

**Delpha Construction Co., Ltd.**  
**Parent Company Only Financial Statements**  
**For the Years Ended December 31, 2017 and 2016**  
**Together with Independent Auditors' Report**

---

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. The English translation does not include additional disclosures that are required for Chinese-language report under "Guidelines for Securities Issuers' Financial Reporting" promulgated by the Securities and Futures Commission of the Republic of China.

**Delpha Construction Co., Ltd.**  
**Table of contents**

	Pages
1. Front cover	1
2. Table of contents	3
3. Independent auditors' report	3-6
4. Parent company only balance sheets	7-8
5. Parent company only statement of comprehensive income	9
6. Parent company only statement of changes in equity	10
7. Parent company only statement of cash flows	11-12
8. Notes to the parent company only financial statements	
(1) History and organization	13
(2) The date of authorization for issuance of the financial statements and procedures for authorization	13
(3) Application of new standards, amendments and interpretations	13-21
(4) Summary of significant accounting policies	22-34
(5) Critical accounting judgements, estimates and key sources of assumption uncertainty	34
(6) Details of significant accounts	35-56
(7) Related party transactions	57-58
(8) Pledge of assets	58
(9) Significant contingent liabilities and unrecognized commitments	59
(10) Significant disaster loss	59
(11) Significant events after the balance sheet date	59
(12) Others	59-66
(13) Supplementary disclosures	67
A. Significant transactions information	68-70
B. Information on investments	70
C. Information on investments in Mainland China	
(14) Segment information	71
9. Statement of significant accounts	72-83

## Independent Auditors' Report

Delpha Construction Co., Ltd.

### Opinion

We have audited the accompanying parent company only balance sheets of Delpha Construction Co., Ltd. (the "Company") as of December 31, 2017 and 2016, and the related parent company only financial statements of comprehensive income, changes in equity and cash flows for the years then ended and the notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as of December 31, 2017 and 2016, and its parent company only financial performance and its parent company only cash flows for the years then ended, in accordance with the "Regulations Governing the Preparations of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

### Basic of opinion

We conducted our audits in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and generally accepted auditing standards in the Republic of China. Our responsibilities under those standards are further described in the **Independent accountant's responsibilities for the audit of the parent company only financial statements** section of our report. We are independent of the Company in accordance with the Code of professional Ethics for Certificate Public Accountants in the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with this Code. Based on our audits, we believe that our audits provide a reasonable basis for our opinion.

### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements for the year ended December 31, 2017. These matters were addressed in the context of our audit of the parent company only financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters. We determined the key audit matters should be communicated in our audit report are as follows:

## **Evaluation of inventories**

Please refer to Note 4(12) to the parent company only financial statements for the accounting policies of evaluation of inventories; refer to Note 5(2) to the parent company only financial statements for the accounting estimates and assumptions of the evaluation of inventories; and please refer to Note 6(6) to the parent company only financial statements for the details description of inventories account.

The inventory is an important asset of the Company's operation, which accounts for 77% of the total Company's assets. The accounting treatment for inventory evaluation is in accordance with the International Accounting Standard 2 Inventories. The financial statements will not present fairly if the assessment of net unrealized value of inventories are inappropriate. Therefore, we considered the evaluation of inventories as one of the key audit matters for the year.

Our audit procedures included, but not limited to, by referencing to the total transaction price registered in the Ministry of the Interior's real estate transaction database, the average selling price converted into the net realized value of the lands and buildings for sale to assess whether there is significant difference. And to obtain the valuation report issued by the appraiser or by referencing to the present value of land announced by the Ministry of the Interior to assess whether there is a significant difference between the construction land and the construction in progress; and for the valuation report issued by the appraiser, to assess the rationality of the basic assumptions and expert qualifications such as the percentage of factor adjustment, the direct and indirect costs of the development period, the integrated capital interest rates etc.

## **Responsibilities of management and those charged with governance for the parent company only financial statements**

Management is responsible for the preparation and fair presentation of the parent financial statements in accordance with the "Regulations Governing the Preparations of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charges with governance, including members of the Audit Committee are responsible for overseeing the Company's financial reporting process.

## **Independent accountant's responsibilities for the audit of the parent company only financial statements**

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

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

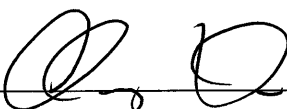
1. Identify and assess the risks of material misstatement of the parent company only parent financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risks of not detecting a material misstatement resulting from fraud is higher than for the one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
2. Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosure made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the footnote disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentations.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the Company's investee company accounted for under equity method to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of audit of the Company's investee company. We remain solely responsible for our audit opinion.

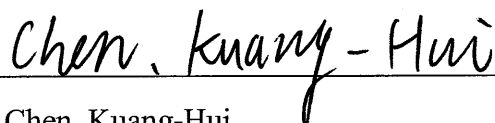
We communicate with those charged with governance regarding the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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



Kuo, Chenyu



Chen, Kuang-Hui

for and on behalf of TIAOHO & CO.

March 23, 2018

Taipei, Taiwan

Republic of China

#### Notice to Readers

The accompanying parent company only financial statements are not intended to present the financial position, results of financial operations and cash flows in accordance with accounting principles and practice generally accepted in countries and jurisdictions other than the Republic of China. The standard, 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 parent company only financial statements and the independent auditors' report 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, TIAOHO & CO. 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.

**Delpha Construction Co., Ltd.**  
**Parent company only balance sheets**

December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

<b>Assets</b>	Notes	December 31,			
		2017	%	2016	%
<i>Current assets</i>					
Cash and cash equivalents	6.(1)	\$ 258,709	5	\$ 318,288	6
Financial assets at fair value					
through profit or loss	6.(2)	9,126	-	276,300	5
Notes receivable, net	6.(4)	4,215	-	76,127	2
Other receivables	6.(5)	28,154	1	10,100	-
Current income tax assets		-	-	353	-
Inventories	6.(6) and 8	3,686,284	77	3,725,645	70
Prepayments		99,755	2	58,607	1
Other financial assets	6.(7) and 8	250,810	5	380,304	7
		4,337,053	90	4,845,724	91
<i>Non-current assets</i>					
Financial assets carried at cost	6.(3)	6,101	-	8,716	-
Investments accounted for under					
equity method	6.(8)	390,750	8	398,624	8
Property, plant and equipment	6.(9) and 8	61,157	2	63,425	1
Refundable deposits		13,290	-	15,159	-
Other non-current assets		1,730	-	1,730	-
		473,028	10	487,654	9
<b>Total assets</b>		<b>\$ 4,810,081</b>	<b>100</b>	<b>\$ 5,333,378</b>	<b>100</b>

(Continued on next page)

**Delpha Construction Co., Ltd.**  
**Parent company only balance sheets**

December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

(Continued from previous page)

<b>Liabilities and equity</b>	Notes	December 31,			
		2017	%	2016	%
<i>Current liabilities</i>					
Short-term borrowings	6.(11) and 8	\$ 511,057	11	\$ 956,050	18
Short-term notes and bills payable	6.(12) and 8	399,963	8	-	-
Notes payable	6.(13)	1,282	-	11,968	-
Accounts payable	6.(13)	59,705	1	223,859	4
Other payables		9,711	-	30,560	1
Current income tax liabilities		4,296	-	19,659	-
Provisions for liabilities	6.(17)	1,123	-	983	-
Advances from customers	6.(14) and 7	74,551	2	26,382	1
Long-term borrowings					
- current portion	6.(15) and 8	513,000	11	513,000	10
Other current liabilities		566	-	746	-
		<u>1,575,254</u>	<u>33</u>	<u>1,783,207</u>	<u>34</u>
<i>Non-current liabilities</i>					
Net defined benefit liabilities - non-current	6.(16)	17,053	-	1,783	-
Guarantee deposits		9,305	-	9,200	-
		<u>26,358</u>	<u>-</u>	<u>10,983</u>	<u>-</u>
<b>Total liabilities</b>		<u>1,601,612</u>	<u>33</u>	<u>1,794,190</u>	<u>34</u>
<i>Equity</i>					
Common stock	6.(18)	2,707,525	56	2,707,525	51
Capital surplus	6.(19)	8,929	-	8,828	-
Retained earnings:	6.(20)				
Legal reserve		234,560	5	192,437	4
Special reserve		16,570	-	12,899	-
Unappropriated earnings		276,840	6	653,454	12
Treasury stock	6.(18)	( 35,955)	-	( 35,955)	( 1)
<b>Total equity</b>		<u>3,208,469</u>	<u>67</u>	<u>3,539,188</u>	<u>66</u>
<b>Total liabilities and equity</b>		<u>\$ 4,810,081</u>	<u>100</u>	<u>\$ 5,333,378</u>	<u>100</u>

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

**Delpha Construction Co., Ltd.**  
**Parent company only statement of comprehensive income**

For the years ended December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

	Notes	For the year ended December 31,			
		2017	%	2016	%
<b>Revenue</b>	6.(21) and 7	\$ 62,761	100	\$ 2,349,615	100
<b>Cost of revenue</b>	6.(6)	( 57,823)	( 92)	( 1,621,671)	( 69)
<b>Gross profit</b>		<u>4,938</u>	<u>8</u>	<u>727,944</u>	<u>31</u>
<b>Operating expenses</b>					
Selling expenses	6.(24)	( 7,913)	( 13)	( 96,203)	( 4)
General & administrative expenses	6.(24)	( 96,265)	(153)	( 110,531)	( 5)
		<u>( 104,178)</u>	<u>(166)</u>	<u>( 206,734)</u>	<u>( 9)</u>
<b>Income (loss) from operations</b>		<u>( 99,240)</u>	<u>(158)</u>	<u>521,210</u>	<u>22</u>
<b>Non-operating income and expenses</b>					
Other income	6.(22)	16,757	27	14,184	-
Other gains and losses	6.(23)	5,863	9	( 33,959)	( 1)
Finance costs	6.(26)	( 24,162)	( 38)	( 15,113)	( 1)
Share of loss of subsidiaries, affiliates and joint ventures accounted for under equity method		( 7,874)	( 13)	( 5,919)	-
		<u>( 9,416)</u>	<u>( 15)</u>	<u>( 40,807)</u>	<u>( 2)</u>
<b>Income (loss) before income tax</b>		<u>( 108,656)</u>	<u>(173)</u>	<u>480,403</u>	<u>20</u>
<b>Income tax expense</b>	6.(27)	( 5,564)	( 9)	( 59,178)	( 2)
<b>Net income (loss) for the year</b>		<u>( 114,220)</u>	<u>(182)</u>	<u>421,225</u>	<u>18</u>
<b>Other comprehensive income</b>					
Component of other comprehensive income that will not be reclassified to profit or loss					
Remeasurement of defined benefit obligation		2	-	( 639)	-
Income tax expenses related to components that will not be reclassified to profit or loss		-	-	-	-
<b>Total other comprehensive income (loss) for the year</b>		<u>2</u>	<u>-</u>	<u>( 639)</u>	<u>-</u>
<b>Total comprehensive income (loss) for the year</b>		<u>(\$ 114,218)</u>	<u>(182)</u>	<u>\$ 420,586</u>	<u>18</u>
<b>Earnings per share (In New Taiwan dollars)</b>					
Basic earnings per share	6.(28)	<u>(\$ 0.43)</u>		<u>\$ 1.57</u>	
Diluted earnings per share				<u>\$ 1.57</u>	

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

**Delpha Construction Co., Ltd.**  
**Parent company only statement of changes in equity**  
For the years ended December 31, 2017 and 2016  
(Expressed in Thousands of New Taiwan Dollars)

