	(\$ 234)	(\$ 392)	\$ 953,843

Six months ended June 30, 2017					
Accumulated depreciation	Opening net book amount	Additions	Disposals	Reclassifications	Closing net book amount
Leased assets-buildings	\$ 828,506	\$ 42,896	(\$ 535)	\$ -	\$ 870,867

C. Rental income from the lease of the investment property and direct operating expenses arising from the investment property are shown below:

Three months ended June 30,		
	2018	2017
Rental revenue from the lease of the investment property	<u>\$ 95,573</u>	<u>\$ 98,311</u>
Direct operating expenses arising from the investment property that generated rental income in the period	<u>\$ 39,756</u>	<u>\$ 40,216</u>
Direct operating expenses arising from the investment property that did not generate rental income in the period	<u>\$ -</u>	<u>\$ -</u>

	Six months ended June 30,	
	2018	2017
Rental revenue from the lease of the investment property	\$ 192,530	\$ 193,192
Direct operating expenses arising from the investment property that generated rental income in the period	\$ 76,905	\$ 77,410
Direct operating expenses arising from the investment property that did not generate rental income in the period	\$ -	\$ -

D. As of June 30, 2018, December 31, 2017 and June 30, 2017, the fair value of the investment property held by the Group was \$12,792,349, \$12,704,664 and \$12,860,716, respectively. The Group management estimated the fair value based on market evidence on transaction price of similar property and assessed value.

E. Information about the investment property that was pledged to others as collateral is provided in Note 8.

(10) Intangible assets

A. Details of book values are as follows:

	June 30, 2018	December 31, 2017	June 30, 2017
Service concession	\$ 2,147,308	\$ 2,177,934	\$ 2,208,560
Software	987	1,539	1,980
	<u>\$ 2,148,295</u>	<u>\$ 2,179,473</u>	<u>\$ 2,210,540</u>

B. Changes in intangible assets for the period are as follows:

Six months ended June 30, 2018					
Cost	Opening net book amount	Additions	Disposals	Reclassifications	Closing net book amount
Service concession	\$ 2,868,372	\$ -	\$ -	\$ -	\$ 2,868,372
Software	5,099	48	(111)	-	5,036
	<u>\$ 2,873,471</u>	<u>\$ 48</u>	<u>(\$ 111)</u>	<u>\$ -</u>	<u>\$ 2,873,408</u>
Six months ended June 30, 2017					
Cost	Opening net book amount	Additions	Disposals	Reclassifications	Closing net book amount
Service concession	\$ 2,868,372	\$ -	\$ -	\$ -	\$ 2,868,372
Software	4,278	722	(43)	-	4,957
	<u>\$ 2,872,650</u>	<u>\$ 722</u>	<u>(\$ 43)</u>	<u>\$ -</u>	<u>\$ 2,873,329</u>
Six months ended June 30, 2018					
Accumulated Amortization	Opening net book amount	Additions	Disposals	Reclassifications	Closing net book amount
Service concession	\$ 690,438	\$ 30,626	\$ -	\$ -	\$ 721,064
Software	3,560	600	(111)	-	4,049
	<u>\$ 693,998</u>	<u>\$ 31,226</u>	<u>(\$ 111)</u>	<u>\$ -</u>	<u>\$ 725,113</u>

Six months ended June 30, 2017					
	Opening net				Closing net
Accumulated Amortization	book amount	Additions	Disposals	Reclassifications	book amount
Service concession	\$ 629,185	\$ 30,627	\$ -	\$ -	\$ 659,812
Software	2,549	471	(43)	-	2,977
	<u>\$ 631,734</u>	<u>\$ 31,098</u>	<u>(\$ 43)</u>	<u>\$ -</u>	<u>\$ 662,789</u>

C. Details of amortization on intangible assets are as follows:

		Three months ended June 30,	
		2018	2017
Operating costs		\$ 15,313	\$ 15,314
Administrative expenses		288	258
		<u>\$ 15,601</u>	<u>\$ 15,572</u>
		Six months ended June 30,	
		2018	2017
Operating costs		\$ 30,626	\$ 30,627
Administrative expenses		600	471
		<u>\$ 31,226</u>	<u>\$ 31,098</u>

(11) Short-term borrowings

	June 30, 2018	December 31, 2017	June 30, 2017
Unsecured bank borrowings	\$ 890,000	\$ 860,000	\$ 1,425,659
Secured bank borrowings	100,000	-	-
	<u>\$ 990,000</u>	<u>\$ 860,000</u>	<u>\$ 1,425,659</u>
Interest rate range	<u>1.53%~1.85%</u>	<u>1.53%~1.85%</u>	<u>1.85%~2.06%</u>

For details of pledged assets, please refer to Note 8.

(12) Short-term notes and bills payable

	June 30, 2018	December 31, 2017	June 30, 2017
Commercial papers	\$ 735,900	\$ 1,055,900	\$ 180,000
Less: Unamortized discount	(233)	(342)	-
	<u>\$ 735,667</u>	<u>\$ 1,055,558</u>	<u>\$ 180,000</u>
Interest rate range	<u>0.85%~1.80%</u>	<u>0.48%~1.67%</u>	<u>1.58%~1.59%</u>

A. The above commercial papers were issued by banks and bills financial institutions.

B. For details of pledged assets, please refer to Note 8.

(13) Receipts in advance

Items	June 30, 2018	December 31, 2017	June 30, 2017
Advance real estate receipts	\$ -	\$ 1,014,918	\$ 3,554,924
Advance rent	-	117,588	134,416
Other advance receipts	1,060	131,818	137,976
	<u>\$ 1,060</u>	<u>\$ 1,264,324</u>	<u>\$ 3,827,316</u>

Note: Beginning on January 1, 2018, advance real estate receipts and advance rent were presented as contract liabilities in accordance with IFRS 15. Please refer to Note 6(23) for details.

(14) Bonds payable

	<u>June 30, 2018</u>	<u>December 31, 2017</u>	<u>June 30, 2017</u>
2012 1st secured ordinary bonds payable	\$ -	\$ -	\$ 2,000,000
2013 1st secured ordinary bonds payable	2,500,000	2,500,000	2,500,000
2017 1st secured ordinary bonds payable	2,000,000	2,000,000	2,000,000
2018 1st secured ordinary bonds payable	<u>2,500,000</u>	<u>-</u>	<u>-</u>
	7,000,000	4,500,000	6,500,000
Less: Expiring within one year	(<u>2,500,000</u>)	(<u>2,500,000</u>)	(<u>2,000,000</u>)
	<u>\$ 4,500,000</u>	<u>\$ 2,000,000</u>	<u>\$ 4,500,000</u>

A. The Group issued secured ordinary bonds payable in July 2012. The significant terms of the bonds are as follows:

(a) Total issue amount: \$2,000,000

(b) Issue price: At par value of \$100 per bond

(c) Coupon rate: 1.33%

(d) Terms of interest repayment: The bonds interest is calculated on simple rate every year starting July 2012 based on the coupon rate.

(e) Repayment term: The bonds are repaid upon the maturity of the bonds.

(f) Period: 5 years, from July 12, 2012 to July 12, 2017

(g) The way of security: The bonds are secured by Bank of Taiwan.

(h) Guarantee Bank: The bonds are guaranteed by Mega International Commercial Bank.

B. The Group issued secured ordinary bonds payable in November 2013. The significant terms of the bonds are as follows:

(a) Total issue amount: \$2,500,000

(b) Issue price: At par value of \$100 per bond

(c) Coupon rate: 1.55%

(d) Terms of interest repayment: The bonds interest is calculated on simple rate every year starting November 2013 based on the coupon rate.

(e) Repayment term: The bonds are repaid upon the maturity of the bonds.

(f) Period: 5 years, from November 21, 2013 to November 21, 2018

(g) The way of security: \$1.5 billion and \$1 billion secured by Bank of Taiwan and Agricultural Bank of Taiwan, respectively.

(h) Guarantee Bank: The bonds are guaranteed by Taipei Fubon Commercial Bank.

C. The Group issued secured ordinary bonds payable in June 2017. The significant terms of the bonds are as follows:

- (a) Total issue amount: \$2,000,000
- (b) Issue price: At par value of \$1,000 per bond
- (c) Coupon rate: 1.05%
- (d) Terms of interest repayment: The bonds interest is calculated on simple rate every year starting June 2017 based on the coupon rate.
- (e) Repayment term: The bonds are repaid upon the maturity of the bonds.
- (f) Period: 5 years, from June 19, 2017 to June 19, 2022.
- (g) The way of security: Secured by Bank of Taiwan.
- (h) Guarantee Bank: The bonds are guaranteed by Taipei Fubon Commercial Bank.

D. The Group issued secured ordinary bonds payable in June 2018. The significant terms of the bonds are as follows:

- (a) Total issue amount: \$2,500,000
- (b) Issue price: At par value of \$1,000 per bond
- (c) Coupon rate: 0.84%
- (d) Terms of interest repayment: The bonds interest is calculated on simple rate every year starting June 2018 based on the coupon rate.
- (e) Repayment term: The bonds are repaid upon the maturity of the bonds.
- (f) Period: 5 years, from June 15, 2018 to June 15, 2023.
- (g) The way of security: Secured by Bank of Taiwan.
- (h) Guarantee Bank: The bonds are guaranteed by Taipei Fubon Commercial Bank.

(15) Long-term borrowings

	June 30, 2018	December 31, 2017	June 30, 2017
Secured bank borrowings	\$ 9,980,519	\$ 9,850,688	\$ 10,388,558
Unsecured bank borrowings	2,175,000	1,975,000	60,000
	12,155,519	11,825,688	10,448,558
Less: Current portion	(8,041,531)	(6,188,322)	(1,946,954)
	4,113,988	5,637,366	8,501,604
Commerical papers	720,000	960,000	105,900
Less: Unamortized discount	(924)	(1,213)	(44)
	719,076	958,787	105,856
Total	\$ 4,833,064	\$ 6,596,153	\$ 8,607,460
Range of maturity dates	2018.07.27~2027.11.02	2018.07.27~2027.11.02	2017.08.18~2027.11.02
Range of maturity rates	0.58%~2.47%	0.58%~2.47%	1.59%~2.70%

A. For details of restrictive covenants, please refer to Note 9.

B. The Group and financial institutions entered into a contract for a syndicated borrowing. The Group shall redraw the revolving credit line to issue abovementioned commercial paper during the credit term. For the related information, please refer to Note 9(9) to 9(10).

C. For details of pledged assets, please refer to Note 8.

(16) Provisions-replacement cost

	Six months ended June 30,	
	2018	2017
At January 1	\$ 99,539	\$ 75,207
Additions	20,592	44,890
Used	(13,030)	(5,666)
At June 30	<u>\$ 107,101</u>	<u>\$ 114,431</u>

(17) Pension

A.(a)The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company and its domestic subsidiaries contribute monthly an amount equal to 8% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company and its domestic subsidiaries would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company and its domestic subsidiaries will make contributions to cover the deficit by next June.

(b) For the aforementioned pension plan, the Group recognised pension costs of \$488, \$612, \$976 and \$1,224 for the three months and six months ended June 30, 2018 and 2017, respectively.

(c) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2019 amount to \$4,517.

B.(a)Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(b) The pension costs under the defined contribution pension plans of the Group for the three months and six months ended June 30, 2018 and 2017, were \$16,561, \$17,053, \$31,972 and \$32,899, respectively.

(18) Share capital

A. Movements in the number of the Company's ordinary shares outstanding are as follows:

(Units: in thousand shares)

	2018	2017
Shares at January 1 and June 30	<u>1,622,671</u>	<u>1,622,671</u>

B. As of June 30, 2018, the Company's authorized capital was \$20,000,000, and the paid-in capital was \$16,233,261 with a par value of NT\$10 per share, consisting of 1,623,326 thousand shares of ordinary stock.

C. As of June 30, 2018, December 31, 2017 and June 30, 2017, the Company's subsidiary, Prince Apartment Management Maintain Co., Ltd., held the Company's stocks to maintain equity interest in the Company. The amount of shares held by the subsidiary was all 655 thousand shares, the average par value was all NT\$1.53 per share, and the fair value was NT\$ 11.10, NT\$12.05 and NT\$12.20 per share, respectively.

(19) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Law requires that the amount of capital surplus to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

2018	Capital surplus			
	Share premium	Treasury share transaction	Others	Total
At January 1, 2018 (At June 30, 2018)	\$ 1,375,442	\$ 877,839	\$ 7,232	\$ 2,260,513

2017	Capital surplus			
	Share premium	Treasury share transaction	Others	Total
At January 1, 2017 (At June 30, 2017)	\$ 1,375,442	\$ 877,839	\$ 7,232	\$ 2,260,513

(20) Retained earnings

A. In accordance with the Company's Articles of Incorporation, the Company will take into consideration its future business plans and capital expenditures in determining the amount of earnings to be retained and to be distributed. In accordance with the Company Law, 10% of the current year's earnings, after payment of all taxes and after offsetting accumulated deficit, shall be set aside as legal reserve until the balance of legal reserve is equal to that of issued share

capital. Afterwards, an amount shall be appropriated or reversed as special reserve in accordance with applicable legal or regulatory requirements, along with prior years' accumulated unappropriated retained earnings, and then distribution should be in the following order: stock dividend and bonus to shareholders are no less than 20% of the accumulated distributable earnings, in current period and cash dividend is at least 30% of the total stock dividend and bonus; the appropriation of earnings is proposed by the Board of Directors and resolved by the shareholders.