	Common stock	Capital surplus	Retained Earnings			Treasury stock	Total equity
			Legal reserve	Special reserve	Unappropriated earnings		
Balance, January 1, 2016	\$ 2,707,525	\$ 8,828	\$ 122,985	\$ 20,139	\$ 728,284	(\$ 35,955)	\$ 3,551,806
Appropriation of prior year's earnings:							
Reversal of special capital reserve	-	-	-	( 7,240)	7,240	-	-
Legal reserve	-	-	69,452	-	( 69,452)	-	-
Cash dividends	-	-	-	-	( 433,204)	-	( 433,204)
	<u>2,707,525</u>	<u>8,828</u>	<u>192,437</u>	<u>12,899</u>	<u>232,868</u>	<u>( 35,955)</u>	<u>3,118,602</u>
Net income for the year	-	-	-	-	421,225	-	421,225
Other comprehensive loss for the year	-	-	-	-	( 639)	-	( 639)
Total other comprehensive income for the year	-	-	-	-	420,586	-	420,586
Balance, December 31, 2016	<u>2,707,525</u>	<u>8,828</u>	<u>192,437</u>	<u>12,899</u>	<u>653,454</u>	<u>( 35,955)</u>	<u>3,539,188</u>
Appropriation of prior year's earnings:							
Special capital reserve	-	-	-	3,671	( 3,671)	-	-
Legal reserve	-	-	42,123	-	( 42,123)	-	-
Cash dividends	-	-	-	-	( 216,602)	-	( 216,602)
Expired and unclaimed dividend transfer to legal reserve	-	101	-	-	-	-	101
	<u>2,707,525</u>	<u>8,929</u>	<u>234,560</u>	<u>16,570</u>	<u>391,058</u>	<u>( 35,955)</u>	<u>3,322,687</u>
Net loss for the year	-	-	-	-	( 114,220)	-	( 114,220)
Other comprehensive income for the year	-	-	-	-	2	-	2
Total other comprehensive loss for the year	-	-	-	-	( 114,218)	-	( 114,218)
Balance, December 31, 2017	<u>\$ 2,707,525</u>	<u>\$ 8,929</u>	<u>\$ 234,560</u>	<u>\$ 16,570</u>	<u>\$ 276,840</u>	<u>(\$ 35,955)</u>	<u>\$ 3,208,469</u>

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

**Delpha Construction Co., Ltd.**  
**Parent company only statement of cash flows**

For the years ended December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

	For the year ended December 31,	
	2017	2016
<b>Cash flows from operating activities</b>		
Income (loss) before income tax for the year	(\$ 108,656)	\$ 480,403
Adjustments for:		
Income and expenses having no effect on cash flows		
Depreciation	2,628	3,213
(Gain on reversal of) impairment loss on financial assets	( 3,043)	5,079
Interest income	( 4,373)	( 6,953)
Dividend income	( 295)	( 972)
Interest expense	24,162	14,122
Share of loss of subsidiaries, associates and joint ventures accounted for under equity method	7,874	5,919
Loss on foreign exchange, net	12,580	9,493
Changes in operating assets and liabilities		
Decrease in financial assets at fair value through profit or loss	267,174	580,952
Decrease (increase) in notes receivable	71,912	( 51,053)
Increase in other receivables	( 18,202)	( 9,835)
Decrease in inventories	39,361	744,875
(Increase) decrease in prepayments	( 41,148)	35,812
Decrease (increase) in other financial assets	129,494	( 133,769)
(Decrease) increase in notes payable	( 10,686)	11,968
Decrease in accounts payable	( 164,154)	( 25,428)
Decrease in other payables	( 20,558)	( 12,204)
Increase (decrease) in provisions for liabilities	140	( 167)
Increase (decrease) in advances from customers	48,169	( 1,903,239)
Decrease in other current liabilities	( 180)	( 17,511)
Increase (decrease) in net defined benefit liabilities	15,272	( 9,750)
<b>Cash generated from (used in ) operations</b>	<b>247,471</b>	<b>( 279,045)</b>
Interest received	4,521	7,126
Interest paid	( 24,453)	( 13,778)
Dividend received	295	972
Income taxes paid (including land value increment tax)	( 20,574)	( 24,345)
<b>Net cash generated from (used in) operating activities</b>	<b>207,260</b>	<b>( 309,070)</b>

(Continued on next page)

**Delpha Construction Co., Ltd.**  
**Parent company only statement of cash flows**  
For the years ended December 31, 2017 and 2016  
(Expressed in Thousands of New Taiwan Dollars)

(Continued from previous page)

	For the year ended December 31,	
	2017	2016
<b>Cash flows from investing activities</b>		
Refund of capital from financial assets carried at cost after liquidation	3,043	56
Refund of capital from financial assets carried at cost after capital reduction	2,615	5,229
Acquisition of property, plant and equipment	( 360)	( 1,001)
Decrease in refundable deposits	1,869	119,241
<b>Net cash generated from investing activities</b>	<u>7,167</u>	<u>123,525</u>
<b>Cash flows from financing activities</b>		
(Decrease) increase in short-term borrowings	( 379,743)	491,700
Increase in short-term notes and bills payable	399,963	-
Increase in long-term borrowings	-	110,000
Repayment of long-term borrowings	-	( 16,200)
Increase in guarantee deposits	105	-
Expired and unclaimed dividend transfer to legal reserve	101	-
Payment of cash dividend	( 216,602)	( 433,204)
<b>Net cash generated from (used in) financing activities</b>	<u>( 196,176)</u>	<u>152,296</u>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<u>( 12,580)</u>	<u>( 9,493)</u>
<b>Increase (decrease) in cash and cash equivalents</b>	5,671	( 42,742)
<b>Cash and cash equivalents at beginning of year</b>	253,038	295,780
<b>Cash and cash equivalents at end of year</b>	<u>\$ 258,709</u>	<u>\$ 253,038</u>
<b>Analysis of cash and cash equivalent at end of year</b>		
Cash and cash equivalents of parent company only balance sheets	\$ 258,709	\$ 318,288
Bank overdraft	-	( 65,250)
<b>Cash and cash equivalents at end of year</b>	<u>\$ 258,709</u>	<u>\$ 253,038</u>
<b>Non-cash financing activities</b>		
Long-term borrowings - current portion	<u>\$ 513,000</u>	<u>\$ 513,000</u>

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

**Delpha Construction Co., Ltd.**  
**Notes to the parent company only financial statements**  
(Expressed in thousands of New Taiwan Dollars, Except as Otherwise Specified)

**1. History and organization**

Delpha Construction Co., Ltd. (the "Company") was incorporated under the provisions of the Company Law of the Republic of China ("ROC") and approved by Ministry of Economic Affairs in December 1960. The registered address is 16F., No. 460, Sec. 5, Chenggong, Rd., Neihu Dist., Taipei City 11490, Taiwan (ROC). The Company primarily engaged in commercial building constructed by commissioned construction contractor, selling and leasing public housing, development of special area, upholstery industry, real estate agency, rental and investment in related business.

**2. The date of authorization for issuance of the parent company only financial statements and procedures for authorization**

The financial statements were approved and authorized for issuance by the Board of Directors on March 23, 2018.

**3. Application of new standards, amendments and interpretations**

- (1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IAS") and interpretations as endorsed by the Financial Supervisory Commission ("FSC").

IFRSs, IAS and interpretations endorsed by the FSC effective from 2017 are as follows:

New standards, interpretations and amendments	Main amendments	IASB effective date
Investment Entities: Apply the Consolidation Exception (amendment to IFRS10, IFRS 12 and IAS 28)	The amendments provide the entity an exemption from preparing consolidated financial statements.	January 1, 2016
Accounting for acquisition of interests in joint operation (amendment to IFRS 11)	When the activities of the joint operations constitute business, the acquirer of an interest in a joint operation is required to apply all the principles on business combinations accounting in IFRS 3 and other IFRS.	January 1, 2016
IFRS 14 'Regulatory Deferral Account'	The aim of this interim standard is to enhance the comparability of financial reporting by entities that are engaged in rate-regulated activities.	January 1, 2016

(Continued on next page)

(Continued from previous page)

Disclosure Initiative (amendments to IAS 1)	The amendments clarify that an entity must not reduce the understandability of its financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions.	January 1, 2016
Clarification of Acceptable Methods of Depreciation and Amortization (amendments to IAS 16 and IAS 38)	The clarification provides additional guidance on how to calculate the depreciation of property, plant and equipment and amortization of intangible assets.	January 1, 2016
Agriculture: bearer plants (amendments to IAS 16 and IAS 41)	The amendment requires bearer plants should be accounted for in the same way as property, plant and equipment in IAS 16.	January 1, 2016
IAS 19 'Defined Benefit Plans: employee contributions' (amendments to IAS 19)	The amendments clarify the requirements that relate to how contribution from employees or third parties that are linked to service should be attributed to periods of service. In addition, it permits a practical expedient if the amount of the contribution is independent of the number of years of service, in those contributions, can, but are not required, to be recognized as a reduction in the service cost in the period in which the related service is rendered.	July 1, 2014
'Separate Financial Statements' (amendments to IAS 27)	The amendment reinstates the equity method as an accounting option for investment in subsidiaries, joint ventures and associates in an entity's separate financial statements.	January 1, 2016
Recoverable Amount Disclosures for Non-Financial Assets (amendments to IAS 36)	The amendments remove the requirements to disclose recoverable amount when a cash generating unit (CGU) contains goodwill or intangible assets with indefinite useful lives that were not impaired.	January 1, 2014
Notation of Derivatives and Continuation of Hedge Accounting (amendments to IAS 39)	The amendment states that the notation of a hedging instrument would not be considered and expiration or termination giving rise to the discontinuation of hedge accounting when the hedging instrument that is being notated complies with specified criteria.	January 1, 2014

(Continued on next page)

(Continued from previous page)

IFRIC 21, 'Levies'	The interpretation addresses the accounting for levies imposed by governments in accordance with legislation (other than income tax). A liability to pay a levy shall be recognized in accordance with IAS 37, 'Provisions, contingent liabilities and contingent assets'.	January 1, 2014
Improvements to IFRSs 2010-2012	Amendments to IFRS 2, IFRS 3, IFRS 8 & IFRS 13, IAS 16, IAS 24 & IAS 38	July 1, 2014
Improvements to IFRSs 2011-2013	Amendments to IFRS 1, IFRS 3 & IFRS 13, IAS 40.	July 1, 2014
Improvements to IFRSs 2012-2014	Amendments to IFRS 5 & IFRS 7, IAS 19 & IAS 34	January 1, 2016

The above standards and interpretations have no significant impact on the Company's parent only financial statements based on the Company's assessment.

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

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

<u>New standards, interpretations and amendments</u>	<u>Main amendments</u>	<u>IASB effective date</u>
Classification and Measurement of Share-based Payment Transaction (amendments to IFRS 2)	This amendment clarifies the measurement of the fair value of cash-settled share-based payments requires to follow the same approach as used for the fair value of equity instrument granted for equity-settled share-based payments. This amendment also clarifies the accounting treatment for cash-settled share-based payment transaction. In addition, the amendment provides an exception, that is, when the employers are obligated to withhold the tax in order to meet the employee's tax obligation associated with the share-based payment; and pay to tax authority; such share-based payment should be treated as equity-settled entirety.	January 1, 2018

(Continued on next page)

(Continued from previous page)

Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (amendments to IFRS 4)	The amendment is to address the issue arising from different effective dates of IFRS 9 Financial Instruments and the forthcoming new Standards of IFRS 4 Insurance Contracts, resulting in different measurement of assets and liabilities, to permit the insurer within the scope of IFRS 4 to apply temporary exemption for not applying IFRS 9 Financial Instruments when they meet certain conditions; or alternatively, to apply overlay approach when adopting IFRS 9.	January 1, 2018
IFRS 9 'Financial Instruments' (amendments to IFRS 9)	IFRS 9 requires gains and losses on financial liabilities designated at fair value through profit or loss to be split into the amount of change in the fair value that is attributable to changes in the credit risk of the liability, which shall be presented in other comprehensive income, and cannot be reclassified to profit or loss when derecognizing the liabilities; and all other changes in fair value are recognized in profit or loss. The new guidance allows the recognition of the full amount of change in the fair value in the profit or loss only if there is reasonable evidence showing on initial recognition that the recognition of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch (inconsistency) in profit or loss. The main change in IFRS 9 is the increase of the eligibility of hedge accounting. It allows reporters to reflect risk management activities in the financial statements more closely as it provides more opportunities to apply hedge accounting.	January 1, 2018
IFRS 15 'Revenue from Contracts with Customers'	The standard replaces IAS 11, IAS 18 and related interpretations on revenue. The core principle of standard is that an entity will recognize 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.	January 1, 2018

(Continued on next page)

(Continued from previous page)

Clarifications to IFRS 15 (amendments to IFRS 15)	This amendment is mainly to clarify how to identify the performance obligations in the contract, how to decide an entity is a principal or an agent, and how to determine the whether the license income should be recognized at a point in time or over time.	January 1, 2018
Disclosure Initiative (amendment to IAS 7)	This amendment is aim for the liabilities arising from financing activities, in which to increase the reconciliation information between the opening and closing balances.	January 1, 2017
Recognition of Deferred Tax Assets for Unrealized Losses (amendment to IAS 12)	This amendment is to clarify the recognition of deferred tax assets for unrealized losses.	January 1, 2017
Transfers of Investment Property (amendments to IAS 40)	This amendment is to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. In addition, this amendment added a list of evidence of change in use, including assets under construction and development (assets need not to be completed ), transfer from investment property to owner-occupied property at commencement of owner-occupation and transfer from inventories to investment property at commencement of an operating lease.	January 1, 2018
IFRIC 22 'Foreign Currency Transactions and Advance Consideration'	The Interpretation covers foreign currency transactions when an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognises the related asset, expense or income.	January 1, 2018
Annual Improvements to IFRS Standards 2014–2016 Cycle - Amendment to IFRS 1 'First-time Adoption of International Financial Reporting Standards'	Deleted the short-term exemptions related to disclosure of financial instruments, employee benefits and investment entities.	January 1, 2018

(Continued on next page)

(Continued from previous page)

Annual Improvements to IFRS Standards 2014–2016 Cycle – ‘Amendment to IFRS 12 ‘Disclosure of interest in other entities’	The amendments clarify when an entity that has an interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate), are classified as held for sale in accordance with IFRS 5 ‘Non-current Assets Held for Sale and Discontinued Operations’, the entity does not require to disclose the summarized financial information of the subsidiary, joint venture or an associate pursuant to the paragraphs B10 to B16. It means that other information required by the standard should also be disclosed.	January 1, 2017
Annual Improvements to IFRS Standards 2014–2016 Cycle – ‘Amendment to IAS 28 ‘Investments in Associates and Joint Ventures’	IAS 28 8 allows venture capital organisations, mutual funds, unit trusts and similar entities (including investment-linked insurance fund) to elect measuring their direct or indirect investments in associates or joint ventures that is held by and entity to apply IFRS 9 ‘Financial Instruments’ to measure at fair value through profit or loss. This amendment clarified that this election aforementioned should be made separately for each associate or joint venture at initial recognition.	January 1, 2018

In applying the new standards, interpretations and amendments as endorsed by the FSC effective from 2018, the Company adopted simple retrospective adjustments to IFRS 9. The impact as of January 1, 2018 is as follows:

The Company's carrying amount of financial assets measured at cost as of December 31, 2017 was \$6,101 thousand. When adopting IFRS 9 for the first time, the financial assets of the Company classified as financial assets at fair value through other comprehensive profit or loss according to its holding purpose. The financial assets measured at fair value through other comprehensive income or loss. The subsequent fair value gains and losses are recognized in other comprehensive profit or loss and impairment losses will not be recognized in profit or loss, nor the gains and losses on disposal of financial assets will be reallocated to profit or loss. The Company estimates that the aforementioned changes may reduce the other equity and increase the retained earnings by \$4,732 thousand and \$4,982 thousand respectively on January 1, 2018.

Based on the Company's assessment, the new standards, interpretations and amendments as endorsed by the FSC effective from 2018 have no significant impact on the Company's financial statements.

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

A. The Company has not yet applied the following new standards and amendments issued by IASB but not yet endorsed by the FSC:

New standards, interpretations and amendments	Main amendments	IASB effective date
Prepayment Features with Negative Compensation (amendments to IFRS 9)	This amendment proposes a narrow amendments to the financial assets with prepayment options on determining whether the contractual cash flows are solely for the payment of principal and interest. When the repayment amount includes a reasonable compensation (even if it is a negative compensation) for early termination of the contract and also meet the conditionas of contractual cash flow are soley for the payment of principal and interest. In the basis for conclusions, the amendmet also contain a clarification regarding the the financial liabilities should be consistent with financial assets. When the modification of the contractual conditions does not result in the derecognition of the financial liabilities, the gains or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate should be recognized to profit or loss.	January 1, 2019
Sale or Contribution of Assets Between An Investor and Its Associate or Joint Venture (amendments to IFRS 10 and IAS 28)	The amendment revised the accounting treatment in sales or purchase of assets between joint venture and its associate. The gains and losses resulting from transactions involving assets that constitute a business between an entity and its associate or joint venture must be recognized in full in the investor's financial statements.	To be determine by IASB
IFRS 16 'Lease'	This new standard requires the lessee to take a single accounting model for all leases except for certain exemption conditions, which requires lessees to recognize assets and liabilities for most leases. Lessors continue to classify leases as operating or finance.	January 1, 2019

(Continued on next page)

(Continued from previous page)

IFRS 17 'Insurance Contracts'	<p>This Standard replaces IFRS 4 'Insurance Contracts' and establishes the principles for the recognition, measurement, presentation and disclosure of Insurance and reinsurance contracts that it issues by the entities. This standard applies to all insurance contracts (including reinsurance contracts) that an entity issues and to reinsurance contracts that it holds; and investment contracts with discretionary participation features it issues, provided that the entity also issues insurance contracts. Embedded derivatives, distinct investment components and distinct performance obligations should be separated from insurance contracts. On initial recognition, Each portfolio of insurance contracts issued shall be divided into a minimum of three groups by the entities: onerous, no significant possibility of becoming onerous and the remaining contracts in the portfolio. This Standard requires a current measurement model where estimates are re-measured at each reporting period. Measurements are based on discounted contract and probability-weighted cash flows, risk adjustments, and the expected profit from the unearned portion of the contract (contractual service margins). An entity may apply a simplified approach to the measurement for some of insurance contracts (premium allocation approach). The entity should recognize the revenue generated by a group of insurance contract during the period when the entity provides insurance coverage and when the entity releases the risk. The entity should recognize the loss immediately, if a group of insurance contracts becomes onerous. The entity should present insurance income, insurance service fees, and insurance finance income and expenses separately and its shall also disclose the amount, judgment and risk information from the insurance contract.</p>	January 1, 2021
Long-term interests in associates and joint ventures (amendment to IAS 28)	<p>The amendments clarify that an entity shall first apply IFRS 9 to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture, and then apply the relevant provisions of loss recognition with IFRS 28.</p>	January 1, 2019

(Continued on next page)

(Continued from previous page)

IFRIC 23 'Uncertainty over Income Tax Treatments'	The interpretation is to clarify how an entity should determinate the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under the provisions of IAS 12 to recognize and measure its current and deferred income tax assets/liabilities.	January 1, 2019
Annual Improvements to IFRS Standards 2015-2017 Cycle	<p>IFRS 3 'Business Combinations' The amendments is to clarify that when an entity obtains control of a business that is a joint operation, the acquirer should remeasure its previously held interest in the joint operation at fair value at of the acquisition date.</p> <p>IFRS 11 'Joint Arrangements' The amendments is to clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in the joint operation.</p> <p>IAS 12 'Income Taxes' The amendment clarified that the income tax consequences of dividends on financial instruments classified as equity should be recognised according to where the past transactions or events that generated distributable profits were recognised. These requirements apply to all income tax consequences of dividends.</p> <p>IAS 23 'Borrowing Costs' The amendments clarified that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings.</p>	January 1, 2019

B. The Company is currently evaluating the potential impact of the aforementioned standards and interpretations above to the Company's financial position and performance, and the related impact will be disclosed when the evaluation is completed.

#### 4. Summary of significant accounting policies

The principal accounting policies applied in the preparation of the parent company only financial statements are set out below.

##### *(1) Compliance statement*

The parent company only financial statements of the Company have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”.

##### *(2) Basis of preparation*

A. The accompanying parent company only financial statements have been prepared under the historical cost basis except for financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The following significant accounting policies applied consistently to all periods of coverage of the parent company only financial statements.

C. The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the parent company only financial statements are disclosed in Note 5.

##### *(3) Foreign currency translation*

The parent company only financial statements are presented in New Taiwan dollars, which is the Company’s functional and presentation currency.

##### A. Foreign currency transactions and balances

(A) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction or valuation where items are re-measured.

Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.

(B) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.

(C) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

(4) *Classification of current and non-current items*

A. Assets that meet one of the following criteria are classified as current assets

(A) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;

(B) Assets held mainly for trading purposes;

(C) Assets that are expected to be realized within twelve months from the balance sheet date; or

(D) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

The Company classified its assets that do not meet above criteria as non-current assets.

B. Liabilities that meet one of the following criteria are classified as current liabilities

(A) Liabilities that are expected to be paid off within the normal operating cycle;

(B) Liabilities arising mainly from trading activities;

(C) Liabilities that are to be paid off within twelve months from the balance sheet date; or

- (D) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The Company classified its liabilities that do not meet above criteria as non-current liabilities.

- C. The operating cycle of property development normally more than one year, the related assets and liabilities of construction are therefore differentiate as current liabilities and non-current liabilities based on operating cycle (normally three years).

*(5) Cash and cash equivalents*

- A. For the purpose of the statements of cash flows, cash and cash equivalents consists of cash on hand, cash in bank, short-term, highly liquid investments, which were within three months of maturity when acquired, and repayable bank overdraft, as part of the cash management. Bank overdraft items listed under short-term borrowings in current liabilities on the balance sheet.
- B. Cash equivalents refer to short-term, highly liquid investments that also meet the following conditions:
  - (A) Readily convertible to known amount of cash.
  - (B) Subject to an insignificant risk of changes in interest rates.

*(6) Financial assets at fair value through profit or loss*

- A. Financial assets at fair value through profit or loss are financial assets held for trading or financial assets designated as at fair value through profit or loss on initial recognition. Financial assets are classified in this category of held for trading if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as financial assets held for trading unless they are designated as hedges. Financial assets that meet one of the following criteria are designated as at fair value through profit or loss on initial recognition:
  - (A) Hybrid (combined) contracts;
  - (B) They eliminate or significantly reduce a measurement or recognition inconsistency; or
  - (C) They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using trade date accounting.
- C. Financial assets at fair value through profit or loss are initially recognized at fair value. Related transaction costs are expensed in profit or loss. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognized in profit or loss.

(7) *Loans and receivables*

Accounts receivable are loans and receivables originated by the entity. They are created by the entity by selling goods or providing services to customers in the ordinary course of business. Accounts receivable are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. However, short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as effect of discounting is immaterial.

(8) *Lease receivables/lease(lessor)*

- A. Based on the term of a lease contract, a lease is classified as finance lease if the lessee assumes substantially all the risks and rewards incidental to ownership of the leased asset.
  - (A) At commencement of the lease term, a finance lease should record as a receivable, at an amount equal to the net investment (including original direct costs) in the lease. The difference between total lease receivables and present value should record as 'unearned finance lease income'.
  - (B) The lessor should recognize finance income based on a pattern reflecting a constant periodic rate of return on the lessor's net investment outstanding in respect of the finance lease.
  - (C) Associated lease payments (excluding service costs) offset the total investment in the lease during the period would reduce the principal and unearned finance income.
- B. Lease income from an operating lease (net of any incentives given to lessee) is recognized in profit and loss on a straight-in basis over the lease term.

(9) *Impairment of financial assets*

- A. The Company 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.

- B. The criteria that the Company uses to determine whether there is objective evidence of impairment loss is as follows:
- (A) Significant financial difficulty of the issuer or debtor;
  - (B) A breach of contract, such as a default or delinquency in interest or principal payments;
  - (C) The Company, for economic or legal reasons relating to the borrower's financial difficulty, granted the borrower a concession that a lender would not otherwise consider;
  - (D) It becomes probable that the borrower will enter bankruptcy or other financial reorganization;
  - (E) The disappearance of an active market for that financial asset because of financial difficulties;
  - (F) 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;
  - (G) 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; or
  - (H) A significant or prolonged decline in the fair value of an investment in an equity instrument to be below its cost.
- C. When the Company 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:
- (A) Financial assets measured at amortized 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 recognized 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 recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortized cost

that would have been at the date of reversal had the impairment loss not been recognized previously. Impairment loss is recognized and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(B) Financial assets measured 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 recognized in profit or loss. Impairment loss recognized for this category shall not be reversed subsequently. Impairment loss is recognized by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(10) *Derecognition of finance assets*

The Company derecognizes a financial asset when:

- A. The contractual rights to receive the cash flows from the financial asset expire.
- B. The contractual rights to receive cash flows from the financial asset have been transferred and the Company has transferred substantially all risks and rewards of ownership of the financial asset.
- C. The contractual rights to receive cash flows from the financial asset have been transferred; however, the Company has not retained control of the financial asset.

(11) *Inventories*

The inventories are recognized using the acquisition costs method. During the construction process, interests incurred related to acquisition and construction are capitalized. The cumulative costs are attributed to the different construction projects. The costs carry over at the balance sheet date by using floor space method and income approach. Inventories are stated at cost and evaluated at the lower of cost or net realizable value. The individual item approach is used in the comparison of cost and net realizable value and attributed to the different construction projects and categories. The interest payables associated with construction (including land and construction in progress) toward or before completion are capitalized as cost of inventories.