B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

C. The Company recognised dividends distributed to owners amounting to \$1,055,162 (\$0.65 (in dollars) per share) and \$1,623,326 (\$1.0 (in dollars) per share) for the six months ended June 30 2018 and 2017, respectively.

(21) Other equity items

	Unrealised gains (losses) on valuation	Currency translation	Total
At January 1, 2018	\$ 974,425	(\$ 48)	\$ 974,377
Effect of retrospective application	25,611	-	25,611
Revaluation - gross	(81,306)	-	(81,306)
Revaluation transferred to retained earnings - gross	(967)	-	(967)
At June 30, 2018	<u>\$ 917,763</u>	<u>(\$ 48)</u>	<u>\$ 917,715</u>
	Unrealised gains (losses) on valuation	Currency translation	Total
At January 1, 2017	\$ 1,058,318	(\$ 48)	\$ 1,058,270
Revaluation - gross	10,004	-	10,004
At June 30, 2017	<u>\$ 1,068,322</u>	<u>(\$ 48)</u>	<u>\$ 1,068,274</u>

(22) Maturity analysis of assets and liabilities

The construction related assets and liabilities are classified as current and non-current based on the operating cycle. Related recognised amount expected to be recovered or repaid within or after 12 months from the balance sheet date is as follows:

	<u>Within 12 months</u>	<u>Over 12 months</u>	<u>Total</u>
<u>June 30, 2018</u>			
Assets			
Notes receivable, net	\$ 102,546	\$ 5,866	\$ 108,412
Accounts receivable, net (including related parties)	457,591	114,659	572,250
Contract assets	344,991	137,697	482,688
Inventories	<u>11,559,452</u>	<u>10,894,079</u>	<u>22,453,531</u>
	<u>\$ 12,464,580</u>	<u>\$ 11,152,301</u>	<u>\$ 23,616,881</u>
Liabilities			
Notes payable	\$ 5,793	\$ -	\$ 5,793
Accounts payable	920,096	803,569	1,723,665
Contract payable	1,186,149	19,901	1,206,050
Long-term notes and accounts payable	<u>-</u>	<u>11,456</u>	<u>11,456</u>
	<u>\$ 2,112,038</u>	<u>\$ 834,926</u>	<u>\$ 2,946,964</u>
	<u>Within 12 months</u>	<u>Over 12 months</u>	<u>Total</u>
<u>December 31, 2017</u>			
Assets			
Notes receivable, net	\$ 56,948	\$ 10,341	\$ 67,289
Accounts receivable, net (including related parties)	440,959	96,039	536,998
Contract assets	9,709,478	12,316,872	22,026,350
Inventories	<u>228,580</u>	<u>141,997</u>	<u>370,577</u>
	<u>\$ 10,435,965</u>	<u>\$ 12,565,249</u>	<u>\$ 23,001,214</u>
Liabilities			
Notes payable	\$ 5,793	\$ -	\$ 5,793
Accounts payable	1,214,597	956,900	2,171,497
Contract payable	2,156	8,046	10,202
Long-term notes and accounts payable	<u>-</u>	<u>11,456</u>	<u>11,456</u>
	<u>\$ 1,222,546</u>	<u>\$ 976,402</u>	<u>\$ 2,198,948</u>

	<u>Within 12 months</u>	<u>Over 12 months</u>	<u>Total</u>
<u>June 30, 2017</u>			
Assets			
Notes receivable, net	\$ 82,645	\$ 13,765	\$ 96,410
Accounts receivable, net (including related parties)	375,467	340,456	715,923
Contract assets	9,080,437	14,267,573	23,348,010
Inventories	165,708	278,063	443,771
	<u>\$ 9,704,257</u>	<u>\$ 14,899,857</u>	<u>\$ 24,604,114</u>
Liabilities			
Notes payable	\$ 21,669	\$ 2,633	\$ 24,302
Accounts payable	988,200	1,148,093	2,136,293
Contract payable	7,590	20,953	28,543
Long-term notes and accounts payable	-	11,456	11,456
	<u>\$ 1,017,459</u>	<u>\$ 1,183,135</u>	<u>\$ 2,200,594</u>

(23) Operating revenue

	<u>Three months ended June 30, 2018</u>	<u>Six months ended June 30, 2018</u>
Revenue from contracts with customers	\$ 1,920,468	\$ 3,745,668
Other - rental revenue	115,603	232,294
	<u>\$ 2,036,071</u>	<u>\$ 3,977,962</u>

A. The revenue from contracts with customers arises from the transfer of goods and services over time and at a point in time in the following business lines:

<u>Three months ended</u>	<u>Building and</u>					
<u>June 30, 2018</u>	<u>land sales</u>	<u>Construction</u>	<u>Hotel management</u>	<u>BOT business</u>	<u>Property management</u>	<u>Total</u>
Revenue from external						
customer contracts	\$ 760,138	\$ 301,060	\$ 630,354	\$ 92,213	\$ 136,703	\$ 1,920,468
Timing of revenue						
recognition						
At a point in time	\$ 760,138	\$ -	\$ 630,354	\$ 92,213	\$ 136,703	\$ 1,619,408
Over time	-	301,060	-	-	-	301,060
	<u>\$ 760,138</u>	<u>\$ 301,060</u>	<u>\$ 630,354</u>	<u>\$ 92,213</u>	<u>\$ 136,703</u>	<u>\$ 1,920,468</u>
<u>Six months ended</u>	<u>Building and</u>					
<u>June 30, 2018</u>	<u>land sales</u>	<u>Construction</u>	<u>Hotel management</u>	<u>BOT business</u>	<u>Property management</u>	<u>Total</u>
Revenue from external						
customer contracts	\$ 1,518,233	\$ 507,942	\$ 1,262,122	\$ 180,155	\$ 277,216	\$ 3,745,668
Timing of revenue						
recognition						
At a point in time	\$ 1,518,233	\$ -	\$ 1,262,122	\$ 180,155	\$ 277,216	\$ 3,237,726
Over time	-	507,942	-	-	-	507,942
	<u>\$ 1,518,233</u>	<u>\$ 507,942</u>	<u>\$ 1,262,122</u>	<u>\$ 180,155</u>	<u>\$ 277,216</u>	<u>\$ 3,745,668</u>

B. Contract assets and liabilities

The Group has recognised the following revenue-related contract assets and liabilities:

	<u>June 30, 2018</u>
Contract assets:	
Contract assets - construction contracts	\$ <u>482,688</u>
Contract liabilities:	
Contract liabilities - buildings and land sales contracts	\$ 1,096,675
Contract liabilities - property leasing contracts	238,762
Contract liabilities - construction contracts	<u>109,375</u>
	<u>\$ 1,444,812</u>
Revenue recognised that was included in the contract liability balance at the beginning of the period:	
	<u>2018</u>
Revenue recognised that was included in the contract liability balance at the beginning of the period	
Building and land sales contracts	\$ 1,014,918
Property leasing contracts	117,588
Construction contracts	<u>10,202</u>
	<u>\$ 1,142,708</u>

C. Related disclosures for the operating revenue for the second quarter of 2017 are provided in Note 12(5).

(24) Other income

	<u>Three months ended June 30,</u>	
	<u>2018</u>	<u>2017</u>
Interest income	\$ 3,231	\$ 2,567
Dividend income	21,420	65,163
Other income	<u>23,427</u>	<u>27,273</u>
	<u>\$ 48,078</u>	<u>\$ 95,003</u>
	<u>Six months ended June 30,</u>	
	<u>2018</u>	<u>2017</u>
Interest income	\$ 4,704	\$ 4,376
Dividend income	55,020	65,163
Other income	<u>44,184</u>	<u>54,486</u>
	<u>\$ 103,908</u>	<u>\$ 124,025</u>

(25) Other gains and losses

		Three months ended June 30,	
		2018	2017
Net currency exchange gain	\$	22,768	\$ 1,343
Net gain (loss) on financial assets at fair value through profit or loss		53,242	(4,727)
Others		31,338	24,506
	\$	<u>107,348</u>	<u>\$ 21,122</u>
		Six months ended June 30,	
		2018	2017
Net currency exchange gain (loss)	\$	11,784	(\$ 26,622)
Net gain on financial assets at fair value through profit or loss		62,626	26,098
Others		60,526	(428)
	\$	<u>134,936</u>	<u>(\$ 952)</u>

(26) Finance costs

		Three months ended June 30,	
		2018	2017
Interest expense:			
Bank borrowings	\$	42,046	\$ 37,981
Commercial paper		4,407	7,563
Ordinary bonds		2,535	3,404
Others		254	285
Other finance expenses		300	300
	\$	<u>49,542</u>	<u>\$ 49,533</u>
		Six months ended June 30,	
		2018	2017
Interest expense:			
Bank borrowings	\$	75,097	\$ 70,565
Commercial paper		6,496	8,145
Ordinary bonds		10,620	14,988
Others		1,113	1,097
Other finance expenses		600	600
	\$	<u>93,926</u>	<u>\$ 95,395</u>

(27) Expenses by nature

Three months ended June 30, 2018			
	<u>Operating costs</u>	<u>Operating expenses</u>	<u>Total</u>
Employee benefit expense			
Wages and salaries	\$ 159,578	\$ 145,709	\$ 305,287
Labor and health insurance fees	18,876	14,143	33,019
Pension costs	9,575	7,474	17,049
Other employee benefit expense	2,228	6,393	8,621
	<u>\$ 190,257</u>	<u>\$ 173,719</u>	<u>\$ 363,976</u>
Depreciation charges	<u>\$ 20,910</u>	<u>\$ 64,212</u>	<u>\$ 85,122</u>
Amortization charges	<u>\$ 15,313</u>	<u>\$ 288</u>	<u>\$ 15,601</u>
Three months ended June 30, 2017			
	<u>Operating costs</u>	<u>Operating expenses</u>	<u>Total</u>
Employee benefit expense			
Wages and salaries	\$ 226,915	\$ 141,216	\$ 368,131
Labor and health insurance fees	19,711	15,735	35,446
Pension costs	9,949	7,716	17,665
Other employee benefit expense	2,979	10,244	13,223
	<u>\$ 259,554</u>	<u>\$ 174,911</u>	<u>\$ 434,465</u>
Depreciation charges	<u>\$ 21,513</u>	<u>\$ 66,473</u>	<u>\$ 87,986</u>
Amortization charges	<u>\$ 15,314</u>	<u>\$ 258</u>	<u>\$ 15,572</u>
Six months ended June 30, 2018			
	<u>Operating costs</u>	<u>Operating expenses</u>	<u>Total</u>
Employee benefit expense			
Wages and salaries	\$ 323,112	\$ 302,733	\$ 625,845
Labor and health insurance fees	37,247	26,352	63,599
Pension costs	18,871	14,077	32,948
Other employee benefit expense	4,890	13,251	18,141
	<u>\$ 384,120</u>	<u>\$ 356,413</u>	<u>\$ 740,533</u>
Depreciation charges	<u>\$ 42,066</u>	<u>\$ 129,519</u>	<u>\$ 171,585</u>
Amortization charges	<u>\$ 30,626</u>	<u>\$ 600</u>	<u>\$ 31,226</u>

Six months ended June 30, 2017			
	<u>Operating costs</u>	<u>Operating expenses</u>	<u>Total</u>
Employee benefit expense			
Wages and salaries	\$ 459,621	\$ 283,001	\$ 742,622
Labor and health insurance fees	38,436	28,101	66,537
Pension costs	19,967	14,156	34,123
Other employee benefit expense	<u>5,627</u>	<u>18,420</u>	<u>24,047</u>
	<u>\$ 523,651</u>	<u>\$ 343,678</u>	<u>\$ 867,329</u>
Depreciation charges	<u>\$ 42,896</u>	<u>\$ 132,715</u>	<u>\$ 175,611</u>
Amortization charges	<u>\$ 30,627</u>	<u>\$ 471</u>	<u>\$ 31,098</u>

- A. According to the Articles of Incorporation of the Company, when distributing earnings, the Company shall distribute compensation to the employees and pay remuneration to the directors that account for at least 2% and no higher than 3%, respectively, of distributable profit of the current period. If a company has accumulated deficit, earnings should be channeled to cover losses.

Employees' compensation can be distributed in the form of shares or in cash. Qualified employees, including the employees of subsidiaries of the company meeting certain specific requirements, are entitled to receive aforementioned stock or cash.

Abovementioned distributable profit of the current period refers to the pre-tax profit before deduction of employees' compensation and directors' remuneration.

- B. For the three months and six months ended June 30, 2018 and 2017, employees' compensation was accrued at \$24,067, \$18,354, \$50,524 and \$33,659, respectively; while directors' remuneration was accrued at \$8,188, \$6,244, \$17,189 and \$11,451, respectively. The aforementioned amounts were recognised in salary expenses.

The employees' compensation and directors' remuneration were accrued based on the percentage as prescribed in the Company's Articles of Incorporation and distributable profit of current period for the six months ended June 30, 2018.