(12) *Investments accounted for under the equity method*

- A. In preparing the parent company only financial statements of the Company, investee company that controlled by the Company is accounted for under the equity method.

Under equity method, profit for the year and other comprehensive income for the year reported in an entity's non-consolidated statement of comprehensive income, shall equal to profit for the year and other comprehensive income' attributable to owners of the parent reported in that entity's consolidated statement of comprehensive income. Total equity reported in an entity's non-consolidated financial statements, shall equal to equity attributable to owners of parent reported in that entity's consolidated financial statements.

- B. The Company's changes in equity interests in subsidiaries that did not lead to loss of control, deemed as equity transactions between owners.

(13) *Property, plant and equipment*

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
- B. Subsequent costs are included in the asset's carrying amount or recognized as separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives.

Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment, other than buildings, are 3~8 years. The estimated useful lives of buildings are 5~50 years.

*(14) Impairment of non-financial assets*

The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to dispose or value in use. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.

*(15) Borrowings*

- A. Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.
- B. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is an evidence that it is probable that some or all of the facility will not be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

*(16) Notes and accounts payable*

Notes and accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. However, short-term accounts payable without bearing interest are subsequently measured at initial invoice amount as effect of discounting is immaterial.

(17) *Provisions*

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognized as interest expense. Provisions are not recognized for future operating losses.

(18) *Employee benefits*

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized as expenses in that period when the employees render service.

B. Pensions

(A) Defined contribution plans

For defined contribution plans, the contributions are recognized as pension expenses when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.

(B) Defined benefit plans

- a. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit net obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

b. Remeasurement arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings.

c. Past service costs are recognized immediately in profit or loss.

C. Termination benefit

Termination benefit is offered when the Company terminates the employee's contract before normal retirement date or when the employee decides to accept the Company's offer of benefits instead of the termination of the contract. The Company recognizes the cost at the earlier of when the offer of benefits is no longer withdrawable or when recognizing related significant cost component. Benefits that are not expected to be paid off 12 months after the balance sheet date shall be discounted.

D. Employees' bonus and directors' and supervisors' remuneration

Employees' bonus and directors' and supervisors' remuneration are recognized as expenses and liabilities, provided that such recognition is required under legal obligation or constructive obligation and those amounts can be reliably estimated. However, if the accrued amounts for employees' bonus and directors' and supervisors' remuneration are different from the actual distributed amounts as resolved by the shareholders at their shareholders' meeting subsequently, the differences should be recognized based on the accounting for changes in estimates.

(19) *Income tax*

A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company operated and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulation. It establishes provisions where appropriated based on the amounts expected to be paid to the tax authorities. An additional 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

- C. The land value increment tax arising from selling land should be presented as an item of income tax for the period.
- D. Deferred income tax is recognized, using the balance sheet method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the balance sheet. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.
- E. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred income tax assets are reassessed.
- F. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

- G. "Income Basic Tax Act" began effective on January 1, 2006, the amount of basic income shall be the sum of the taxable income as calculated in accordance with the Income Tax Act, plus any related tax exempted income included in other laws with the rate prescribed by the Executive Yuan. Current income tax shall pay according to whichever is higher compared between the basic income and regular income tax. The Company assessed the impact of the basic income tax on the parent company only financial statements for current period income tax.

(20) *Treasury stock*

When the Company buy back its outstanding shares, the consideration paid including any costs that directly attributable are recognized and deducted from shareholders' equity. At the time of cancellation of this buy back outstanding shares are debit to "capital reserve - share premium" and "common stock" according to equity ratio, the difference between the book value of treasury stock and buy back outstanding shares are to be written off to capital reserve with the same category of treasury stock.

(21) *Revenue and costs recognition*

A. The costs of long-term construction contracts are recognized in "construction in progress". When the properties under development are sold, payment received from sales of properties under development are recorded as "receipts in advance". Accounting for income and costs are recognized when the property is completed according to relevant laws and upon the transfer of control and significant risks and rewards of ownership of the property to buyers.

B. Leasing income is recognized in profit on a straight line basis over the lease term. Lease incentives given are an integral part of the aggregate benefit and shall recognize as a reduction in rental payments on a straight line basis. Subleasing income is recognized in profit as "rental income".

(22) *Operating segments*

The Company has disclose its segments information in the consolidation financial statements, therefore no segments information disclosed in the parent company only financial statements.

(23) *Earnings per shares*

The Company presents basic and diluted earnings per share ("EPS") data for its common shares. Basic EPS is calculated by dividing the net income attributable to shareholders of the Company by the weighted average number of common shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the statement of income attributable to shareholders and the weighted average number of common shares outstanding, adjusted for own shares held, for the effects of all dilutive potential common shares.

(24) *Dividends*

Dividends are recorded in the Company's financial statement in the period in which they are approved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

**5. Critical accounting judgements, estimates and key sources of assumption uncertainty**

The preparation of the parent company only financial statement requires management to make critical judgments in applying the Company's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. The information is addressed below:

*(1) Critical judgments in applying the Company's accounting policies*

None.

*(2) Critical accounting estimates and assumptions*

The Company makes estimates and assumptions based on the expectation of future events that are believed to be reasonable under the circumstances at the end of the reporting period. The resulting accounting estimates might be different from the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

*Evaluation of inventories*

As inventories are stated at the lower of cost and net realizable value, the Company must determine the net realizable value of inventories on balance sheet date using judgments and estimates. As the net realizable value of inventories on balance sheet date is assessed to be lower than cost, the Company writes down the cost of inventories to the net realizable value. Therefore, there might be material changes to the evaluation.

As of December 31, 2017, the Company's carrying amount of inventories is \$3,686,284 thousand.

## 6. Details of significant accounts

### (1) Cash and cash equivalents

	December 31,	
	2017	2016
Cash on hand and working capital	\$ 150	\$ 150
Checking accounts and demand deposits	258,559	125,929
Cash and cash equivalents – callable bonds	-	192,209
<b>Total</b>	<b>\$ 258,709</b>	<b>\$ 318,288</b>

The Company transacts with a variety of financial institutions all with high credit quality to disperse credit risk, therefore the probability of counterparty default is remote. The Company's maximum exposure to credit risk at balance sheet date is the carrying amount of all cash and cash equivalents.

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

	December 31,	
	2017	2016
Financial assets held for trading		
Listed stocks	\$ -	\$ 27,833
Beneficiary certificates	9,126	248,467
<b>Total</b>	<b>\$ 9,126</b>	<b>\$ 276,300</b>
Current	\$ 9,126	\$ 276,300
Non-current	-	-
<b>Total</b>	<b>\$ 9,126</b>	<b>\$ 276,300</b>

### (3) Financial assets carried at cost

	December 31,	
	2017	2016
Domestic unlisted equity investment	\$ 3,363	\$ 7,797
Overseas unlisted equity investment	7,470	10,085
Less: impairment	( 4,732 )	( 9,166 )
<b>Total</b>	<b>\$ 6,101</b>	<b>\$ 8,716</b>
Current	\$ -	\$ -
Non-current	6,101	8,716
<b>Total</b>	<b>\$ 6,101</b>	<b>\$ 8,716</b>

- A. The Company's above mentioned equity investments are not traded in active market and the fair value cannot be measured reliably. Therefore those equity investments were classified as 'financial assets carried at cost'.
- B. On April 2, 2008, Emphasis Materials, Inc. was dissolved by resolution. As of December 31, 2017, the liquidation process has not yet been completed.
- C. On May 20, 2008, Core Pacific Venture Capital Corp. was dissolved by the resolution and the liquidation was completed on June 30, 2017. The Company received refund of capital \$3,043 thousand. The cost of financial assets measured at cost and accumulated impairment loss of \$4,434 thousand were written off, respectively and recognized a gain on reversal of impairment loss of \$3,043 thousand was recognized.
- D. On June 22, 2015, Sheng-Hua Venture Capital Corp. was dissolved by the resolution and the liquidation was completed on May 31, 2016. Therefore, the cost of financial assets measured at cost was written off by \$56 thousand and the accumulated impairment loss of the financial assets reversed by \$54 thousand; and received dividend income of \$7 thousand.
- E. The reference date of capital reserve reduction and refund of New Castle Investment Development Corp. applied on April 25, 2017 and May 1, 2016. The Company received \$2,615 thousand and \$5,229 thousand respectively after capital reserve reduction.
- F. On November 9, 2016, the Company's shareholders' meeting resolved to write off the equity interest in Evermore Software Inc., the cost of financial assets measured at cost and accumulated impairment loss of \$17,938 thousand was written off.
- G. For the years ended December 31, 2017 and 2016, the Company recognized impairment loss of \$0 thousand and \$5,133 thousand respectively.
- H. None of the Company's financial assets carried at cost are pledged.

(4) *Notes receivable and accounts receivable*

	December 31,	
	2017	2016
Notes receivable	\$ 4,215	\$ 76,127
Less: allowance for doubtful accounts	-	-
	<u>4,215</u>	<u>76,127</u>
Accounts receivable	-	-
Less: allowance for doubtful accounts	-	-
	<u>-</u>	<u>-</u>
Total	<u>\$ 4,215</u>	<u>\$ 76,127</u>

- A. The Company grants an interest free and average credit term of 60 days to its customers accounts. The determination of the collectability of account receivables and note receivables requires the Company to make judgments on any change of credit quality from the beginning to the end of the credit term.

The Company is in construction industry that is special in nature compared to other industry. Based on the historical experience of the Company, the situation of uncollectable accounts receivable and notes receivable is rarely.

The Company is in construction industry with a wide range of unrelated customer base, therefore concentration of credit risk is limited.

- B. The Company's aging analysis of notes receivable and accounts receivable for December 31, 2017 and 2016 is as follows:

	December 31,	
	2017	2016
Not past due	\$ 4,215	\$ 76,127
Past due less than 1 month	-	-
Past due 1-3 months	-	-
Past due 3-6 months	-	-
Past due over 6 months	-	-
Total	<u>\$ 4,215</u>	<u>\$ 76,127</u>

- C. As of December 31, 2017 and 2016, the Company did not have aging analysis of notes receivable and accounts receivable that were past due but not impaired.

- D. The Company's maximum exposure to credit risk at December 31, 2017 and 2016 was the carrying amount of each class of accounts receivable and note receivables.

(5) *Other receivables*

	December 31,	
	2017	2016
Other receivables	\$ 44,399	\$ 26,345
Less: allowance for doubtful accounts	( 16,245 )	( 16,245 )
Total	<u>\$ 28,154</u>	<u>\$ 10,100</u>

Provisions that were made for accounts receivable were the difference between the carrying amount of other receivables and the expected recoverable amount.

(6) Inventories

	December 31,	
	2017	2016
Land for sale	\$ 775,458	\$ 807,807
Building for sale	368,281	386,830
Land held for construction	2,685,345	2,671,785
Construction in progress	246,596	248,619
Less: allowance for decline in market value and obsolescence	( 389,396 )	( 389,396 )
Total	\$ 3,686,284	\$ 3,725,645

A. Details of land for sale and buildings for sale:

Case	December 31,			
	2017		2016	
	Land for sale	Building for sale	Land for sale	Building for sale
Li Hsiang Jia A	\$ 511	\$ 1,251	\$ 511	\$ 1,251
Sheng Huo Jia A	3,499	3,033	3,499	3,033
Ya Dian Wang Chao A	-	456	-	456
Ya Dian Wang Chao B	-	1,722	-	1,722
Hang Sha	5,505	2,809	5,505	2,809
Hsin Yi B	-	-	8,079	6,050
Shi Tan Duan A	667,909	312,045	666,088	312,045
Shi Tan Duan B	98,034	46,965	124,125	59,464
Total	\$ 775,458	\$ 368,281	\$ 807,807	\$ 386,830

B. Land held for construction and construction in progress details:

Case	December 31,			
	2017		2016	
	Land held for construction	Construction in progress	Land held for construction	Construction in progress
Shu Lin An	\$ 112,371	\$ 85,821	\$ 112,371	\$ 85,821
Sheng Huo Jia B	7,803	1,350	7,803	1,350
Hsin Dian He Feng	483,764	148,391	483,764	148,391
Fu De Duan B	423	-	423	-
Hsi Song Duan	-	-	-	4,247
Hsin Guang Lu B	2,217	-	2,217	-
Rong Hsing Duan	73,440	3,696	68,546	2,855
Huai Sheng Duan	1,382,161	5,955	1,380,256	5,955
Yun He Jie	623,166	1,383	616,405	-
Total	\$ 2,685,345	\$ 246,596	\$ 2,671,785	\$ 248,619

C. For the years ended December 31, 2017 and 2016, did not have interest capitalized as cost of Inventory.

D. For details of inventories pledged as collateral, please refer to Note 8.

E. Significant information on construction projects

For construction projects that have not yet commenced, including Shu Lin An, Sheng Huo Jia B, Hsin Dian He Feng, Fu De Duan B, Hsin Guang Lu B, Rong Hsing Duan, Huai Sheng Duan and Yun He Jie. The Company is not able to estimate cost and revenue.