Employees' compensation and directors' remuneration of 2017 as resolved at the meeting of Board of Directors were in agreement with those amounts recognised in the 2017 financial statements.

Information about employees' compensation and directors' remuneration of the Company as resolved at the meeting of Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(28) Income tax

A. Income tax expense (benefit)

Components of income tax expense (benefit):

	Three months ended June 30,	
	2018	2017
Current tax:		
Current tax on profits for the period	\$ 10,610	(\$ 17,750)
Tax on undistributed surplus earnings	8,959	-
Under (over) provision of prior year's income tax	25	(4,970)
Land value increment tax recognised in income tax for the period	7,526	14,194
Total current tax	27,120	(8,526)
Deferred tax:		
Origination and reversal of temporary differences	2,860	5,419
Loss deduction	(2,583)	(4,710)
Impact of change in tax rate	-	-
Total deferred tax	277	709
Income tax expense (benefit)	\$ 27,397	(\$ 7,817)
	Six months ended June 30,	
	2018	2017
Current tax:		
Current tax on profits for the period	\$ 23,068	\$ 13,624
Tax on undistributed surplus earnings	8,959	-
Under (over) provision of prior year's income tax	26	(4,970)
Land value increment tax recognised in income tax for the period	25,963	22,032
Total current tax	58,016	30,686
Deferred tax:		
Origination and reversal of temporary differences	1,351	(13,586)
Loss deduction	(4,369)	(5,953)
Impact of change in tax rate	(21,800)	-
Total deferred tax	(24,818)	(19,539)
Income tax expense	\$ 33,198	\$ 11,147

B. The Company's income tax returns through 2016 have been assessed and approved by the Tax Authority.

C. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China on February 7, 2018, the Company's applicable income tax rate was raised from 17% to 20% effective from January 1, 2018. The Group has assessed the impact of the change in income tax rate.

(29) Earnings per share

Three months ended June 30, 2018			
		Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>	<u>Amount after tax</u>		
Profit attributable to ordinary shareholders of the parent	\$ 225,572	1,622,671	\$ 0.14
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 225,572	1,622,671	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	2,168	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 225,572	1,624,839	\$ 0.14
Three months ended June 30, 2017			
		Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>	<u>Amount after tax</u>		
Profit attributable to ordinary shareholders of the parent	\$ 222,369	1,622,671	\$ 0.14
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 222,369	1,622,671	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	1,504	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 222,369	1,624,175	\$ 0.14

Six months ended June 30, 2018			
		Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>	<u>Amount after tax</u>		
Profit attributable to ordinary shareholders of the parent	\$ 479,717	1,622,671	\$ 0.30
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 479,717	1,622,671	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	9,173	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 479,717	1,631,844	\$ 0.29

Six months ended June 30, 2017			
		Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>	<u>Amount after tax</u>		
Profit attributable to ordinary shareholders of the parent	\$ 362,419	1,622,671	\$ 0.22
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 362,419	1,622,671	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	9,932	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 362,419	1,632,603	\$ 0.22

(30) Operating leases

The Company's subsidiary leases office and business area under non-cancellable operating lease agreements. The lease terms are between 2011 and 2035, and all these lease agreements are renewable at the end of the lease period. Rental payment is calculated based on an agreed upon rate of revenue. The Company's subsidiary recognised rental expense of \$96,811 and \$193,623 both for the three months and six months ended June 30, 2018 and 2017. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	June 30, 2018	December 31, 2017	June 30, 2017
Not later than one year	\$ 405,858	\$ 404,376	\$ 404,164
Later than one year but not later than five years	2,054,817	2,051,176	2,046,270
Later than five years	4,944,822	5,152,133	5,359,227
	<u>\$ 7,405,497</u>	<u>\$ 7,607,685</u>	<u>\$ 7,809,661</u>

(31) Supplemental cash flow information

Investing and financing activities with no cash flow effects:

	Six months ended June 30,	
	2018	2017
Inventories transferred to property, plant and equipment	<u>\$ 221</u>	<u>\$ 75</u>
Prepayment transferred to property, plant and equipment	<u>\$ 2,641</u>	<u>\$ -</u>
Investment properties transferred to real estate held for sale	<u>\$ 1,821</u>	<u>\$ -</u>
Declared cash dividends yet to be distributed	<u>\$ 1,055,162</u>	<u>\$ 1,623,326</u>

(32) Changes in liabilities from financing activities

	January 1, 2018	Changes in cash flow from financing activities	June 30, 2018
Short-term borrowings	\$ 860,000	\$ 130,000	\$ 990,000
Short-term notes and bills payable	1,055,558	(319,891)	735,667
Bonds payable	2,000,000	2,500,000	4,500,000
Long-term borrowings	12,784,475	90,120	12,874,595
Long-term notes and accounts payable	744,346	14,984	759,330
Guarantee deposits received	<u>136,198</u>	<u>1,288</u>	<u>137,486</u>
Liabilities from financing activities-gross	<u>\$ 17,580,577</u>	<u>\$ 2,416,501</u>	<u>\$ 19,997,078</u>

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship with the Company

<u>Names of related parties</u>	<u>Relationship with the Company</u>
Uni-President Development Corp.	Associates
Ming-Da Enterprise Co., Ltd.	Associates
Tone Sang Construction Corp.	Other related parties
Tainan Spinning Co., Ltd.	Other related parties
President Chain Store Corp.	Other related parties
C-maan Health Limited Company	Other related parties
Man Strong Manpower MGT Co., Ltd.	Other related parties

(2) Significant related party transactions and balances

A. Sales of goods:

(a)

	<u>Three months ended June 30,</u>	
	<u>2018</u>	<u>2017</u>
Construction subcontracting		
— Other related parties	\$ <u>50,439</u>	\$ <u>39,649</u>
	<u>Six months ended June 30,</u>	
	<u>2018</u>	<u>2017</u>
Construction subcontracting		
— Other related parties	\$ <u>54,611</u>	\$ <u>90,651</u>

The contract prices of construction for related parties are based on expected construction cost plus reasonable management expenses and profit, and are determined based on mutual agreements. The construction payments are collected based on the contract terms. As of June 30, 2018, December 31, 2017 and June 30, 2017, the status of the construction of the related parties undertaken by the Group was as follows:

	<u>June 30, 2018</u>	<u>December 31, 2017</u>	<u>June 30, 2017</u>
Tainan Spinning Co., Ltd.:			
Total amount of construction contracts that were signed but had not been settled yet	\$ 2,140,004	\$ 2,140,409	\$ 6,081,531
Construction payments received	(<u>91,603</u>)	(<u>8,826</u>)	(<u>4,799,005</u>)
Construction payments receivable	\$ <u>2,048,401</u>	\$ <u>2,131,583</u>	\$ <u>1,282,526</u>

	<u>June 30, 2018</u>	<u>December 31, 2017</u>	<u>June 30, 2017</u>
Associates:			
Total amount of construction contracts that were signed but had not been settled yet	\$ -	\$ -	\$ 318,329
Construction payments received	-	-	(301,441)
Construction payments receivable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,888</u>
	<u>June 30, 2018</u>	<u>December 31, 2017</u>	<u>June 30, 2017</u>
Others related parties:			
Total amount of construction contracts that were signed but had not been settled yet	\$ 240,764	\$ 241,913	\$ 241,000
Construction payments received	(213,305)	(208,047)	(203,918)
Construction payments receivable	<u>\$ 27,459</u>	<u>\$ 33,866</u>	<u>\$ 37,082</u>

(b)

	<u>Three months ended June 30,</u>	
	<u>2018</u>	<u>2017</u>
Rental income:		
— President Chain Store Corp.	\$ 12,902	\$ 12,717
— Other related parties	2,869	3,208
	<u>\$ 15,771</u>	<u>\$ 15,925</u>
	<u>Six months ended June 30,</u>	
	<u>2018</u>	<u>2017</u>
Rental income:		
— President Chain Store Corp.	\$ 25,440	\$ 25,035
— Other related parties	6,544	6,416
	<u>\$ 31,984</u>	<u>\$ 31,451</u>

Rent is determined by mutual agreements and is collected monthly.

B. Accounts receivable

	<u>June 30, 2018</u>	<u>December 31, 2017</u>	<u>June 30, 2017</u>
Accounts receivable - related parties:			
— Other related parties	<u>\$ 45,445</u>	<u>\$ 14,190</u>	<u>\$ 45,296</u>

C. Rental payables

	<u>June 30, 2018</u>	<u>December 31, 2017</u>	<u>June 30, 2017</u>
Other payables:			
— Uni-President Development Corp.	<u>\$ 48,515</u>	<u>\$ 64,651</u>	<u>\$ 38,018</u>
Long-term notes and accounts payable			
— Uni-President Development Corp.	<u>\$ 561,680</u>	<u>\$ 571,727</u>	<u>\$ 580,292</u>

D. Others

(a)

		Three months ended June 30,	
		2018	2017
Rental expenses:			
— Uni-President Development Corp.	\$	113,196	\$ 109,143
— Other related parties		1,726	1,649
	\$	<u>114,922</u>	<u>\$ 110,792</u>
		Six months ended June 30,	
		2018	2017
Rental expenses:			
— Uni-President Development Corp.	\$	224,166	\$ 222,310
— Other related parties		3,447	3,297
	\$	<u>227,613</u>	<u>\$ 225,607</u>

(b)

	June 30, 2018	December 31, 2017	June 30, 2017
Refundable deposits:			
— Uni-President Development Corp.	\$ <u>67,396</u>	\$ <u>67,808</u>	\$ <u>68,721</u>

- E. On June 20, 2006, the Company and China Metal Products Co., Ltd. (“A party”) jointly signed a creditor’s rights transfer contract with Amida Trustlink Assets Management Co., Ltd. (“B party”). Under the contract, the Company and A party should pay \$2,100,000 each (totaling \$4,200,000) to jointly acquire whole creditor’s rights of mortgages, security interests and other dependent claims (collectively referred herein as the creditor’s rights) on the Splendor Hotel Taichung Building, and each bears 50% rights and obligations of this acquisition; when all creditor’s rights of this object turn into property rights, the Company and A party should pay B party totaling \$1,000,000 as the cost and reward of B party for it is entrusted with the task to help turn the creditor’s rights as stated above into property rights, but any excess cost over \$1,000,000 if incurred on this task shall be borne by B party on its own; the Company should pay B party \$300,000 before June 30, 2006, and the Company and A party should jointly issue a promissory note of \$1,800,000 to B party on the signing date; payment should be done before July 15, 2006. The title to the creditor’s rights as stated above had been transferred to the Company and A party on August 2, 2006. Total acquisition price of the creditor’s rights amounted to \$5,200,000, which the Company and A party bear 50% of the price each. The Company had paid its share.
- F. Certain short and long-term borrowings of the Company were guaranteed by its Chairman and General Manager.

(3) Key management compensation

	Three months ended June 30,	
	2018	2017
Salaries and other short-term employee benefits	\$ 4,942	\$ 6,112
Post-employment benefits	-	-
Other long-term benefits	-	-
Termination benefit	-	-
Share-based payment	-	-
	<u>\$ 4,942</u>	<u>\$ 6,112</u>
	Six months ended June 30,	
	2018	2017
Salaries and other short-term employee benefits	\$ 30,497	\$ 89,366
Post-employment benefits	-	-
Other long-term benefits	-	-
Termination benefit	-	-
Share-based payment	-	-
	<u>\$ 30,497</u>	<u>\$ 89,366</u>

8. PLEDGED ASSETS

The Group's assets pledged as collateral are as follows:

Pledged asset	June 30, 2018	December 31, 2017	June 30, 2017	Purpose
Time deposits, demand deposits and checking deposits (shown as "other financial assets - current" and "other financial assets - non-current")	\$ 4,021,472	\$ 1,952,168	\$ 3,738,657	To obtain a higher credit for client, performance guarantee, construction performance guarantees, short-term and long-term borrowings, short-term commercial papers issue, member reward points and gift coupons trust account
Financial assets at fair value through profit or loss	362,728	313,552	318,381	Construction performance guarantees, short-term and long-term borrowings
Land held for construction site	5,664,502	5,834,950	6,694,326	Short-term borrowings, notes and bills payable and long-term borrowings
Construction in progress	3,947,114	3,504,289	3,168,512	Short-term borrowings, notes and bills payable and long-term borrowings
Financial assets at fair value through other comprehensive income	1,247,654	-	-	Short-term borrowings, notes and bills payable
Available-for-sale financial assets	-	708,513	819,396	Short-term borrowings, notes and bills payable
Financial assets carried at cost	-	575,426	575,426	Short-term borrowings, notes and bills payable
Investments accounted for under equity method	1,299,385	1,325,878	1,452,454	Short-term borrowings, notes and bills payable
Land	2,718,252	2,729,051	2,729,051	Construction performance guarantees, short-term borrowings, notes and bills payable and long-term borrowings
Buildings	1,906,660	1,934,451	1,962,329	Short-term borrowings, notes and bills payable and long-term borrowings
Investment property	3,965,250	3,980,580	3,834,814	Construction performance guarantees, short-term borrowings, notes and bills payable and long-term borrowings
	<u>\$ 25,133,017</u>	<u>\$ 22,858,858</u>	<u>\$ 25,293,346</u>	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Summary of endorsements and guarantees and financial support commitments is as follows:

A. Summary of endorsements and guarantees provided by the Company to subsidiaries is as follows:

Name of company	June 30, 2018		December 31, 2017		June 30, 2017	
	Total endorsement		Total endorsement		Total endorsement	
	amount	Amount drawn	amount	Amount drawn	amount	Amount drawn
The Splendor Hotel Taichung	\$ 2,000,000	\$ 1,708,859	\$ 2,000,000	\$ 1,683,308	\$ 2,000,000	\$ 1,661,896
Prince Real Estate Co., Ltd.	2,500,000	258,000	2,500,000	258,000	2,500,000	780,000
	<u>\$ 4,500,000</u>	<u>\$ 1,966,859</u>	<u>\$ 4,500,000</u>	<u>\$ 1,941,308</u>	<u>\$ 4,500,000</u>	<u>\$ 2,441,896</u>

B. Summary of endorsements and guarantees provided by subsidiaries to the Company is as follows:

Name of company	June 30, 2018		December 31, 2017		June 30, 2017	
	Total endorsement		Total endorsement		Total endorsement	
	amount	Amount drawn	amount	Amount drawn	amount	Amount drawn
Prince Real Estate Co., Ltd.	\$ 2,500,000	\$ 1,513,309	\$ 2,500,000	\$ 1,513,309	\$ 2,500,000	\$ 2,035,309
Ta-Chen Construction & Engineering Corp.	927,889	-	927,889	-	927,889	-
Prince Utility Co., Ltd.	900,000	638,763	900,000	638,763	900,000	638,763
	<u>\$ 4,327,889</u>	<u>\$ 2,152,072</u>	<u>\$ 4,327,889</u>	<u>\$ 2,152,072</u>	<u>\$ 4,327,889</u>	<u>\$ 2,674,072</u>

C. Summary of endorsements and guarantees provided by subsidiaries to subsidiaries is as follows:

Name of subsidiaries	Subsidiaries being endorsed/guaranteed	June 30, 2018		December 31, 2017		June 30, 2017	
		Total endorsement		Total endorsement		Total endorsement	
		amount	Amount drawn	amount	Amount drawn	amount	Amount drawn
Prince Apartment Management Maintain Co., Ltd.	Prince Security Co., Ltd.	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000	\$ 10,000
Prince Property Management Consulting Co., Ltd.	Prince Security Co., Ltd.	56,000	-	56,000	-	56,000	10,000
		<u>\$ 76,000</u>	<u>\$ 20,000</u>	<u>\$ 76,000</u>	<u>\$ 20,000</u>	<u>\$ 76,000</u>	<u>\$ 20,000</u>

D. The accumulated operating losses of the subsidiary, the Splendor Hotel, had exceeded 50% of its paid-in capital and its current liabilities were greater than its current assets. The Company was committed to give the Splendor Hotel financial support for its continuing operations for one year from the date of the financial support letter.

(2) Capital expenditures contracted for at the balance sheet date but not yet incurred are as follows:

	June 30, 2018	December 31, 2017	June 30, 2017
Property, plant and equipment	<u>\$ 9,165</u>	<u>\$ 18,524</u>	<u>\$ 60,101</u>

(3) Operating lease agreements:

Please refer to Note 6 (30) for details.

- (4) According to the sale contracts, the Company should provide warranty on the house structure and major facilities for one year from the handover day for the houses it sold. However, any damage to the houses caused by disasters, additions to the houses made by the buyers, or events that are not attributed to the Company is not included in the scope of warranty.
- (5) On June 17, 2005, the Company (“A party”) signed a contract with National Taiwan University (“B party”) relating to the construction and operation of dormitories on Chang-Hsing St. and Shui-Yuan Campus. The major terms of the contract are as follows:
- A. Under the contract, B party should be responsible for acquiring the ownership or land-use right for this project, and let A party use the land; A party must complete the construction within 3 years from the registration of the superficieses, and may operate the dormitories for 44 years, collect dormitory rentals and use fees of other facilities from students, and should return the related assets to B party on the expiry of the contract.
 - B. A party should give B party a performance guarantee of \$60,000 for the construction on the signing date and \$30,000 for operations before the start of operation. As of June 30, 2018, December 31, 2017, and June 30, 2017, A party had provided performance guarantee with a guarantee letter issued by the bank, all amounting to \$30,000.
 - C. A party should pay B party land rentals from the registration of the superficieses, according to the terms of the contract, and pay B party operating royalties from the third year of the operation, based on 0.5% of dormitory rentals and use fees of other facilities collected from students.
 - D. Terms of restrictions for A party:
 - (a) The ratio of A party’s own capital utilized in this project to total construction cost of this project should be at least 30%;
 - (b) During the operation period, the ratio of shareholders’ equity to total assets should be at least 25%; and current ratio (current assets/current liabilities) should be at least 100%;
 - (c) All rights acquired by A party under the contract, except for other conditions specified in the contract and approved by B party, should not be transferred, leased, registered as a liability/obligation or become an executed object of civil litigation.
- (6) On May 10, 2005, the Company (“A party”) signed a contract with National Cheng Kung University (“B party”) relating to the construction and operation of student dormitories and alumni hall. The major terms of the contract are as follows:
- A. Under the contract, B party should be responsible for acquiring the ownership or land-use right for this project, and let A party use the land by way of registration of the superficieses; A party must obtain the user license within 3 years after the signing date, and may operate the dormitories and motorcycle parking lots for 35 years from the start of operation and collect dormitory rentals and use fees of other facilities from students for 50 years from the start of construction, and should return the related assets to B party on the expiry of the contract.
 - B. A party should give B party performance guarantee of \$50,000 for this project on the signing date, which will be returned in installment according to the contractual terms. As of June 30, 2018, December 31, 2017, and June 30, 2017, A party had provided performance guarantee with a guarantee letter issued by the bank, both amounting to \$20,000.

- C. During the operation period, A party should pay B party dormitory operating royalties based on 2% of annual operating revenue of the dormitories and auxiliary facilities operating royalties based on 4% of annual operating revenue of the auxiliary facilities. A party should pay such operating royalties for prior year before the end of June every year. Further, according to the superficies contract signed by the two parties, A party should pay B party land rentals from the registration of superficies.
- D. All rights acquired by A party under the contract, except for other conditions specified in the contract and approved by B party, should not be transferred, leased, registered as a liability/obligation or become an executed object of civil litigation.
- (7)The Company signed a syndicated loan contract with 7 banks - Mega International Commercial Bank as the lead bank for a credit line of \$2.16 billion. The syndicated loans include long-term (secured) loans and guarantee payments receivable (secured), which are used to fund the construction of dormitories in Changxing St. Campus and Shuiyuan Campus of National Taiwan University. During the loan period, the Company should maintain financial commitments such as current ratio, liability ratio and interest coverage; those financial ratios/restrictions shall be reviewed at least once every year, based on the Company's audited annual non-consolidated financial statements. If the Company violates the above financial commitments, it shall improve its financial position by capital increase or other ways before the end of October of the following year from the year of violation; it would not be regarded as a default if the managing bank confirms that its financial position has improved completely. In case of violation, interest on the loans would be charged at the loan rate specified in the contract plus additional 0.25% per annum from the notification date of the managing bank to the completion date of financial improvement or to the date the Company gains the relief from the consortium for its violation.
- (8)The Company signed a loan contract with Mega International Commercial Bank for a credit line of \$785 million. The loans include long-term (secured) loans and guarantee payments receivable (secured), which are used to fund the construction of student dormitories and alumnus hall of National Cheng Kung University. During the loan period, the Company should maintain financial commitments such as current ratio, liability ratio and interest coverage; those financial ratios/restrictions shall be reviewed at least once every year. Current ratio and liability ratio shall be reviewed based on the Company's audited annual non-consolidated financial statements, and interest coverage based on the Company's revenue and expenditure table for the related project. If the Company violates the above financial commitments, it shall improve its financial position by capital increase or other ways before the end of October of the following year from the year of violation; it would not be regarded as a default if the bank confirms that its financial position has improved completely. In case of violation, interest on the loans would be charged at the loan rate specified in the contract plus additional 0.25% per annum from the notification date of the bank to the completion date of financial improvement or to the date the Company obtains a waiver from the bank for its violation.
- (9)The Company signed a syndicated loan contract with 3 financial institutions - Mega International Commercial Bank as the lead bank for a credit line of \$1.06 billion. The syndicated loans include medium-term (secured) loans and commercial paper guarantees, which are used for purchases of 4 tracts of PingHsin Sections No. 694, 706, 708 and 709 in Taiping Dist., Taichung City and

construction payment of residential buildings. Furthermore, the Company shall repay in full for the balance of unpaid principal on maturity date.

- (10) The Company signed a syndicated loan contract with 3 financial institutions – Bank of Taiwan Co., Ltd. as the lead bank for a credit line of \$3.045 billion. The syndicated loans include medium-term guarantee payments receivable (secured) and medium-term commercial paper guarantees (secured). Bank of Taiwan and Agricultural Bank of Taiwan provided medium-term guarantee payments receivable (secured) with a credit line of \$2.545 billion which are used by the Company to apply for the guarantee of corporate bond issued by the bank. International Bills Finance Corp provides medium-term commercial paper guarantees (secured) with a credit line of \$500 million which are used by the Company to repay the borrowing to the financial institutions and improve financial structure. These three financial institutions shall renew the contract with the Company for another 1 year based on their individual commitments and establish the facility documentation, which is similar to the commercial paper guarantees, letter of purchase contract and others. In addition, no matter whether the bondholders receive the payment or not, the banks' guarantee responsibility will be released after the debtor returns the payables to the agency.
- (11) On January 20, February 10 and December 27, 2014, the Company signed a contract with Taiwan Sugar Corporation ("TSC") in relation to cooperative construction of houses. According to the contracts, TSC shall provide Taichung City Koan An Section No. 591-1 and Tainan City Hou Guan Section No.34 and Nanzi Dist., Kaohsiung City Nanzi 1st Section No. 158, etc; the Company shall provide funding for those projects and repurchase houses and land allocated to TSC amounting to \$638,763, \$830,889 and \$1,255,300, and shall bear all improvement fees of houses, public facilities and land, selling expenses, and other expenses or contributed expenses required under the decrees. The Company shall not ask for any compensation for price fluctuations or other reasons. Further, under the contract, the Company shall give TSC performance guarantee amounting to \$63,880, \$83,080 and \$125,540, respectively, on the signing date, which will be returned in instalments according to the contractual terms. The Company had provided such performance guarantee with guarantee letter of the bank as follows:

	<u>June 30, 2018</u>	<u>December 31, 2017</u>	<u>June 30, 2017</u>
Taichung City Koan An Section No. 591-1	\$ <u>63,880</u>	\$ <u>63,880</u>	\$ <u>63,880</u>
Nanzi Dist., Kaohsiung City Nanzi 1st Section No. 158 etc	\$ <u>125,540</u>	\$ <u>125,540</u>	\$ <u>125,540</u>

- (12) The Company signed an agreement with Mr. Fang Tsai-Yuan and World Vision United Co., Ltd. on June 5, 2012 and July 17, 2012, respectively, for joint construction of houses. Under those agreements, Mr. Fang Tsai-Yuan and World Vision United Co., Ltd., the owners of land, shall provide the land located at Nos. 572 and 602, Sec. Zhi-Shan 1, Shilin District, Taipei City, respectively, and the Company is responsible for the construction; the houses built would be allocated to both sides based on the specified proportion. In addition, the Company shall give performance bond in the amount of \$350,000 and \$19,570 to Mr. Fang Tsai-Yuan and World Vision United Co., Ltd., respectively, which would be returned to the Group in installments. As of June 30,

2018, December 31, 2017 and June 30, 2017, balance of the performance bonds were as follows:

	<u>June 30, 2018</u>	<u>December 31, 2017</u>	<u>June 30, 2017</u>
No. 602, Sec. Zhi-Shan 1, Shilin District, Taipei City	\$ <u>350,000</u>	\$ <u>350,000</u>	\$ <u>350,000</u>
No. 572, Sec. Zhi-Shan 1, Shilin District, Taipei City	\$ <u>19,570</u>	\$ <u>19,570</u>	\$ <u>19,570</u>

In 2017, the Company asked the owners of the land to return the 50% performance bond after completion of the construction of roof-slab. However, the owners of the land refused to return the 50% performance bond in the form of cash against the joint construction agreement which stated that the owners of the land can use allocated buildings and lands to offset the performance bond, which the Company disagrees with. On July 3, 2018, the Company has obtained the use permit and sent a legal confirmation letter to the owners of the land for the collection of the performance bond. As of June 30, 2018, the Company's construction cost in this joint construction agreement amounted to \$675,560.