F. The cost of inventories recognized as expense (income) is as follows:

	For the year ended December 31,	
	2017	2016
Cost of sales	\$ 57,823	\$ 1,621,671
Impairment loss	-	-
Total	<u>\$ 57,823</u>	<u>\$ 1,621,671</u>

(7) Other financial assets

	December 31,	
	2017	2016
Pledged time deposit account	\$ -	\$ 134,500
Time deposits	250,800	245,800
Cash in bank	10	4
Total	<u>\$ 250,810</u>	<u>\$ 380,304</u>
Current	\$ 250,810	\$ 380,304
Non-current	-	-
Total	<u>\$ 250,810</u>	<u>\$ 380,304</u>

For details of other financial assets pledged as collateral, please refer to Note 8.

(8) Investments accounted for under equity method

Investee Companies	December 31,			
	2017	Ownership %	2016	Ownership %
Non-listed Company				
Dahyoung Real Estate Development Co., Ltd. (Dahyoung)	\$ 39,548	99	\$ 35,892	99
Huachien Development Co., Ltd. (Huachien)	351,202	58	362,732	58
Total	<u>\$ 390,750</u>		<u>\$ 398,624</u>	

A. The basic information of the associates that are significant to the Company is as follows:

Company name	Principal place of business	Methods of measurement
Dahyoung	Taipei, Taiwan	Equity method
Huachien	Taipei, Taiwan	Equity method

- B. The summarized financial information of the associates that are significant to the Company is as follows:

Balance sheet

	Dahyoung	
	December 31,	
	2017	2016
Current assets	\$ 33,181	\$ 29,679
Non-current assets	6,832	6,631
Current liabilities	( 65 )	( 55 )
Non-current liabilities	-	-
Total net assets	<u>\$ 39,948</u>	<u>\$ 36,255</u>
Share of net assets of the associate	\$ 39,548	\$ 35,892
Goodwill	-	-
Carrying amount of the associate	<u>\$ 39,548</u>	<u>\$ 35,892</u>

	Huachien	
	December 31,	
	2017	2016
Current assets	\$ 1,213,592	\$ 1,264,430
Non-current assets	102,685	36,260
Current liabilities	( 13,406 )	( 630,260 )
Non-current liabilities	( 661,351 )	( 13,704 )
Total net assets	<u>\$ 641,520</u>	<u>\$ 656,726</u>
Share of net assets of the associate	\$ 351,202	\$ 362,732
Goodwill	-	-
Carrying amount of the associate	<u>\$ 351,202</u>	<u>\$ 362,732</u>

Statement of comprehensive income

	Dahyoung	
	For the year ended December 31,	
	2017	2016
Revenue	\$ -	\$ -
Net income for the year	3,693	1,187
Other comprehensive income, net of tax	-	-
Total comprehensive income for the year	<u>\$ 3,693</u>	<u>\$ 1,187</u>
Dividends received from the associate	<u>\$ -</u>	<u>\$ -</u>

	Huachien	
	For the year ended December 31,	
	2017	2016
Revenue	\$ 6,522	\$ 8,166
Net loss for the year	( 19,756 )	( 12,155 )
Other comprehensive income (loss), net of tax	4,550	( 6,290 )
Total comprehensive loss for the year	( \$ 15,206 )	( \$ 18,445 )
Dividends received from the associate	\$ 2,141	\$ 4,283

(9) *Property, plant and equipment*

	Land	Buildings	Transportation equipment	Office equipment	Other equipment	Total
<u>Cost</u>						
At January 1, 2016	\$ 36,006	\$ 35,944	\$ -	\$ 7,385	\$ 257	\$ 79,592
Additions	-	103	639	259	-	1,001
Disposals and scrapped	-	-	-	( 1,072 )	-	( 1,072 )
At December 31, 2016	36,006	36,047	639	6,572	257	79,521
Additions	-	110	-	250	-	360
Disposals and scrapped	-	( 614 )	-	( 831 )	-	( 1,445 )
At December 31, 2017	<u>\$ 36,006</u>	<u>\$ 35,543</u>	<u>\$ 639</u>	<u>\$ 5,991</u>	<u>\$ 257</u>	<u>\$ 78,436</u>
	Land	Buildings	Transportation equipment	Office equipment	Other equipment	Total
<u>Accumulated depreciation and impairment</u>						
At January 1, 2016	\$ -	\$ 10,100	\$ -	\$ 3,748	\$ 107	\$ 13,955
Depreciation	-	1,555	40	1,590	28	3,213
Disposals and scrapped	-	-	-	( 1,072 )	-	( 1,072 )
At December 31, 2016	-	11,655	40	4,266	135	16,096
Depreciation	-	1,394	80	1,125	29	2,628
Disposals and scrapped	-	( 614 )	-	( 831 )	-	( 1,445 )
At December 31, 2017	<u>\$ -</u>	<u>\$ 12,435</u>	<u>\$ 120</u>	<u>\$ 4,560</u>	<u>\$ 164</u>	<u>\$ 17,279</u>
<u>Net book value</u>						
At December 31, 2016	<u>\$ 36,006</u>	<u>\$ 24,392</u>	<u>\$ 599</u>	<u>\$ 2,306</u>	<u>\$ 122</u>	<u>\$ 63,425</u>
At December 31, 2017	<u>\$ 36,006</u>	<u>\$ 23,108</u>	<u>\$ 519</u>	<u>\$ 1,431</u>	<u>\$ 93</u>	<u>\$ 61,157</u>

For details of property, plant and equipment pledged as collateral, please refer to Note 8.

(10) *Impairment of non-financial assets*

For the years ended December 31, 2017 and 2016, the Company did not have recognized on reversal loss of impairment loss of property, plant and equipment.

(11) *Short-term borrowings*

	December 31,	
	2017	2016
Secured borrowings	\$ 511,057	\$ 490,800
Credit loans	-	400,000
Bank overdraft	-	65,250
	<u>\$ 511,057</u>	<u>\$ 956,050</u>
Interest rate range	<u>1.68% ~ 2.00%</u>	<u>1.5% ~ 2.7%</u>

A. The above short-term borrowings are used for constructions and working capital and repayable in one to three years.

B. As of December 31, 2017 and 2016, the Company's short-term lines of credits amounted to \$684,000 thousand and \$1,472,675 thousand respectively.

C. For details of collateral of short-term borrowings, please refer to Note 8.

(12) *Short-term notes and bills payable*

	Acceptance agencies	December 31,	
		2017	2016
Short-term notes and bills payable	Dah Chung bills finance Corp.	\$ 400,000	\$ -
Less: Unamortized discount		( 37 )	-
Total		<u>\$ 399,963</u>	<u>\$ -</u>

A. The interest rate of short-term notes and bills payable for December 31, 2017 is 0.48%.

B. As of December 31, 2017, the amount of short-term notes and bills payable issued is \$400,000 thousand.

C. For details of collateral of short-term notes and bills payable, please refer to Note 8.

(13) *Notes payable and accounts payable*

	December 31,	
	2017	2016
Notes payable	\$ 1,282	\$ 11,968
Accounts payable	-	140,455
Estimated accounts payable	59,705	83,404
Subtotal	<u>59,705</u>	<u>223,859</u>
Total	<u>\$ 60,987</u>	<u>\$ 235,827</u>

(14) *Advances from customers*

	December 31,	
	2017	2016
Receipts in advance for land and building	\$ 48,020	\$ -
Receipts in advance	216	68
Other receipts in advance	26,315	26,314
Total	<u>\$ 74,551</u>	<u>\$ 26,382</u>

(15) *Long-term borrowings*

Details	December 31,	
	2017	2016
Secured long-term borrowings		
- Starting from November 2013, the repayments made monthly until October, 2016. In October, 2016, the repayment date became a one-off payment in October 2019 in according to supplementary contract. In July 2017, in according to another supplementary contract, the repayment will be at a minimum of 70% of the total sales price if there is a sale of property, the repayment of remaining amount will be a one off-payment in October 2020, with floating interest rate. The interest rate as of December 31, 2017 and 2016 was 2.1% and 2.22% respectively.	\$ 403,000	403,000
- Secured long-term borrowings Originally expire and repay in a one-off payment in October, 2019. In July 2017, in according to a supplementary contract, the repayment will be at a minimum of 70% of the total sales price if there is a sale of property, the repayment of remaining amount will be a one off-payment in October 2020, with floating interest rate. The interest rast as of December 31, 2017 and 2016 was 2.1% and 2.22% respectively.	110,000	110,000
Total	<u>513,000</u>	<u>513,000</u>
Less: long-term borrowings expire within an operating cycle	<u>( 513,000 )</u>	<u>( 513,000 )</u>
Net	<u>\$ -</u>	<u>\$ -</u>

A. Repayment deadline of above long-term borrowings is as follow:

Due by	Amount
December 31, 2020	\$ 513,000

B. For details of collateral of long-term borrowings, please refer to Note 8.

C. As of December 31, 2017 and 2016, the total lines of credits of long-term borrowings were \$878,000 thousand and \$648,000 thousand respectively.

(16) Pensions

A. Defined benefit plans

(A) The Company has a defined benefit pension plan in accordance with the Labor Standards Law. 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 contributes monthly with an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustees, under the name of the independent retirement fund committee.

(B) The amounts recognized in the balance sheet were determined as follows:

	December 31,	
	2017	2016
Present value of funded obligations	(\$ 31,422 )	(\$ 13,489 )
Fair value of plan assets	14,369	11,706
Net defined benefit liabilities	(\$ 17,053 )	(\$ 1,783 )

(C) Movements in net defined benefit liability were as follows:

	Present value of funded obligations	Fair value of plan assets	Net defined benefit liabilities
<u>For the year ended December 31, 2016</u>			
Balance as of January 1	(\$ 17,332 )	\$ 6,438	(\$ 10,894 )
Current service costs	( 339 )	-	( 339 )
Interest (expense) income	( 217 )	81	( 136 )
	( 17,888 )	6,519	( 11,369 )
Re-measurements			
Impact of change in demographic assumptions	226	-	226
Impact of change in financial assumptions	226	-	226
Examined adjustments	( 659 )	( 27 )	( 686 )
	( 207 )	( 27 )	( 234 )
Employer contribution	-	10,226	10,226
Pension payments	4,606	( 4,606 )	-
Other	-	( 406 )	( 406 )
	4,606	5,214	9,820
Balance as of December 31	(\$ 13,489 )	\$ 11,706	(\$ 1,783 )

	Present value of funded obligations	Fair value of plan assets	Net defined benefit liabilities
<u>For the year ended December 31, 2017</u>			
Balance as of January 1	( \$ 13,489 )	\$ 11,706	( \$ 1,783 )
Interest (expense) income	( 202 )	175	( 27 )
Past services costs	( 17,802 )	-	( 17,802 )
	<u>( 31,493 )</u>	<u>11,881</u>	<u>( 19,612 )</u>
Re-measurements			
Impact of change in financial assumptions	( 181 )	-	( 181 )
Examined adjustments	252	( 69 )	183
	<u>71</u>	<u>( 69 )</u>	<u>2</u>
Employer contribution	-	2,557	2,557
Balance as of December 31	<u>( \$ 31,422 )</u>	<u>\$ 14,369</u>	<u>( \$ 17,053 )</u>

(D) The Bank of Taiwan was entrusted to manage the Fund of the Company's defined benefit pension plan in accordance with the fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund". With regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. The constitution of fair value of plan assets as of December 31, 2017 and 2016 is given in the Annual Labor Retirement Fund Utilization Report published by the government.

(E) The principal actuarial assumptions used were as follows:

	<u>For the year ended December 31,</u>	
	<u>2017</u>	<u>2016</u>
Discount rate	1.39%	1.50%
Future salary increases	3.00%	3.00%
Expected return on plan assets	1.39%	1.50%

The assumption for future mortality rate is estimated based on the 5th mortality table issued by Taiwan Life Insurance Industry.

The analysis of impact on present values of defined benefit obligation by using principal actuarial assumptions:

	<u>Discount rate</u>		<u>Future salary increase rate</u>	
	<u>Increase</u>	<u>Decrease</u>	<u>Increase</u>	<u>Decrease</u>
<u>December 31, 2017</u>	<u>0.5%</u>	<u>0.5%</u>	<u>0.5%</u>	<u>0.5%</u>
Impact on present value of defined benefit obligation	( \$ 1,960 )	\$ 2,100	\$ 2,055	( \$ 1,940 )

	Discount rate		Future salary increase rate	
	Increase	Decrease	Increase	Decrease
December 31, 2016	0.5%	0.5%	0.5%	0.5%
Impact on present value of defined benefit obligation	(\$ 851)	\$ 921	\$ 903	(\$ 843)

The above mentioned sensitivity analysis is the analysis of the impact of change in a single assumption while all other assumptions remain unchanged. In practice, change in assumptions is interacted. The sensitivity analysis adopts the same method in calculating the net pension liability in balance sheet.

(F) Estimated contributions to the defined benefit pension plans of the Company within one year from December 31, 2017 amounting to \$20,971 thousand.

(G) As of December 31, 2017, the weighted average period for the pension plan is 13 years.

Analysis of the pension payment past due is as follow:

Less than a year	\$	21,170
One to two years		2,892
Two to five years		3,103
Over five years		935
	\$	<u>28,100</u>

#### B. Defined contribution plan

Effective July 1, 2005, the Company have established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"). Under the new plan, the Company contributes to the employees' individual pension accounts at the Bureau of Labor Insurance. The pension costs under the defined contribution pension plans of the Company for the year ended December 31, 2017 and 2016 were \$1,437 thousand and \$1,358 thousand respectively.

#### (17) Provisions

	Provisions for employee benefits	
At January 1, 2016	\$	1,150
Addition during the year		-
Reversal during the year	(	167)
At December 31, 2016		983
Addition during the year		140
Reversal during the year		-
At December 31, 2017	\$	<u>1,123</u>

Analysis of provisions was as follow:

	December 31,	
	2017	2016
Current	\$ 1,123	\$ 983
Non-current	\$ -	\$ -

(18) Share Capital

A. As of December 31, 2017, the Company's authorized capital was \$5,336,135 thousand with par value of \$10 per share. As of December 31, 2017, total paid-in capital was \$2,707,525 thousand.

B. Details of the Company's previous offering at a discounted price (private placement) were as follows:

Date of issue	Number of share issued (in thousand)	Issued price (\$/share)
September 27, 2004 (public offering completed)	41,137	2.99
August 21, 2007 (public offering completed)	18,750	8.00

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

	Number of outstanding shares (in thousand)	
	For the year ended December 31,	
	2017	2016
At January 1	270,753	270,753
Issuance of shares through capitalization of retained earnings	-	-
At December 31	270,753	270,753

C. Treasury stock

Movements of ordinary shares held by the Company's subsidiaries for the years ended December 31, 2017 and 2016 are as follows:

For the year ended December 31, 2017

Name of subsidiary	Share at January 1	Increase (decrease) during the year		Share at December 31	(Unit: New Taiwan Dollars)	
		Number of share	Sale price		Par value per share	Market value per share
Huachien	2,676,640	-	\$ -	2,676,640	\$ 24.11	\$ 15.2

For the year ended December 31, 2016

Name of subsidiary	Share at January 1	Increase (decrease) during the year		Share at December 31	(Unit: New Taiwan Dollars)	
		Number of share	Sale price		Par value per share	Market value per share
Huachien	2,676,640	-	\$ -	2,676,640	\$ 24.11	\$ 13.5

(19) *Capital surplus*

	December 31,	
	2017	2016
Cash dividend unclaimed for over five years	\$ 342	\$ 241
Adjusted difference by equity method	1,100	1,100
Gains after tax on disposal of property, plant and equipment held by subsidiary under equity method	7,487	7,487
Total	<u>\$ 8,929</u>	<u>\$ 8,828</u>

Pursuant to the ROC Company Act, capital reserve 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.

(20) *Retained earnings*

A. Legal reserve

Pursuant to the ROC Company Act, 10% of the current year's earnings, after payment of all taxes and after offsetting all accumulated deficits, shall be set aside as legal reserve. 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 balance of the reserve exceeds 25% of the Company's paid-in capital; and resolved in shareholders' meeting.

B. Special reserve

In accordance with the regulations, if the Company's debit balance on other equity items resulted from the exchange difference on translation of overseas operation; or unrecognized gain or loss on financial assets held for sales, the Company therefore shall set aside special reserve within following limitation at the balance sheet date before distributing earnings:

- (A) For current year's debit balance on other equity items, special reserve recognized should not exceed total of current year earnings after tax plus retain earnings brought forward from previous years.
- (B) For the prior year's debit balance on the equity item, special reserve recognized should not exceed total of prior year earnings after tax plus retain earnings bought forward from previous year.
- (C) When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

C. Distribution of retained earnings

In accordance with the Articles of Association, the current year's earnings, if any, shall be used to pay all taxes and offset prior years' operating losses, however, when such legal reserve amounts to the total authorized capital, the Company shall not be subject to this requirement; thereafter 10% of the remaining amount shall be set aside as legal reserve or appropriate or reverse to special reserve according to the relevant regulations or as requested by the authorities in charge. After distribution of earnings, the remaining earnings and prior years' unappropriated retained earnings may be appropriated for 10% to 70% according to a proposal by the board of directors and approved in the shareholders' meeting as shareholders' dividends; provided that the distribution of the reserve is limited to 5% of the Company's paid-in capital.

This distribution of shareholders' dividends shall be either in cash or stock, in which with cash dividends not less than 10% of the total dividend.

D. The distribution of earnings for 2016 was approved through the shareholders' meeting held on May 31, 2017, amount of \$42,123 thousand were set aside to legal reserve and dividends of \$216,602 thousand were declared to shareholders. The distribution of earnings for 2015 was approved through the shareholders' meeting held on May 31, 2016, amount of \$69,452 thousand were set aside to legal reserve and dividends of \$433,204 thousand were declared to shareholders.

E. For details of information on employee's bonus and directors and supervisors' remuneration, please refer to Note 6(25).

(21) Revenue

	For the year ended December 31,	
	2017	2016
Sales revenue - land	\$ 43,801	\$ 1,876,347
Sales revenue - building	17,876	472,711
Rental income	1,084	557
Total	<u>\$ 62,761</u>	<u>\$ 2,349,615</u>

(22) Other income

	For the year ended December 31,	
	2017	2016
Interest income	\$ 4,373	\$ 6,953
Dividend income	295	972
Other income - other	12,089	6,259
Total	<u>\$ 16,757</u>	<u>\$ 14,184</u>

(23) *Other gains and losses*

	For the year ended December 31,	
	2017	2016
Net currency exchange losses	(\$ 12,580)	(\$ 9,493)
Net gains (losses) on financial assets at fair value through profit or loss	19,647	( 1,387)
(Gain on reversal of) impairment loss on financial assets	3,043	( 5,079)
Other non-operating losses	( 4,247)	( 18,000)
Total	<u>\$ 5,863</u>	<u>(\$ 33,959)</u>

(24) *Additional disclosures related to cost of revenues and operating expenses are as follows:*

	For the year ended December 31,					
	2017			2016		
	Cost of revenue	Operating expenses	Total	Cost of revenue	Operating expenses	Total
Employee benefit expenses	\$ -	\$ 64,916	\$ 64,916	\$ -	\$ 70,602	\$ 70,602
Depreciation	-	2,628	2,628	-	3,213	3,213

(25) *Employee benefit expenses*

	For the year ended December 31,	
	2017	2016
Wages and salaries	\$ 41,164	\$ 60,020
Labor and health insurance contribution	3,067	3,161
Pension costs	19,266	5,845
Other personnel expenses	1,419	1,576
Total	<u>\$ 64,916</u>	<u>\$ 70,602</u>

(A) In accordance with the Articles of Association, the Company's accumulated deficits should be covered before distribution of current year earnings, 1.5% distributable earnings as employees' compensation and not more than 2% of current year earnings as directors' remuneration. The Company's employees' compensation to be distribute by stock or cash as mentioned in the preceding paragraph, the Company may resolve by the board of directors with more than a two-thirds majority of the board of directors present and agree by majority of the directors attended in the meeting; and such distribution shall be submitted to the shareholder's meeting.

The current year earnings referred to in the preceding paragraph refers to the current year profit before tax and before deduction of the distribution of employees' bonus and directors' remuneration.

- (B) In 2017 and 2016, the employees' bonus and directors' remuneration of the Company was \$0 thousand, \$10,011 thousand, \$0 thousand and \$10,011 thousand, respectively. Bonuses to employees were determined by the profit of the year.

The number of share dividend is calculated based on the closing price of the day before the board of directors' meeting resolution and after considering the effect of ex-right. If the actual amounts subsequently resolved by the shareholders differ from the proposed amounts by the board of directors, the differences are recorded in profit and loss in the subsequent year.

The shareholders' meeting in 2017 resolved that the bonuses to employees and remuneration to directors and supervisors for the year ended December 31, 2016 was \$10,009 thousand and there was \$2 thousand difference compared to estimated amount and was recognized in a profit and loss for the year.

- (C) Please refer to Market Observation Post System for more information on the resolution related to the appropriation of distributable earnings as employees' bonus and directors' remuneration of the Company's board of directors' meeting.

(26) *Finance costs*

	For the year ended December 31,	
	2017	2016
Interest expense:		
Bank loans	\$ 24,162	\$ 14,122
Less: capitalization of qualifying assets	-	-
Financial expense	-	991
Total	<u>\$ 24,162</u>	<u>\$ 15,113</u>

(27) *Income tax*

A. Income tax expense

    Components of income tax expense:

	For the year ended December 31,	
	2017	2016
Current income tax for the year:		
Land value increment tax included in current income tax for the year	\$ 1,066	\$ 24,806
Additional 10% surtax on undistributed retained earnings	4,397	19,808
Imputation tax credit on overly distributed earnings	101	-
Current income tax for the year	<u>5,564</u>	<u>44,614</u>
Deferred tax:		
Relating to origination and reversal of temporary differences	-	14,564
Total deferred tax	<u>-</u>	<u>14,564</u>
Income tax expense	<u>\$ 5,564</u>	<u>\$ 59,178</u>

B. Reconciliation between income tax expense and loss before income tax:

	For the year ended December 31,	
	2017	2016
Income before income tax	(\$ 108,656)	\$ 480,403
Income tax expense at statutory rate (17%)	( 18,472 )	81,669
Tax effect of adjusting items		
Permanent differences	10,079	( 117,122 )
Loss on unrecognized deferred tax assets	7,152	12,268
Unrecognized temporary differences	1,241	37,749
Underprovision from prior year	-	-
Additional 10% surtax on undistributed retained earnings	4,397	19,808
Imputation tax credit on overly distributed earnings	101	-
Land value increment tax	1,066	24,806
Income tax expense	<u>\$ 5,564</u>	<u>\$ 59,178</u>

C. Deferred income tax assets and liabilities are as follows:

	For the year ended December 31, 2016			
	At January 1	Recognized in profit or loss	Recognized in other comprehensive income	At December 31
Deferred tax assets				
Inventory	<u>\$ 14,564</u>	<u>( \$ 14,564 )</u>	<u>\$ -</u>	<u>\$ -</u>

D. The details of unrecognized deferred tax assets were as follow:

	December 31,	
	2017	2016
Loss carry forward		
Expire in 2019	\$ 9,238	\$ 9,238
Expire in 2020	122,860	122,860
Expire in 2023	7,400	7,400
Expire in 2024	18,291	18,291
Expire in 2025	29,560	29,560
Expire in 2026	12,267	12,267
Expire in 2027	7,152	-
	<u>206,768</u>	<u>199,616</u>

	December 31,	
	2017	2016
Deductible temporary differences		
Inventories	62,994	66,197
Allowance for doubtful accounts	2,762	2,762
Financial assets carried at costs	19,282	20,036
Prepayments	4,752	5,602
Net defined benefit liabilities	2,596	-
Provisions for liabilities	43	18
Receipts in advance for land and building	2,305	-
Unrealized exchange gains and losses	1,811	689
	<u>96,545</u>	<u>95,304</u>
Total	<u>\$ 303,313</u>	<u>\$ 294,920</u>

E. As of December 31, 2017, details of the Company's deferred tax assets for future utilization were as below:

Expiry date	Unused loss carry forward
2019	\$ 9,238
2020	122,860
2023	7,400
2024	18,291
2025	29,560
2026	12,267
2027	7,152
Total	<u>\$ 206,768</u>

F. Unappropriated retained earnings of the Company:

	December 31,	
	2017	2016
Earnings generated in and before 1997	\$ -	\$ -
Earnings generated in and after 1998	-	653,454
Total	<u>\$ - (Note)</u>	<u>\$ 653,454</u>

	December 31,	
	2017	2016
Balance of the imputation tax credit account	<u>\$ - (Note)</u>	<u>\$ 12,474</u>

	<u>For the year ended December 31,</u>	
	<u>2017</u>	<u>2016</u>
Creditable tax rate	(Note)	4.93%

Note: The amendments to the Income Tax Act passed in February, 2018 to abolish the relevant regulations of imputation system.