- (13) As of June 30, 2018, December 31, 2017 and June 30, 2017, performance guarantee letters issued for construction undertaking, warranty and leases of subsidiary, Ta-Chen Construction & Engineering Corp., amounted to \$227,038, \$291,053 and \$154,114, respectively.
- (14) Certain construction contracts undertaken by subsidiary, Ta-Chen Construction & Engineering Corp., specify that default penalty shall be computed according to the contractual terms if the construction is not completed within the prescribed period.
- (15) On October 9, 2013, the subsidiary, the Splendor Hotel Taichung, signed a syndicated loan contract with 5 financial institutions, including Taiwan Cooperative Bank, etc., in the amount of \$3.3 million, with Prince Housing & Development Corp. and China Metal Products Co., Ltd. as guarantors. Under the contract, the subsidiary promised its tangible net equity shall not be negative and current ratio, liability ratio, tangible net equity and interest coverage of Prince Housing & Development Corp. and China Metal Products Co., Ltd. shall conform to certain criteria as specified in the contract. If the Splendor Hotel Taichung violates above financial commitments, the managing bank has the right to take the following actions, including but not limited, according to the contract or the resolution of majority of the consortium: 1) request the subsidiary to stop drawing down all or part of the loans; 2) cancel all or part of the credit line of the contract which has not been drawn down yet; 3) announce that all outstanding principal, interest and other accrued expenses payable to the consortium in relation to the loan contract should mature immediately; 4) inform the managing bank of the demand for subsidiary's payment of the promissory note acquired under the loan contract; 5) inform the managing bank to exercise creditor's right of mortgage; 6) exercise contract transfer right, or other rights given by the laws, the loan contract or other relevant documents; 7) take other actions as resolved by the majority of the consortium.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital management

The Group's capital management is to ensure it has sufficient financial resource and operating plans to meet operational capital for future needs, capital expenditure, obligation repayment and dividend distribution. The Group adjusts borrowing amount in accordance with construction progress and capital needed for operations.

(2) Financial instruments

A. Financial instruments by category

	June 30, 2018	December 31, 2017	June 30, 2017
<u>Financial assets</u>			
Financial assets at fair value through profit or loss			
Financial assets mandatorily measured at fair value through profit or loss	\$ 1,190,285	\$ -	\$ -
Financial assets held for trading	-	917,659	818,586
Financial assets at fair value through other comprehensive income			
Designation of equity instrument	1,914,744	-	-
Available-for sale financial assets			
Available-for sale financial assets	-	1,133,158	1,222,675
Financial assets at cost	-	855,030	855,030
Financial assets at amortised cost			
Cash and cash equivalents	3,676,642	4,221,849	3,639,582
Notes receivable	122,329	97,488	143,677
Accounts receivable (including related parties)	729,641	708,966	856,887
Other receivables	126,934	70,738	192,687
Refundable deposits	631,510	597,736	613,600
Other financial assets	4,413,011	2,165,355	3,738,657
	<u>\$ 12,805,096</u>	<u>\$ 10,767,979</u>	<u>\$ 12,081,381</u>

	June 30, 2018	December 31, 2017	June 30, 2017
<u>Financial liabilities</u>			
Financial liabilities at amortised cost			
Short-term borrowings	\$ 990,000	\$ 860,000	\$ 1,425,659
Short-term notes and bills payable	735,667	1,055,558	180,000
Notes payable	11,794	17,167	28,294
Accounts payable	1,763,001	2,305,347	2,258,698
Other payables (including related parties)	2,031,608	1,073,542	2,592,807
Corporate bonds payable (including current portion)	7,000,000	4,500,000	6,500,000
Long-term borrowings (including current portion)	12,874,595	12,784,475	10,554,414
Long-term notes and accounts payable (including current portion)	1,321,010	1,316,073	1,364,957
Guarantee deposits received	137,486	136,198	138,138
	<u>\$ 26,865,161</u>	<u>\$ 24,048,360</u>	<u>\$ 25,042,967</u>

B. Financial risk management policies

- (a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk.
- (b) Risk management is carried out by a central treasury department (Group's finance & accounting division) under policies approved by the Board of Directors. Group's finance & accounting division evaluates and hedges financial risks in close cooperation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

The Group operates internationally and the currencies primarily used are NTD and USD. Foreign exchange risk arises from recognised assets and liabilities and net investments in foreign operations. Management has set up a policy to require the Group entities to manage their foreign exchange risk against their functional currency. The entities are required to manage their entire foreign exchange risk exposure with the Group finance & accounting division. Foreign exchange risk does not have significant impact to the Group.

Price risk

- i. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and available-for-sale financial assets. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

- ii. Shares and open-end funds issued by the domestic companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 10% with all other variables held constant, post-tax profit for the six months ended June 30, 2018 and 2017 would have increased/decreased by \$109,114 and \$79,060, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by \$100,435 and \$16,129, respectively, as a result of other comprehensive income classified as available-for-sale equity investment and equity investment at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

The Group's interest rate risk mainly arose from short-term and long-term (excluding commercial papers) borrowings issued at variable rates and exposed the Group to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group's borrowings at floating rate were calculated by NTD, if interest rates on borrowings had been 0.1% basis point higher/lower with all other variables held constant, profit before tax for the six months ended June 30, 2018 and 2017 would have been \$13,146 and \$11,874 lower/higher, respectively.

(b) Credit risk

Effective 2018

Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. Credit risk arises from outstanding receivables (including contract assets).

Accounts receivable and contract assets

- i. The Group will perform credit check in accordance with credit policies when entered into construction contracts, the credit risk of receivables (mainly contract assets or accounts receivable) are low as the result of credit check was low.
- ii. The Group's accounts receivable and contract assets came from general enterprise or government institution. To protect the quality of accounts receivable and contract assets, the Group has created process of credit risk management. The Group considered customer's financial status, historical trading record and future economic condition in accordance with types of customer, and took into account factors that may influence customers' ability to pay to assess the credit quality of customers. The Group estimated credit loss by loss rate.
- iii. In accordance with the credit risk management policies, if the contract proceeds become past due within 180 days, the proceeds are within normal collection period. However, the proceeds defaults if past due over 180 days.
- iv. The Group adjusted the provision matrix with the historical loss of accounts receivable

and forecastability, which considered the economic condition of the next months. The provision matrix in accordance with above estimation are as follows:

<u>Six months</u> <u>ended June 30, 2018</u>	<u>Without past due</u>	<u>Over 1-30 days</u>	<u>Over 31-90 days</u>	<u>Over 91-180 days</u>	<u>Over 181 days</u>
Expected loss rate	0.01%	1%	10%	25%	100%

- v. Movements in relation to the group applying the simplified approach to provide loss allowance for accounts receivable are as follows:

	<u>Six months ended June 30, 2018</u>
	<u>Accounts receivable</u>
At January 1_IAS 39	\$ 4,621
Adjustments under new standards	-
At January 1_IFRS 9	4,621
Reversal of impairment loss	(148)
At June 30	<u>\$ 4,473</u>

- vi. Credit risk information of the second quarter of 2017 is provided in Note 12(4).

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group's finance & accounting division. Group's finance & accounting division monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times.
- ii. The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

	June 30, 2018		
	Within 1 year	Between 1 to 3 years	Over 3 years
<u>Non-derivative financial liabilities:</u>			
Short-term borrowings	\$ 1,001,101	\$ -	\$ -
Short-term notes and bills payable	735,900	-	-
Notes payable	11,773	14	7
Accounts payable	959,057	802,456	1,488
Other payables (including related parties)	2,023,298	7,534	737
Guarantee deposits received	87,831	17,075	32,580
Bonds payable (including current portion)	2,580,750	84,000	4,542,000
Long-term borrowings (including current portion)	8,096,083	3,921,092	1,427,313
Long-term notes and accounts payable (including related parties)	-	1,309,554	11,456

	December 31, 2017		
	Within 1 year	Between 1 to 3 years	Over 3 years
<u>Non-derivative financial liabilities:</u>			
Short-term borrowings	\$ 865,035	\$ -	\$ -
Short-term notes and bills payable	1,055,900	-	-
Notes payable	17,160	-	7
Accounts payable	1,347,166	956,219	1,962
Other payables (including related parties)	1,058,548	13,324	1,670
Guarantee deposits received	72,629	41,178	22,391
Bonds payable (including current portion)	2,559,750	42,000	2,042,000
Long-term borrowings (including current portion)	6,379,860	4,094,553	2,533,305
Long-term notes and accounts payable (including related parties)	-	1,304,617	11,456

	June 30, 2017		
	Within 1 year	Between 1 to 3 years	Over 3 years
<u>Non-derivative financial liabilities:</u>			
Short-term borrowings	\$ 1,428,427	\$ -	\$ -
Short-term notes and bills payable	180,000	-	-
Notes payable	28,287	-	7
Accounts payable	1,110,384	1,146,586	1,728
Other payables (including related parties)	3,166,562	5,396	1,141
Guarantee deposits received	81,569	26,159	30,410
Bonds payable (including current portion)	2,065,350	2,538,750	2,021,000
Long-term borrowings (including current portion)	1,971,233	6,717,173	2,264,401
Long-term notes and accounts payable (including related parties)	-	773,209	11,456

iii. The Group does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis will be significantly earlier, nor expect the actual cash flow amount will be significantly different.

(3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Group's investment in listed stocks and beneficiary certificates is included in Level 1.

Level 2: Inputs other than quoted 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 liability. The fair value of the Group's investment in equity without active market is included in Level 3.

B. Fair value information of investment property at cost is provided in Note 6(9).

C. Financial instruments not measured at fair value

The carrying amounts of the Group's cash and cash equivalents, financial instruments at amortised cost (including notes receivable, accounts receivable (including related parties), other payables, refundable deposits, other financial assets, short-term borrowings, short-term notes payable, notes payable, accounts payable, other payables (including related parties), corporate

bonds payables, long-term borrowings, long-term notes and accounts payable (including related parties), and guarantee deposits received) are approximate to their fair values.

D. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at June 30, 2018 and 2017 are as follows:

(a) The related information of natures of the assets and liabilities is as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>June 30, 2018</u>				
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 1,190,285	-	-	\$ 1,190,285
Financial assets at fair value through other comprehensive income				
Equity securities	990,284	-	924,460	1,914,744
	<u>\$ 2,180,569</u>	<u>\$ -</u>	<u>\$ 924,460</u>	<u>\$ 3,105,029</u>
<u>December 31, 2017</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 917,659	\$ -	\$ -	\$ 917,659
Available-for-sale financial assets				
Equity securities	1,027,873	-	105,285	1,133,158
	<u>\$ 1,945,532</u>	<u>\$ -</u>	<u>\$ 105,285</u>	<u>\$ 2,050,817</u>
<u>June 30, 2017</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 818,586	\$ -	\$ -	\$ 818,586
Available-for-sale financial assets				
Equity securities	1,132,344	-	90,331	1,222,675
	<u>\$ 1,950,930</u>	<u>\$ -</u>	<u>\$ 90,331</u>	<u>\$ 2,041,261</u>

(b). The methods and assumptions the Group used to measure fair value are as follows:

i. The instruments the Group used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

	<u>Listed shares</u>	<u>Open-end fund</u>
Market quoted price	Closing price	Net asset value

ii. Except for financial instruments with active markets, the fair value of other financial

instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the balance sheet date.

E. For the six months ended June 30, 2018 and 2017, there was no transfer between Level 1 and Level 2.

F. The following chart is the movement of Level 3 for the six months ended June 30, 2018 and 2017:

	2018	2017
	Non-derivative equity instruments	Non-derivative equity instruments
At January 1	\$ 105,285	\$ 166,775
Adjustment due to transfer of standard(Note 1)	880,641	-
Loss recognised in other comprehensive income (Note 2)	(60,211)	(76,444)
Sold in the period	(967)	-
Effect of exchange rate dranges	(288)	-
At June 30	<u>\$ 924,460</u>	<u>\$ 90,331</u>

Note 1: Under IFRS 9, the financial assets previously applied to IAS 39 were adjusted and transferred, please refer to Note 12(4).

Note 2: Shown as unrealised gain or loss on financial assets at fair value through other comprehensive income.

G. For the six months June 30, 2018 and 2017, there was no transfer into or out from Level 3.

H. Finance and Accounting segment is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently assessing valuation results and making any other necessary adjustments to the fair value.

I. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value at June 30, 2018	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity Unlisted shares	\$ 924,460	Discounted cash flow	Weighted average cost of capital Discount for 30% lack of marketability	0.58%~ 2.47% 30%	The higher the weighted average cost of capital, the lower the fair value The higher the net asset value, the higher the fair value
	Fair value at December 31, 2017	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity Unlisted shares	\$ 105,285	Discounted cash flow	Weighted average cost of capital Discount for 30% lack of marketability	0.48%~ 2.47% 30%	The higher the weighted average cost of capital, the lower the fair value The higher the net asset value, the higher the fair value
	Fair value at June 30, 2017	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity Unlisted shares	\$ 90,331	Discounted cash flow	Weighted average cost of capital Discount for 30% lack of marketability	1.58%~ 2.70% 30%	The higher the weighted average cost of capital, the lower the fair value The higher the net asset value, the higher the fair value

- J. The Group has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in different measurement. The following is the effect of profit or loss or of other comprehensive income from financial assets and liabilities categorized within Level 3 if the inputs used to valuation models have changed:

June 30, 2018						
	Input	Change	Recognised in profit or loss		Recognised in other comprehensive income	
			Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets						
Equity instruments	888,170	±1%	\$ -	\$ -	\$ 8,882	(\$ 8,882)
December 31, 2017						
	Input	Change	Recognised in profit or loss		Recognised in other comprehensive income	
			Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets						
Equity instruments	44,601	±1%	\$ -	\$ -	\$ 446	(\$ 446)

June 30, 2017

			Recognised in profit or loss		Recognised in other comprehensive income	
			Favourable	Unfavourable	Favourable	Unfavourable
			change	change	change	change
	Input	Change				
Financial assets						
Equity instruments	44,601	±1%	\$ -	\$ -	\$ 446	(\$ 446)

(4) Effects on initial application of IFRS 9 and information on application of IAS 39 in 2017

A. Summaries of significant accounting policies adopted in 2017 and in the second quarter of 2017:

(a) Financial assets at fair value through profit or loss

- i. Financial assets held for trading are classified in this category of held for trading if acquired principally for the purpose of selling in the short-term.
- ii. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.
- iii. Financial liabilities at fair value through profit or loss are initially recognised at fair value. Related transaction costs are expensed in profit or loss. These financial liabilities are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial liabilities are recognised in profit or loss.