G. The Company's income tax returns through 2015 have been assessed by the Tax Authority.

(28) *Earnings per share*

A. The calculation of earnings per share and weighted average number of ordinary share is as follows:

	<u>For the year ended December 31, 2017</u>		
	<u>Amount</u>	<u>Weighted</u>	<u>Earnings</u>
	<u>after tax</u>	<u>average</u>	<u>per share</u>
		<u>number of</u>	<u>(in dollars)</u>
		<u>ordinary</u>	
		<u>shares</u>	
		<u>outstanding</u>	
		<u>(in thousands)</u>	
			<u>(in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to common shareholders	(\$ 114,220)	270,753	
Profit attributable to share of the parent company held by subsidiary	<u>-</u>	<u>( 2,677 )</u>	
Profit attributable to common shareholders	<u>(\$ 114,220)</u>	<u>268,076</u>	<u>(\$ 0.43)</u>
<u>Diluted earnings per share</u>			

None.

	<u>For the year ended December 31, 2016</u>		
	<u>Amount</u>	<u>Weighted</u>	<u>Earnings</u>
	<u>after tax</u>	<u>average</u>	<u>per share</u>
		<u>number of</u>	<u>(in dollars)</u>
		<u>ordinary</u>	
		<u>shares</u>	
		<u>outstanding</u>	
		<u>(in thousands)</u>	
<u>Basic earnings per share</u>			
Profit attributable to common shareholders	\$ 421,225	270,753	
Profit attributable to share of the parent company held by subsidiary	-	( 2,677 )	
Profit attributable to common shareholders	<u>\$ 421,225</u>	<u>268,076</u>	<u>\$ 1.57</u>
<u>Diluted earnings per share</u>			
Profit attributable to common shareholders	\$ 421,225	268,076	
Assumed conversion of all dilutive potential ordinary shares	-	742	
Employee's bonus			
Profit attributable to common shareholders	<u>\$ 421,225</u>	<u>268,818</u>	<u>\$ 1.57</u>

B. Assumed that the trading and holding of the Company's shares by the subsidiaries do not deemed as treasury stock but as investments, the pro-forma calculation of earnings per share and weighted average number of ordinary share is as follows:

	<u>For the year ended December 31, 2017</u>		
	<u>Amount</u>	<u>Weighted</u>	<u>Earnings</u>
	<u>after tax</u>	<u>average</u>	<u>per share</u>
		<u>number of</u>	<u>(in dollars)</u>
		<u>ordinary</u>	
		<u>shares</u>	
		<u>outstanding</u>	
		<u>(in thousands)</u>	
<u>Basic earnings per share</u>			
Profit attributable to the parent company	( \$ 114,220 )	270,753	( \$ 0.42 )
<u>Diluted earnings per share</u>			
None.			

	For the year ended December 31, 2016		
	Amount after tax	Weighted average number of ordinary shares outstanding (in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to the parent	\$ 421,225	270,753	\$ 1.56
<u>Diluted earnings per share</u>			
Profit attributable to the parent	\$ 421,225	270,753	
Assumed conversion of all dilutive potential ordinary shares			
Employee's bonus	-	742	
Profit attributable to the parent	\$ 421,225	271,495	\$ 1.55

(29) *Operating leases*

- A. The Company leases properties under non-concealable operating lease agreement. The lease period is from 2015 to 2021.
- B. The future aggregate minimum lease receipts under non-cancellable operating lease are as follows:

	December 31,	
	2017	2016
Within one year	\$ 1,023	\$ 344
Over one year but within five years	664	556
Over five years	-	-
	\$ 1,687	\$ 900

## 7. Related party transactions

### (1) Name of related party and relationship

Name	Relationship
Lin, Po-Fong	Director of the Company
Weng, Tzu-Chin	Spouse of the director of the Company
Yung Yu Co., LTD	Legal representative of the Company is also the Chairman of Yung Yu Co., LTD
Dahyoung Real Estate Development Co., LTD	Subsidiary
Huachien Development Co., LTD	Subsidiary
Da Jie Investment Co., LTD	Chairman of Da Jie Investment Co., LTD is the first degree of kinship of the director of the Company
Da Sin Investment Co., LTD	Common director
Da Shuo Investment Co., LTD	Chairman of Da Shuo Investment Co., LTD is the first degree of kinship of the director of the Company
Wei Feng Investment Co., LTD	Chairman of Wei Feng Investment Co., LTD is the second degree of kinship of the director of the Company

### (2) Significant related party transactions and balances:

#### A. Sales of goods and services

	For the year ended December 31,	
	2017	2016
Sales revenue - land and building		
- Other related parties	\$ -	\$ 135,465
Rental income		
- Subsidiaries	58	58
- Other related parties	107	110
Total	<u>\$ 165</u>	<u>\$ 135,633</u>

(A) In 2016, the sales contract of land and building signed with related parties were the same with non-related parties. There is no significant difference in term of collection terms and contract terms.

(B) The lease period is from April 2015 to December 2021. Rental income is collected monthly or annually.

B. The balance of receivables and payables with related parties were as follows:

	December 31,	
	2017	2016
Receipts in advance		
- Subsidiaries	\$ 14	\$ 14
- Other related parties	14	21
Total	<u>\$ 28</u>	<u>\$ 35</u>

C. Details of provision of endorsements/guarantees provided to others

	December 31,	
	2017	2016
Subsidiaries	<u>\$ -</u>	<u>\$ 450,000</u>

(3) Key management compensation

	For the year ended December 31,	
	2017	2016
Salaries and other short-term employee benefits	\$ 16,317	\$ 29,084
Termination benefits	-	-
Post-employment benefits	-	8,618
Other long-term employee benefits	-	-
Share-based payment	-	-
Total	<u>\$ 16,317</u>	<u>\$ 37,702</u>

## 8. Pledge of assets

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

Pledged assets	Purposes	Carrying amount	
		2017	2016
Inventories			
Land for sale	Mortgage	\$ 410,350	\$ 612,208
Building for sale	Mortgage	192,468	287,419
Land held for construction	Mortgage	2,005,328	1,100,552
Property, plant and equipment			
Land	Mortgage	36,006	36,006
Building	Mortgage	23,108	24,392
Other equipment	Mortgage	93	122
Other financial assets - current	Mortgage and trust account	10	134,504
Total		<u>\$ 2,667,363</u>	<u>\$ 2,195,203</u>

## 9. Significant contingent liabilities and unrecognized commitments

As of December 31, 2017, the Company received the promissory notes from the contractors and customers amounting to \$194,544 thousand.

## 10. Significant disaster loss

None.

## 11. Significant events after the balance sheet date

None.

## 12. Others

### (1) Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares to adjust the most appropriate capital structure. The Company monitors capital on the basis of the gearing ratio. The Company's gearing ratios as of December 31, 2017 and 2016 are as follows:

	December 31,	
	2017	2016
Total liabilities	\$ 1,601,612	\$ 1,794,190
Total assets	\$ 4,810,081	\$ 5,333,378
Gearing ratio	33%	34%

During a recent review of the gearing ratio, the gearing ratio as of December 31, 2017 and 2016 had no significant difference.

### (2) Financial instruments

A. The carrying value of the Company's financial instruments not measured at fair value (including cash and cash equivalents, notes receivable, other accounts receivable, other financial assets, refundable deposits, bank borrowings, notes payable, accounts payable and other payable) approximate to their fair values. The information of financial instruments not measured at fair value is provided in Note 6(3). The information of the carrying value of financial instruments measured at fair value is provided in Note 12(3).

Details of financial instruments are disclosed in each of individual notes to financial statements.

## B. Financial risk management objectives and policies

The Company's financial instruments include equity and beneficiary certificate investment, notes receivables, other receivables, other financial assets, financial assets carried at costs, bank borrowings, notes payable, accounts payable and other payables. Risk management is coordinated by the Company's finance department by entering domestic and international financial market operations and responsible to monitor and manage the financial risk according to the degree of risk and evaluating the breadth analysis of risk exposure. Such risk includes market risk (including exchange rate risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Company seeks to reduce the risk by employing a risk management and to analyze, identify and evaluate the related financial risks that potentially expose adverse effects on the Company. The Company has a relevant plan to hedges the adverse factors of financial risk.

### (A) Market risk

Market risk is arising from movements in market prices, such as foreign exchange risk and interest rate risk that affecting the Company's earnings or financial instruments held by the Company. The objective of market risk management is to control the market risk exposure within affordable range and to optimize the return on investment.

The major markets risks undertake by the Company's operation are foreign exchange risk, interest rate risk and equity price risk. In practice, a movement by a single change in risk variables is rare, hence change in risk variables are always interrelated. The following sensitivity analysis did not consider the interaction of related risks variables.

#### a. Foreign exchange risk

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on financial assets measured at fair value that are denominated in foreign currency. The Company's foreign exchange risk is mainly arising from the foreign exchange gains and losses against the cash and cash equivalents and financial assets at fair value through profit or loss that are dominated in foreign currency.

Details of the unrealized exchange gains and losses of the Company's monetary items whose value would significantly affected by exchange rate fluctuation are as follows:

For the year ended December 31, 2017			
	Foreign currency amount		Unrealized exchange gains and losses (NT\$)
	(in thousands)	Exchange rate	
<u>Financial assets</u>			
US\$ : NT\$	\$ 4,293	29.760	( \$ 6,663 )
CN¥ : NT\$	170	4.565	( 10 )
HK\$ : NT\$	11,056	3.807	( 485 )

For the year ended December 31, 2016			
	Foreign currency amount		Unrealized exchange gains and losses (NT\$)
	(in thousands)	Exchange rate	
<u>Financial assets</u>			
US\$ : NT\$	\$ 7,897	32.250	( \$ 3,398 )
CN¥ : NT\$	170	4.617	( 25 )

The sensitivity analysis of the Company's exchange risk mainly focuses on the relevant foreign currency appreciation or depreciation of main foreign currency items at the closing date of financial reporting period, and its impact on the Company's profit and loss and equity.

The determination of below sensitivity analysis is based on the Company's non-functional currency assets and liabilities with significant exchange rate exposure at the balance date. The relevant information is as follows:

December 31, 2017						
	Foreign currency amount	Exchange rate	Carrying amount		Effect on profit or loss	Effect on equity
			(NT\$)	Variation		
<u>Financial assets</u>						
<u>Monetary items</u>						
US\$	\$ 4,293	29.760	\$ 127,762	5%	\$ 6,388	\$ -
CN¥	170	4.565	778	5%	39	-
HK\$	11,056	3.807	42,090	5%	2,105	-

December 31, 2016						
	Foreign currency amount	Exchange rate	Carrying amount (NT\$)	Variation	Effect on profit or loss	Effect on equity
<u>Financial assets</u>						
<u>Monetary items</u>						
US\$	\$ 7,897	32.250	\$ 252,823	5%	\$ 12,641	\$ -
CN¥	170	4.617	784	5%	39	-
<u>Non-monetary items</u>						
US\$	3,590	32.250	115,778	5%	5,789	-
HK\$	6,694	4.158	27,833	5%	1,392	-

#### b. Interest rate risk

The Company's interest rate risk arises from borrowing. Borrowing with floating interest rate exposes the Company to change in fair value risk and cash flow risk. The Company by maintaining an appropriate combination of floating rate to manage interest rate risk. The Company assesses its hedging activities on a regular basis to ensure hedging strategies are established consistently between interest rate and risk preferences and in most cost-effective manner.

The Company's exposure on financial liabilities rate risk is described in this Note for liquidity risk management below.