(b) Available-for-sale financial assets

- i. They are non-derivatives that are either designated in this category or not classified in any of the other categories.
- ii. On a regular way purchase or sale basis, available-for-sale financial assets are recognised and derecognised using trade date accounting.
- iii. They are initially recognised at fair value plus transaction costs. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognised in other comprehensive income. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured or derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are presented in 'financial assets measured at cost'.

(c) Impairment of financial assets

- i. The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.
- ii. The criteria that the Group uses to determine whether there is objective evidence of an impairment loss is as follows:

- (i) Significant financial difficulty of the issuer or debtor;
 - (ii) A breach of contract, such as a default or delinquency in interest or principal payments;
 - (iii) The disappearance of an active market for that financial asset because of financial difficulties;
 - (iv) It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
 - (v) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the group;
 - (vi) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered.
- iii. When the Group assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows according to the category of financial assets.
- (i) Financial assets at amortised cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate, and is recognised in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortised cost that would have been at the date of reversal had the impairment loss not been recognised previously. Impairment loss is recognised and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.
 - (ii) Financial assets at cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at current market return rate of similar financial asset, and is recognised in profit or loss. Impairment loss recognised for this category shall not be reversed subsequently. Impairment loss is recognised by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(iii) Available-for-sale financial assets

The amount of the impairment loss is measured as the difference between the asset's acquisition cost (less any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, and is reclassified from 'other comprehensive income' to 'profit or loss'. If, in a subsequent period, the fair value of an investment in a debt instrument increases, and the increase can be related objectively to an event occurring after the impairment loss was recognised, such impairment loss is reversed through profit or loss. Impairment loss of an investment in an equity instrument recognised in profit or loss shall not be reversed through profit or loss. Impairment loss is recognised and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

B. The reconciliation of carrying amount of financial assets from December 31, 2017 as under IAS 39 to January 1, 2018 as under IFRS9 are as follows:

	Available-for-sale-equity			
	Measured at fair value through other		Total	Effects Other equity
	comprehensive income-equity	Measured at cost		
IAS 39	\$ 1,133,158	\$ 855,030	\$ 1,988,188	\$ -
Transferred into and measured at fair value through other comprehensive income-equity	880,641	(855,030)	25,611	25,611
IFRS 9	<u>\$ 2,013,799</u>	<u>\$ -</u>	<u>\$ 2,013,799</u>	<u>\$ 25,611</u>

Under IAS 39, because the equity instruments, which were classified as: available-for-sale financial assets, financial assets at cost, amounting to \$1,133,158 and \$855,030, respectively, were not held for the purpose of trading, they were reclassified as "financial assets at fair value through other comprehensive income (equity instruments)" amounting to \$2,013,799, increased/decreased other equity interest in the amount of \$25,611 on initial application of IFRS 9.

C. The significant accounts as of December 31, 2017 and June 30, 2017 and in the second quarter of 2017 are as follows:

(a) Available-for-sale financial assets

Items	December 31, 2017	June 30, 2017
Non-current items:		
Listed stocks	\$ 116,176	\$ 116,685
Unlisted shares	44,601	44,601
	160,777	161,286
Available-for-sale financial assets	972,381	1,061,389
	<u>\$ 1,133,158</u>	<u>\$ 1,222,675</u>

The Group recognised (\$71,603) and \$10,004 in other comprehensive income for the changes

in fair value for the three months and six months ended June 30, 2017, respectively.

As of December 31, 2017 and June 30, 2017, the Group's investments classified as available-for-sale financial assets that were pledged as collaterals was provided in Note 8.

(b) Financial assets at cost

Items	December 31, 2017	June 30, 2017
Non-current items:		
Unlisted shares	\$ <u>855,030</u>	\$ <u>855,030</u>

i. According to the Group's intention, its investment in stocks of President Energy Development Corp. and President International Development Corp. should be classified as 'available-for-sale financial assets'. However, as the stocks are not traded in active market, and no sufficient industry information of companies similar to the stocks and the financial information of the investees, the fair value of the investment in the unlisted stocks cannot be measured reliably. The Group classified those stocks as 'financial assets measured at cost'.

ii. Details of the Group's financial assets at cost pledged to others as collateral are provided in Note 8.

D. Credit risk information as of December 31, 2017 and June 30, 2017 and for the three months ended June 30, 2017 are as follows:

- (a) Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. Credit risk arises from cash, and deposits with banks and financial institutions, including outstanding receivables. Receivables mainly arose from the instalments of preconstruction real estate. The Group assessed there were no significant credit risk because the receivables are from properties sold in advance of the construction.
- (b) For the six months ended June 30, 2017, no credit limits were exceeded during the reporting periods, and management does not expect any significant losses from non-performance by these counterparties.
- (c) The Group's accounts receivable that are neither past due nor impaired are fully performing in line with the credit standards prescribed based on counterparties' industrial characteristics, scale of business and profitability. Accounts receivable are classified into three categories:
- Sales of property: Mainly loans of customers receivable from banks.
 - Construction contract and sales of services: Mainly from clients with outstanding collection history.
 - Accounts receivable of accommodation department: Mainly from receivables from credit card.

(d) The ageing analysis of accounts receivable that were past due but not impaired is as follows:

	<u>December 31, 2017</u>	<u>June 30, 2017</u>
Within 60 days	\$ 5,795	\$ 7,106
61 to 120 days	287	410
121 to 180 days	170	37
Over 181 days	<u>1,083</u>	<u>1,505</u>
	<u>\$ 7,335</u>	<u>\$ 9,058</u>

The above ageing analysis was based on past due date.

(e) Movements in the provision for impairment of accounts receivable for the six months ended June 30, 2017 are as follows:

	<u>Individual provision</u>
At January 1	\$ 4,298
Provision for impairment	<u>665</u>
At June 30	<u>\$ 4,963</u>

The Group's accounts receivable considers any changes from initial loan date to the end of reporting period, historical experience, and the analysis of the customers' current financial position to estimate the unrecoverable amount.

(5) Effects of initial application of IFRS 15 and information on application of IAS 11 and IAS 18 in 2017

A. The significant accounting policies applied on revenue recognition for the second quarter of 2017 are set out below.

(a) Sales of goods

The Group primarily engaged in the commissioned construction, sale and lease of public housing and commercial buildings. Revenue arising from the sales of goods is recognised when the Group has delivered the goods to the customer, the amount of sales revenue can be measured reliably and it is probable that the future economic benefits associated with the transaction will flow to the entity. The delivery of goods is completed when the significant risks and rewards of ownership have been transferred to the customer, the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the customer has accepted the goods based on the sales contract or there is objective evidence showing that all acceptance provisions have been satisfied. For commissioned preconstruction real estate projects, the sales revenue was recognised under the regulation on sales of IFRS 18 'Revenue'. The Group recognised profit or loss when the registration and actual transfer were completed. However, sales revenue was recognised when either registration or the actual transfer was completed with related risk and return before balance sheet date.

(b) Sales of services

The Group provides brokerage, management of apartment and security services. Revenue

arising from the sales of goods is recognised when the amount of sales revenue can be measured reliably and it is probable that the future economic benefits associated with the transaction will flow to the entity.

(c) Construction contracts

- i. IAS 11, 'Construction Contracts', defines a construction contract as a contract specifically negotiated for the construction of an asset. If the outcome of a construction contract can be estimated reliably and it is probable that this contract would make a profit, contract revenue is recognised by reference to the stage of completion of the contract activity, using the percentage-of-completion method of accounting, over the contract term. Contract costs are expensed as incurred. The stage of completion of a contract is measured by the proportion of contract costs incurred for work performed to date to the estimated total costs for the contract. An expected loss where total contract costs will exceed total contract revenue on a construction contract is recognised as an expense as soon as such loss is probable. If the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.
- ii Contract revenue should include the revenue arising from variations from the original contract work, claims and incentive payments that are agreed by the customer and can be measured reliably.
- iii The excess of the cumulative costs incurred plus recognised profits (less recognised losses) over the progress billings on each construction contract is presented as an asset within 'receivables from customers on construction contracts'. While, the excess of the progress billings over the cumulative costs incurred plus recognised profits (less recognised losses) on each construction contract is presented as a liability within 'payables to customers on construction contracts'.
- iv. An agreement for the construction of real estate is a construction contract within the scope of IFRIC 15, 'Agreements for the construction of real estate', and IAS 11 applies only when the buyer is able to specify the major structural elements of the design of the real estate before construction begins and/or specify major structural changes once construction is in progress. For preconstruction real estate contract that did not meet the definition of 'Construction contracts', the Group recognised sales revenue under IAS 18, 'Revenue'. However, the Group recognised contract revenue in accordance with IAS 11 for contract which met the definition of 'Construction contracts'.

(d) Service concession arrangements

- i The Group contracted with National Taiwan University (the grantor) to provide construction of the government's infrastructure assets for public services and operate those assets for 44 years and 6 months for Chang-xing campus and 44 years and 4 months for Shui-yuan campus after construction is completed. When the term of operating period expires, the underlying infrastructure assets will be transferred to National Taiwan University without consideration. The Group allocates the fair value of the consideration received or receivable in respect of

the service concession arrangement between construction services and operating services provided based on their relative fair values, and recognises such allocated amounts as revenues in accordance with IAS 11, 'Construction Contracts', and IAS 18, 'Revenue', respectively.

- ii. Costs incurred on provision of construction services or upgrading services under a service concession arrangement are accounted for in accordance with IAS 11, 'Construction Contracts'.
- iii. The consideration received or receivable from the grantor in respect of the service concession arrangement is recognised at its fair value. Such considerations are recognised as an intangible asset based on how the considerations from the grantor to the operator are made as specified in the arrangement.

B. The revenue recognised by using above accounting policies for the second quarter of 2017 are as follows:

	Three months ended June 30, 2017	Six months ended June 30, 2017
Revenue from sale of house	\$ 427,177	\$ 1,118,142
Hospitality service revenue	650,709	1,313,160
Service revenue	146,134	294,839
Construction contracts revenue	370,613	738,687
Service concession revenue		
-Operating service revenue	95,774	187,858
Other operating revenue	56,981	113,020
	<u>\$ 1,747,388</u>	<u>\$ 3,765,706</u>

C. The construction contract receivable/payable recognised by using above construction contract accounting policies as of December 31, 2017 and June 30, 2017 are as follows:

	December 31, 2017	June 30, 2017
Aggregate costs incurred plus recognised profits (less recognised losses)	\$ 6,718,521	\$ 18,652,246
Less: Progress billings	(6,358,146)	(18,237,018)
Net balance sheet position for construction in progress	<u>\$ 360,375</u>	<u>\$ 415,228</u>
Presented as:		
Due from customers for contract work	\$ 370,577	\$ 443,771
Due to customers for contract work	(10,202)	(28,543)
	<u>\$ 360,375</u>	<u>\$ 415,228</u>

As at December 31, 2017 and June 30, 2017, the retentions relating to construction contracts amounted to \$381,758 and \$624,449, respectively; the advances received before the related construction work is performed amounted to \$0 and \$719,619, respectively.

D. The effects and description of current balance sheets items if the Group continues adopting above

accounting policies are as follows:

		June 30, 2018	
	Balance by using IFRS 15	Balance by using previous accounting policies	Effects from changes in accounting policy
<u>Balance sheet items</u>			
Contract assets	\$ 482,688	\$ -	\$ 482,688
Due from customers for contract work	-	482,688	(482,688)
Contract liabilities	(1,444,812)	-	(1,444,812)
Due to customers for contract work	-	(109,375)	109,375
Advance receipts	-	(1,335,437)	1,335,437

No effect to the comprehensive income statements.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

- A. Loans to others: Please refer to table 1.
- B. Provision of endorsements and guarantees to others: Please refer to table 2.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: Please refer to table 4.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: Please refer to table 5.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 6.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 7.
- I. Trading in derivative instruments undertaken during the reporting periods: None.
- J. Significant inter-company transactions during the reporting periods: Please refer to table 8.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 9.

(3) Information on investments in Mainland China

None.

14. SEGMENT INFORMATION

(1) General information

Management has determined the reportable operating segments based on the reports reviewed by the Chief Operating Decision-Maker that are used to make strategic decisions. The Group's corporate composition, basis for segmentation, and basis for measurement of segment's information had no significant changes for the period. The Chief Operating Decision-Maker considers the business from a product perspective.

(2) Measurement of segment information

The Chief Operating Decision-Maker assesses the performance of the operating segments based on the profit (loss) before taxes. This measurement basis excludes the effects of non-recurring revenues/expenditures from the operating segments. Accounting policies of operating segments are the same as the summary of significant accounting policies in Note 4 to the consolidated financial statements.

(3) Information about segment profit or loss and assets

The segment information provided to the Chief Operating Decision-Maker for the reportable segments is as follows:

Six months ended June 30, 2018					
Item	Construction	Hotel	Others	Write-off and Adjustment	Total
External operating revenue-net	\$ 2,026,176	\$ 1,541,159	\$ 410,627	\$ -	\$ 3,977,962
Internal operating revenue-net	519,453	-	29,633	(549,086)	-
Total segment revenue	2,545,629	1,541,159	440,260	-	3,977,962
Costs and expenses	(2,497,275)	(1,345,162)	(324,404)	547,873	(3,618,968)
Segment income	48,354	195,997	115,856	-	358,994
Other income	84,040	9,071	23,978	(13,181)	103,908
Other gains and losses	135,418	(371)	(111)	-	134,936
Finance costs	(75,511)	(28,464)	(80)	10,129	(93,926)
Share of profit of associates and joint ventures accounted for under equity method	351,032	-	(1,652)	(350,131)	(751)
Profit from continuing operations before tax	543,333	176,233	137,991	-	503,161
Income tax expense	(31,448)	(1,630)	(120)	-	(33,198)
Net income for the period	\$ 511,885	\$ 174,603	\$ 137,871	-	\$ 469,963
Segment assets	\$ 49,178,267	\$ 7,283,684	(\$ 906,726)	(4,744,213)	\$ 52,624,464

Six months ended June 30, 2017					
Item	Construction	Hotel	Others	Write-off and Adjustment	Total
External operating revenue-net	\$ 1,856,829	\$ 1,501,018	\$ 407,859	\$ -	\$ 3,765,706
Internal operating revenue-net	653,229	-	26,720	(679,949)	-
Total segment revenue	2,510,058	1,501,018	434,579	-	3,765,706
Costs and expenses	(2,514,055)	(1,308,365)	(332,276)	706,122	(3,448,574)
Segment income	(3,997)	192,653	102,303	-	317,132
Other income	107,385	3,406	34,641	(21,407)	124,025
Other gains and losses	675	(1,330)	(297)	-	(952)
Finance costs	(74,503)	(28,244)	(3,256)	10,608	(95,395)
Share of profit of associates and joint ventures accounted for under equity method	222,162	-	10,504	(214,763)	17,903
Profit from continuing operations before tax	251,722	166,485	143,895	-	362,713
Income tax expense	3,432	(15,104)	525	-	(11,147)
Net income for the period	\$ 255,154	\$ 151,381	\$ 144,420	-	\$ 351,566
Segment assets	\$ 48,325,875	\$ 7,163,959	\$ 2,379,153	(4,816,841)	\$ 53,052,146

(4) Reconciliation for segment income (loss) and assets

The revenue from external parties, segment income and segment assets reported to the Chief Operating Decision-Maker are measured in a manner consistent with the revenue, profit before taxes, and total assets in the financial statements. Information on adjusted consolidated total profit (loss), reportable segment profit after taxes and total assets, and reconciliation for reportable segment assets for this period is provided in Note 14(3).

Prince Housing & Development Corp. and Subsidiaries
Loans to others
Six months ended June 30, 2018

Expressed in thousands of NTD
(Except as otherwise indicated)

Table 1

No. (Note 1)	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the six months ended June 30, 2018	Balance at June 30, 2018	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral	Limit on loans granted to a single party	Ceiling on total loans granted	Note
1	Ta-Chen Construction & Engineering Corp.	Cheng-Shi Investment Holdings Co., Ltd.	Other receivables - related parties	Y	\$ 100,000	\$ 100,000	\$ 100,000	2.7	Short-term financing	\$ -	Additional operating capital	\$ -	None	\$ 362,057	\$ 362,057	Note 2

(Note 3)

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows:

(1) The Company is '0'.

(2) The subsidiaries are numbered in order starting from '1'.

Note 2: Limit on loans granted to a single party and ceiling on total loans granted as prescribed in Ta-chen Construction & Engineering Corp. "Procedures for Provision of Loans" are as follows:

A. Ceiling on total loans to others: 40% of the Company's net worth.

B. Limit on loans to a single party:

(a) Nature of the loan is related to business transactions: Limit to a single party is NTD1.0 billion or the amount of business transactions between the creditor and borrower in the current year.

(b) Nature of loan is for short-term financing: Limit on loans to a single party is NTD500 million.

Note 3: Limit on loans granted to a single party as prescribed in Ta-Chen Construction & Engineering Corp.'s "Procedures for Provision of Loans" are not allowed more than NTD0.5 billion. However, limit on loans granted to a single party shall not exceed the ceiling on total loans; therefore, Ta-Chen Construction & Engineering Corp.'s limit on loans granted to a single party is based on its ceiling on total loans.

Prince Housing & Development Corp. and Subsidiaries
Provision of endorsements and guarantees to others

Six months ended June 30, 2018

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed		Relationship with the endorser/ guarantor (Note 2)	Limit on endorsements/ guarantees provided for a single party	Maximum outstanding endorsement/ guarantee amount as of June 30, 2018	Outstanding endorsement/ guarantee amount at June 30, 2018	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/guarantor company	Ceiling on total amount of endorsements/ guarantees provided	Provision of endorsements / guarantees by parent company to subsidary company		Provision of endorsements / guarantees to the party in Mainland China	Footnote
		Company name										Y	N		
0	Prince Housing & Development Corp.	Prince Real Estate Co., Ltd.	\$ 4,646,226	2	\$ 2,500,000	\$ 2,500,000	\$ 2,500,000	\$ 258,000	-	11%	\$ 11,615,565	Y	N	N	Note 3
0	Prince Housing & Development Corp.	The Splendor Hotel Taichung	4,646,226	6	2,000,000	2,000,000	2,000,000	1,708,859	-	9%	11,615,565	Y	N	N	Note 3
1	Prince Utility Co., Ltd.	Prince Housing & Development Corp.	1,000,000	4	900,000	900,000	900,000	638,763	-	1230%	2,000,000	N	Y	N	Note 4
2	Prince Real Estate Co., Ltd.	Prince Housing & Development Corp.	2,500,000	4	2,500,000	2,500,000	2,500,000	1,513,309	-	163%	5,000,000	N	Y	N	Note 5
3	Ta-Chen Construction & Engineering Corp.	Prince Housing & Development Corp.	1,500,000	4	927,889	927,889	927,889	-	-	111%	3,000,000	N	Y	N	Note 6
4	Prince Apartment Management Maintain Co., Ltd.	Prince Security Co., Ltd.	20,000	3	20,000	20,000	20,000	20,000	-	27%	50,000	N	N	N	Note 7
5	Prince Property Management Consulting Co., Ltd.	Prince Security Co., Ltd.	56,000	2	56,000	56,000	56,000	-	-	19%	120,000	N	N	N	Note 8

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:

(1) The Company is '0'.

(2) The subsidiaries are numbered in order starting from '1'. The same company will have the same number.

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following six categories:

(1) Having business relationship.

(2) The endorser/guarantor parent company owns directly more than 50% voting shares of the endorsed/guaranteed subsidiary.

(3) The endorser/guarantor parent company and its subsidiaries jointly own more than 50% voting shares of the endorsed/guaranteed company.

(4) The endorsed/guaranteed parent company directly or indirectly owns more than 50% voting shares of the endorser/guarantor subsidiary.

(5) Mutual guarantee of the trade as required by the construction contract.

(6) Due to joint venture, each shareholder provides endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.

Note 3: In accordance with the Group's related regulations, the limit on endorsements and guarantees for any single entity is 20% of the Company's net worth based on the latest financial statements and the limit on accumulated amount of transactions of endorsements and guarantees is 50% of the Company's net worth based on the latest financial statements.

Note 4: In accordance with Prince Utility Co., Ltd.'s related regulations, the limit of endorsements and guarantees for any single entity is \$1,000,000; the total accumulated amount is \$2,000,000.

Note 5: In accordance with Prince Real Estate Co., Ltd.'s related regulations, the limit of endorsements and guarantees for any single entity is \$2,500,000; the total accumulated amount is \$5,000,000.

Note 6: In accordance with Ta-Chen Construction & Engineering Corp.'s related regulations, the limit of endorsements and guarantees for any single entity is \$1,500,000; the total accumulated amount is \$3,000,000.

Note 7: In accordance with Prince Apartment Management Maintain Co., Ltd.'s related regulations, the limit of endorsements and guarantees for any single entity is \$20,000; the total accumulated amount is \$50,000.

Note 8: In accordance with Prince Property Management Consulting Co., Ltd.'s related regulation, the limit of endorsements and guarantees for any single entity is \$56,000; the total accumulated amount is \$120,000.

Prince Housing & Development Corp.
Holding of marketable securities at the end of the year (not including subsidiaries, associates and joint ventures)
June 30, 2018

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

Securities held by		Marketable securities		Name of investee companies		Relationship with the securities issuer		General ledger account		As of June 30, 2018		Fair value		Footnote	
Prince Housing & Development Corp.		Stock		Nantex Industry Co., Ltd.		None		Non-current financial assets at fair value through other comprehensive income		Number of shares	Book value	Ownership (%)	\$	28.40	Listed company, Note 2
		Stock		Nantex Industry Co., Ltd.		None		Non-current financial assets at fair value through other comprehensive income		7,204,751	\$ 204,615	Note 1			
		Stock		SanoPharm Taiwan, Ltd.		None		Non-current financial assets at fair value through other comprehensive income		23,605,921	764,832	Note 1			Listed company, Note 3
		Stock		Simple Technology Co., Ltd.		None		Non-current financial assets at fair value through other comprehensive income		76,149	13,666	Note 1			OTC company
		Stock		Universal Venture Capital Investment Corp.		None		Non-current financial assets at fair value through other comprehensive income		1,400,000	13,398	Note 1			
		Stock		Grand Bills Finance Corp.		None		Non-current financial assets at fair value through other comprehensive income		48,472	819	Note 1			
		Stock		Chipwell Tech. Corp.		None		Non-current financial assets at fair value through other comprehensive income		344,488	1,753	Note 1			
		Stock		Nammat Technology Co., Ltd.		None		Non-current financial assets at fair value through other comprehensive income		1,648,563	25,553	Note 1			
		Stock		Southern Science Joint Development		None		Non-current financial assets at fair value through other comprehensive income		10,000	1,736	Note 1			
		Stock		Formosoft International Co., Ltd.		None		Non-current financial assets at fair value through other comprehensive income		7,117	21	Note 1			
		Stock		President Energy Development Corp.		None		Non-current financial assets at fair value through other comprehensive income		300,000	9,138	Note 1			
		Stock		President International Development Corp.		None		Non-current financial assets at fair value through other comprehensive income		87,745,770	836,217	Note 1			Note 4
		Fund		Mega Diamond Money Market Fund		None		Financial assets at fair value through profit or loss - non-current		6,301,406	78,728	Note 1			Note 5
		Fund		UPAMC James Bond Money Market Fund		None		Financial assets at fair value through profit or loss - current		6,006,728	100,005	Note 1			
		Fund		Yunta Wan Tai Money Market		None		Financial assets at fair value through profit or loss - current		13,316,728	200,968	Note 1			
		Fund		Jib Sun Money Market Fund		None		Financial assets at fair value through profit or loss - current		6,775,756	100,005	Note 1			
		Fund		Capital Money Market Fund		None		Financial assets at fair value through profit or loss - current		3,110,746	50,002	Note 1			
		Stock		Nantex Industry Co., Ltd.		None		Financial assets at fair value through profit or loss - current		12,692,841	366,477	Note 1			Note 6
		Stock		Chipwell Tech. Corp.		None		Non-current financial assets at fair value through other comprehensive income		349,990	1,781	Note 1			
		Stock		Nammat Technology Co., Ltd.		None		Non-current financial assets at fair value through other comprehensive income		1,848,857	28,657	Note 1			
		Repurchase		China Bills Finance Corp.		None		Cash equivalents-repurchase bonds		-	55,000	Note 1			
		Repurchase		International Bills Finance Corp.		None		Cash equivalents-repurchase bonds		-	150,000	Note 1			
		Repurchase		MEGA BILLS FINANCE CO., LTD.		None		Cash equivalents-repurchase bonds		-	15,000	Note 1			
		Stock		Tou Jia Investments Inc.		None		Non-current financial assets at fair value through other comprehensive income		655,424	1,938	Note 1			
		Stock		Prince Housing & Development Corp.		Parent company		Non-current financial assets at fair value through other comprehensive income		655,424	7,898	Note 1			Listed company
		Stock		Tainan Spinning Co., Ltd.		None		Non-current financial assets at fair value through other comprehensive income		122,201	1,662	Note 1			
		Stock		Nantex Industry Co., Ltd.		None		Non-current financial assets at fair value through other comprehensive income		185,031	4,348	Note 1			Listed company
		Stock		Sung Gang Asset Management Co., Ltd.		None		Non-current financial assets at fair value through other comprehensive income		47,968	1,161	Note 1			OTC company
		Stock		Nammat Technology Co., Ltd.		None		Non-current financial assets at fair value through other comprehensive income		246,513	3,449	Note 1			
		Fund		UPAMC James Bond Money Market Fund		None		Financial assets at fair value through profit or loss - current		6,021,552	100,100	Note 1			
		Fund		Jib Sun Money Market Fund		None		Financial assets at fair value through profit or loss - current		13,571,283	200,000	Note 1			

Note 1: Percentage of Company's ownership is less than 5%.

Note 2: 4,088 thousand shares of outstanding common stock were used as collateral for loan.

Note 3: 17,276 thousand shares of outstanding common stock were used as collateral for loan.

Note 4: 60,000 thousand shares of outstanding common stock were used as collateral for loan.

Note 5: 6,301 thousand units of outstanding common stock were used as collateral for loan.

Note 6: 10,000 thousand shares of outstanding common stock were used as collateral for loan.

Prince Housing & Development Corp. and Subsidiaries
Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital
Six months ended June 30, 2018

Table 4

Expressed in thousands of NTD (Except as otherwise indicated)														
Relationship										Balance as at June 30, 2018				
		Balance as at January 1, 2018		Addition (Note 3)		Disposal (Note 3)								
Investor	Marketable securities (Note 1)	General ledger account	Counterparty (Note 2)	Relationship with the investor (Note 2)	Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book value	Gain (loss) on disposal	Number of shares	Amount
Prince Real Estate Co., Ltd.	Jif Sun Money Fund	Financial assets at fair value through profit or loss - current	-	-	-	\$ -	33,928,208	\$ 500,000 (	20,356,925)	\$ 300,026 (	\$ 300,000)	\$ 26	13,571,283	\$ 200,000
The Splendor Hotel Tachung	FSITC Taiwan Money Market	Financial assets at fair value through profit or loss - non - current	-	-	7,893,426	120,000	11,824,758	180,000 (	19,718,184)	300,150 (	300,000)	150	-	-

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities.

Note 2: Fill in the columns the counterparty and relationship if securities are accounted for under the equity method; otherwise leave the columns blank.

Note 3: Aggregate purchases and sales amounts should be calculated separately at their market values to verify whether they individually reach NT\$300 million or 20% of paid-in capital or more.

Note 4: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than NT\$10 per share, the 20 % of paid-in capital shall be replaced by 10% of equity attributable to owners of the parent in the calculation.

Prince Housing & Development Corp. and Subsidiaries

Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more

Six months ended June 30, 2018

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

Real estate acquired by	Real estate acquired	Date of the event	Transaction amount	Status of payment	Counterparty	Relationship with the counterparty	Original owner who sold the real estate to the counterparty	Relationship between the original owner and the acquirer	If the counterparty is a related party, information as to the last transaction of the real estate is disclosed below:			Reason for acquisition of real estate and status of the real estate	
									Basis or reference used in setting the price	Amount	Other commitments		
Prince Housing & Development Corp.	Ren Wu Dist. Xia Hai Lot No. 978, etc.	2013/06/14 (Note 1)	Note 2	\$ 1,169,785	Redevelopment zone of Xia Hai Term, Renwu District, Kaohsiung City	Third party	-	-	-	Note 2	-	For operating use	None
Prince Housing & Development Corp.	Nanzi subsection No. 158, etc.	2014/11/07 (Note 3)	\$ 1,255,309	861,354	Taiwan Sugar Corporation	Third party	-	-	-	Market value	-	For operating use	None

Note 1: The transfer of title took place on settlement date. The Company paid \$0 for the current period. As of June 30, 2018, the Company has already paid \$1,169,785.

Note 2: In order to purchase 67.13% of areas from the north side of the offset-expenditure land in the redevelopment zone, the transaction amount was the expected price including compensation for demolition to all land owners of north side of the offset-expenditure land, compensation for demolition to owners of parkland to be (67.13%), construction expenses in all regions (67.13%) and interests arising from re-planning committee's borrowing from the Group to pay aforementioned expenses.

Note 3: November 7, 2014 was the signing date of the contract. The Company paid \$57,555 for the current period. As of June 30, 2018, the Company has already paid \$861,354.

Prince Housing & Development Corp. and Subsidiaries

Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more

Six months ended June 30, 2018

Table 6

Expressed in thousands of NTD (Except as otherwise indicated)										
Transaction			Differences in transaction terms compared to third party transactions			Notes/accounts receivable (payable)		Percentage of total notes/accounts receivable (payable)		Footnote
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	
Prince Housing & Development Corp.	Cheng-Shi Construction Co., Ltd.	Subsidiary	Purchases	\$ 351,339	22%	Payments were paid in accordance with the contract terms	It is reasonable compared to the normal tradings	It is reasonable compared to the normal tradings	7,410	-
Prince Housing & Development Corp.	Prince Utility Co., Ltd.	Subsidiary	Purchases	162,039	10%	Payments were paid in accordance with the contract terms	It is reasonable compared to the normal tradings	It is reasonable compared to the normal tradings	29,400	(2%)

Prince Housing & Development Corp. and Subsidiaries
Receivables from related parties reaching \$100 million or 20% of paid-in capital or more
June 30, 2018

Table 7

Creditor	Counterparty	Relationship with the counterparty	Balance as at June 30, 2018	Overdue		Turnover rate	Amount collected		Allowance for doubtful accounts
				Amount	Action taken		subsequent to the balance sheet date		
Prince Housing & Development Corp.	The Splendor Hotel Taichung	Subsidiary	Other assets - obligation receivable \$ 575,000	\$ -	-	-	\$ -	-	\$ -

Prince Housing & Development Corp. and Subsidiaries
Significant inter-company transactions during the reporting periods
Six months ended June 30, 2018

Table 8

Expressed in thousands of NTD
(Except as otherwise indicated)

Number	Company name	Counterparty	Relationship	Transaction			Percentage of consolidated total operating revenues or total assets
				General ledger account	Amount	Transaction terms	
0	Prince Housing & Development Corp.	Prince Utility Co., Ltd.	The Company to the consolidated subsidiaries	Purchases	\$ 162,039	Based on mutual agreements	4.07%
0	Prince Housing & Development Corp.	Cheng-Shi Construction Co., Ltd.	The Company to the consolidated subsidiaries	Purchases	351,339	Based on mutual agreements	8.83%
0	Prince Housing & Development Corp.	Cheng-Shi Construction Co., Ltd.	The Company to the consolidated subsidiaries	Construction in progress	1,197,050	-	2.27%
0	Prince Housing & Development Corp.	The Splendor Hotel Taichung	The Company to the consolidated subsidiaries	Endorsement and guarantee	1,708,859	In accordance with endorsement and guarantee procedures	3.25%
0	Prince Housing & Development Corp.	The Splendor Hotel Taichung	The Company to the consolidated subsidiaries	Other assets - obligation receivables	575,000	Creditor's rights purchase contract	1.09%
0	Prince Housing & Development Corp.	Prince Real Estate Co., Ltd.	The Company to the consolidated subsidiaries	Endorsement and guarantee	258,000	In accordance with endorsement and guarantee procedures	0.49%
1	Prince Utility Co., Ltd.	Prince Housing & Development Corp.	The consolidated subsidiaries to the Company	Endorsement and guarantee	638,763	In accordance with endorsement and guarantee procedures	1.21%
2	Prince Real Estate Co., Ltd.	Prince Housing & Development Corp.	The consolidated subsidiaries to the Company	Endorsement and guarantee	1,513,309	In accordance with endorsement and guarantee procedures	2.88%
3	Ta-Chen Constructon& Engineering Corp.	Cheng-Shi Investment Holdings Co., Ltd.	The consolidated subsidiaries to the Company	Loans to others	100,000	Based on Procedures for provision of loans	0.19%

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

(1) Parent company is '0'.

(2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories:

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Note 4: The table only discloses transaction amounts of NT\$100 million or more.

Prince Housing & Development Corp. and Subsidiaries
Information on investees
Six months ended June 30, 2018

Table 9

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at June 30, 2018			Net profit (loss) of the investee for the six months ended June 30, 2018	Investment income (loss) recognised by the Company for the six months ended June 30, 2018	Footnote
				Balance as at June 30, 2018	Balance as at December 31, 2017	Number of shares	Ownership (%)	Book value			
Prince Housing & Development Corp. Co., Ltd.	Cheng-Shi Investment Holdings Co., Ltd.	Taiwan	General investment	\$ 1,146,925	\$ 1,146,925	97,504,758	100%	\$ 976,224	\$ 104,663	\$ 90,370	Notes 1 and 2
	Prince Property Management Consulting Co., Ltd.	Taiwan	Management and consulting	181,000	181,000	17,146,580	100%	251,413	13,578	8,489	Notes 1 and 2
	Geng-Ding Co., Ltd.	Taiwan	Hotels and catering	120,000	120,000	18,000,000	30%	288,461	(37,053)	(11,116)	Note 4
	Prince Housing Investment Co., Ltd.	British Virgin Islands	Overseas investment	140,413	140,413	428	100%	472,581	29,914	21,914	Note 2
	Dong-Feng Enterprises Co., Ltd.	Taiwan	Housebuilders and sales	746,431	746,431	4,300,000	100%	(151,696)	116	116	Note 2
	Uni-President Development Corp.	Taiwan	Leasing of buildings	1,080,000	1,080,000	108,000,000	30%	1,107,077	36,830	11,049	Note 5
	The Splendor Hotel Taichung	Taiwan	Hotels and catering	975,000	975,000	97,500,000	50%	298,768	(20,441)	(10,221)	Note 2
	Time Square International Co., Ltd.	Taiwan	Hotels and catering	376,270	376,270	46,300,000	100%	570,771	91,693	91,693	Note 2
	Jin Yi Xing Plywood Co., Ltd.	Taiwan	Manufacture of plywoods	165,410	165,410	3,938,168	99.65%	(329,485)	2)	22,197	Notes 1 and 2
	Ming-Da Enterprise Co., Ltd.	Taiwan	Real estate trading	37,378	37,378	200,000	20%	30,450	4,832	966	
Cheng-Shi Investment Holdings Co., Ltd.	Prince Industrial Co., Ltd.	Taiwan	Development of public housing and building	10,000	10,000	1,000,000	100%	9,441	(26)	26)	Note 2
	Prince Real Estate Co., Ltd.	Taiwan	Real estate trading and leasing	470,784	470,784	11,208,632	99.65%	1,148,784	133,150	125,601	Notes 1 and 2
	Times Square International Stays Corp.	Taiwan	Hotels and catering	1,000	-	100,000	100%	1,000	-	-	Note 2
	Ta-Chen Construction & Engineering Corp.	Taiwan	Construction	856,566	856,566	90,497,528	100%	905,143	84,706	-	Notes 2 and 3
	Prince Utility Co., Ltd.	Taiwan	Electricity water pipe	56,025	56,025	3,070,000	100%	56,448	6,681	-	Notes 2 and 3
	Cheng-Shi Construction Co., Ltd.	Taiwan	Construction	208,027	208,027	20,100,000	100%	228,615	13,761	-	Notes 2 and 3

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at June 30, 2018			Investment income (loss) recognised by the Company for the six months ended June 30, 2018		Footnote
				Balance as at June 30, 2018	Balance as at December 31, 2017	Number of shares	Ownership (%)	Book value	Net profit (loss) of the investee for the six months ended June 30, 2018	June 30, 2018	
Prince Housing Investment Co., Ltd.	PPG Investment Inc.	U.S.A	Overseas investment	\$ 56,945	\$ 56,945	273	27.30%	\$ 5,905	\$ 40,863	\$ -	Note 3
Prince Property Management Consulting Co., Ltd.	Queen Holdings Ltd.	British Virgin Islands	Overseas investment	122,034	122,034	2,730	27.30%	388,067	34,819	-	Note 3
	Prince Apartment Management Maintain Co., Ltd.	Taiwan	Management of apartments	67,853	67,853	3,000,000	100%	72,158	4,788	-	Notes 2 and 3
Dong-Feng Enterprises Co., Ltd.	Prince Security Co., Ltd.	Taiwan	Security	159,611	159,611	13,172,636	100%	176,909	9,587	-	Notes 2 and 3
	Amida Trustlink Assets Management Co., Ltd.	Taiwan	Development of public housing and building	305,480	305,480	21,644,062	45.21%	(138,830)	(311)	-	Note 3

Note 1: The difference between the income (loss) of the investee and the investment income (loss) of the investee recognised by the Company is the investment income (loss) of the investee recognised by the Company in proportion to the share ownership and unrealised gain (loss) from elimination of inter-Company transactions.

Note 2: Subsidiary.

Note 3: The amount has been included in the profit (loss) of the Company's investee accounted using equity method and has been recognised as gain (loss) on investment.

Note 4: Provided 12,000 thousand shares as collateral.

Note 5: Provided 108,000 thousand shares as collateral.