#### Sensitivity analysis

The following sensitivity analysis is based on interest rate risk exposure on the non-derivative instruments on reporting date. Regarding the liabilities with variable interest rate, the following analysis is on the basis of the assumption that the amount of liabilities outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increase or decrease by 1% when key management report internally, which also represents management of the Company's assessment on the reasonably possible interval of interest rate change.

If the interest rate has increased or decreased by 1% with other variable held constant, the net profit before tax would have increased or decrease by \$14,240 thousand and \$14,691 thousand for the years ended December 31, 2017 and 2016, respectively, which would be mainly resulted from the Company's borrowing with variable interest rate.

c. Other price risk

The Company is exposed to equity price risk because of the listed equity securities and investments on beneficiary certificates held. The Company manages its price risk by holding different investment portfolios.

Sensitivity analysis

The following sensitivity analysis is based on price risk exposure on the equity securities and investments on beneficiary certificates on reporting date.

If the prices of these equity securities and beneficiary certificates had increased or decreased by 10%, the net profit before tax would have increased or decrease by \$913 thousand and \$27,630 thousand for the years ended December 31, 2017 and 2016 respectively, as a result of change in fair value of investment held by the Company.

(B) Credit risk

Credit risk refers to the risk of financial loss to the Company arising from default by counterparties on the contract obligations. As of December 31, 2017 and 2016, the main credit risk of financial loss to the Company arising from default by counterparties on the contract obligations are the carrying amount of financial assets recognized on the Company's balance sheet.

The Company's accounts receivable mainly comprise receipts from customers on sales of properties under construction. The Company's management assessed these accounts receivable had no significant credit risk.

The Company does not have any collateral or other credit enhancement to avoid the credit risk on financial assets.

The Company has allowance for doubtful accounts provided for the estimated loss occurred on notes receivable, accounts receivable and other receivables. Allowance for doubtful accounts mainly comprised the part of specific losses on individual with significant risk exposure and the combination of losses on related group of financial assets that have been established but not yet identified. The combination of losses on allowance for doubtful accounts is determined by similar financial assets payment history.

(C) Liquidity risk

Liquidity risk refers to risk when the Company is unable to settle its financial liabilities by cash or other financial assets and failure to fulfill obligations associated with existing operations.

The Company manages its liquidity risk by maintaining adequate cash and cash equivalents in order to cope and mitigate the effects of the Company's operating cash flow fluctuations. The Company's management oversight banking facilities usage and ensure the terms of the loan agreement are followed.

Bank borrowings are the important source of liquidity to the Company. As of December 31, 2017 and 2016, the total banking facilities that have not yet utilized by the Company were \$537,943 thousand and \$651,625 thousand respectively.

Table of liquidity and interest rate risk

The table below analyses the Company's non-derivative financial liabilities based on remaining period to the contractual maturity date during the agreed repayment period and in accordance to the possible earliest required date of repayment. The financial liabilities in below table are prepared by undiscounted cash flows.

	December 31, 2017				
	Less than 1 year	Between 1 and 3 year	Between 3 and 5 years	Over 5 years	Total of undiscounted cash flows
<u>Non-derivative</u>					
<u>financial liabilities</u>					
Short-term borrowings	\$ 514,631	\$ -	\$ -	\$ -	\$ 514,631
Short-term notes and bills payable	400,000	-	-	-	400,000
Notes payable	1,282	-	-	-	1,282
Accounts payable	59,705	-	-	-	59,705
Other payables	9,711	-	-	-	9,711
Long-term borrowings (including current portion)	10,773	532,598	-	-	543,371
Guarantee deposits received	-	155	-	9,150	9,305
	<u>\$ 996,102</u>	<u>\$ 532,753</u>	<u>\$ -</u>	<u>\$ 9,150</u>	<u>\$ 1,538,005</u>

	December 31, 2016				
	Less than 1 year	Between 1 and 3 year	Between 3 and 5 years	Over 5 years	Total of undiscounted cash flows
<u>Non-derivative</u>					
<u>financial liabilities</u>					
Short-term borrowings	\$ 965,097	\$ -	\$ -	\$ -	\$ 965,097
Notes payable	11,968	-	-	-	11,968
Accounts payable	223,859	-	-	-	223,859
Other payables	30,560	-	-	-	30,560
Long-term borrowings (including current portion)	10,876	21,751	513,775	-	546,402
Guarantee deposits received	50	-	-	9,150	9,200
	<u>\$ 1,242,410</u>	<u>\$ 21,751</u>	<u>\$ 513,775</u>	<u>\$ 9,150</u>	<u>\$ 1,787,086</u>

The Company does not have callable bank borrowing that requires repayment on demand.

The amounts of above non-derivative financial assets and liabilities instruments with floating interest rate will be changed when the estimated rate become different at the end of reporting period.

(3) *Fair value information*

A. Details of the fair value of the Company's financial assets and financial liabilities not measured at fair value are provided in Note 12(2)A.

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

Level 1: Publicly 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 the goods in the market are in same nature and the price information is readily available in the public market for both buyers and sellers. The fair values of the Company's investments in publicly listed securities are included in Level 1.

Level 2: Inputs other than the observable publicly quoted prices included within Level 1 for assets and liabilities, either directly (such as price) or indirectly (such as derived from the price).

Level 3: Unobservable inputs for the asset or liability.

- C. 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 December 31, 2017 and 2016 is as follows:

December 31, 2017				
	Level 1	Level 2	Level 3	Total
Assets:				
<u>Recurring fair value</u>				
Financial assets at fair value				
through profit or loss				
Listed stocks	\$ -	\$ -	\$ -	\$ -
Beneficiary certificates	9,126	-	-	9,126
	<u>\$ 9,126</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,126</u>

December 31, 2016				
	Level 1	Level 2	Level 3	Total
Assets:				
<u>Recurring fair value</u>				
Financial assets at fair value				
through profit or loss				
Listed stocks	\$ 27,833	\$ -	\$ -	\$ 27,833
Beneficiary certificates	248,467	-	-	248,467
	<u>\$ 276,300</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 276,300</u>

- D. The methods of assumptions of the Company used to measure fair value are as follows:

The Company applied market quoted prices and net value as their inputs of fair value for its domestic listed stock (that is Level 1).

- E. There is no transfer between first and second level measured at fair value in 2017 and 2016.

### 13. Supplementary disclosures

(1) *Significant transactions information:*

No.	Items	Footnote
1	Loans to others	None
2	Provision of endorsements and guarantees to others	Table 1
3	Holding of marketable securities at the end of the period	Table 2
4	Purchase or sale of the same security with the accumulated cost exceeding \$300 million or 20% of paid-in capital or more	None
5	Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more	None
6	Disposal of real estate reaching \$300 million or 20% of paid-in capital or more	None
7	Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more	None
8	Receivables from related parties reaching \$100 million or 20% of paid-in capital or more	None
9	Derivative financial instruments undertaken	None

(2) *Information on investments: Table 3*

(3) *Information on investments in Mainland China: None*

Table 1

Provision of endorsements and guarantees to others:

(Expressed in Thousands of New Taiwan Dollars)

No.	Endorser/ guarantor	Party being endorsed/guaranteed		Limit on endorsements/ guarantees provided for a single party (Note 2)	Maximum outstanding endorsement/ guarantee amount during the year ended December 31, 2017	Outstanding endorsement/ guarantee amount at the year ended December 31, 2017	Actual amount drawn down	Amount of endorsement/ guarantees secured with collateral	Ratio of accumulated endorsement / guarantee amount to the net worth of the endorser/ company	Maximum amount of endorsements/ guarantees	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements /guarantees by subsidiary to parent company	Provision of endorsements /guarantees to the party in Mainland China
		Company	Relationship with the endorser/ guarantor (Note 1)										
0	The Company	Huachien	2	\$ 641,694	\$ 450,000	\$ -	\$ -	\$ -	0%	\$ 1,604,235	Y	N	N

Note 1: There are six kinds of relationships between the endorser/guarantor and the party being endorsed/guaranteed:

- (1) Trading partner.
- (2) Majority owned subsidiary.
- (3) The Company and the subsidiary own over 50% ownership of the investee company.
- (4) A subsidiary jointly owned by the Company and the Company's directly-owned subsidiary.
- (5) Guaranteed by the Company according to the construction contract.
- (6) An investee company which is endorsed/guaranteed by the shareholders in accordance with their shareholding proportion since the joint investment.

Note 2: The limit on and maximum amount of the endorsement/guarantees provided by the Company to any individual entity shall not exceed twenty percent (20%) and fifty percent (50%) of the net worth of the Company's latest financial statements, respectively.

Table 2

Marketable securities held by the Company as of December 31, 2017 (excluding investment in subsidiaries, associates and joint ventures) (Expressed in Thousands of New Taiwan Dollars)

Securities held by	Type or investment		Relationship with the securities issuer	General ledger account	December 31,				Footnote	
	Type	Name			Number of shares/units (in thousands)	Book value (Note 2)	Ownership (%)	Fair value (Note 1)	Number of collateral share provided (in thousands)	Collateral amounts
The Company	Stock	Emphasis Materials, Inc.	None	Financial assets carried at cost - non-current	300	\$ -	2	\$ -	-	\$ -
The Company	Stock	New Castle Investment Development Corp.	None	Financial assets carried at cost - non-current	0.6	6,101	12	-	-	-
The Company	Stock	Znyx Network Co. Pref D	None	Financial assets carried at cost - non-current	51	-	-	-	-	-
The Company	Stock	Znyx Network Co. Pref E	None	Financial assets carried at cost - non-current	45	-	-	-	-	-
The Company	Stock	Znyx Network Co. Pref F	None	Financial assets carried at cost - non-current	26	-	-	-	-	-
The Company	Fund	Franklin Templeton SinoAm Global Healthcare Fund - TWD	None	Financial assets at fair value through profit or loss	700	7,112	-	7,112	-	-
The Company	Fund	Nomura Asia Pacific Multi - Asset Income Fund - TWD	None	Financial assets at fair value through profit or loss	200	2,014	-	2,014	-	-

Note 1: (1) Fair value with open market is based on closing market price at December 31, 2017. Fair value of open-ended fund is based on the net assets value at December 31, 2017.

(2) Fair value with no open market price is based on the net assets value per share.

Note 2: Showing at carrying amounts with adjustments for fair value and deducted accumulated impairment loss.

Table 2-1

Marketable securities held by Huachien as of December 31, 2017 (excluding investment in subsidiaries, associates and joint ventures) (Expressed in Thousands of New Taiwan Dollars)

Securities held by	Type	Name	Relationship the securities issuer	General ledger account	December 31,				Footnote	
					Number of shares/units (in thousands)	Book value (Note 2)	Ownership (%)	Fair value (Note 1)	Number of collateral share provided (in thousands)	Collateral amounts
Huachien	Stock	The Company	Parent	Available-for-sale financial assets - non-current	2,677	\$ 40,685	0.99	\$ 40,685	-	\$ -
Huachien	Stock	The Second Credit Corporative of Keelung	None	Financial assets carried at cost - non-current	0.1	10	-	-	-	-

Note 1: (1) Fair value with open market is based on closing market price at December 31, 2017. Fair value of open-ended fund is based on the net assets value at December 31, 2017.

(2) Fair value with no open market price is based on the net assets value per share.

Note 2: Showing at carrying amounts with adjustments for fair value and deducted accumulated impairment loss.

Table 2-2

Marketable securities held by Dahyong as of December 31, 2017 (excluding investment in subsidiaries, associates and joint ventures): (Expressed in Thousands of New Taiwan Dollars)

Securities held by	Type	Name	Relationship the securities issuer	General ledger account	December 31,				Footnote	
					Number of shares/units (in thousands)	Book value (Note 2)	Ownership (%)	Fair value (Note 1)	Number of collateral share provided (in thousands)	Collateral amounts
Dahyong	Stock	Hua Vii Venture Capital Corporation	None	Financial assets carried at cost - non-current	158	\$ 1,579	1.58	\$ -	-	\$ -
Dahyong	Stock	Znyx Network Co, Pref E	None	Financial assets carried at cost - non-current	4	-	-	-	-	-
Dahyong	Stock	Znyx Network Co, Pref F	None	Financial assets carried at cost - non-current	3	-	-	-	-	-

Note 1: (1) Fair value with open market is based on closing market price at December 31, 2017. Fair value of open-ended fund is based on the net assets value at December 31, 2017.

(2) Fair value with no open market price is based on the net assets value per share.

Note 2: Showing at carrying amounts with adjustments for fair value and deducted accumulated impairment loss.

Table 3 Information on investments

Information on investments in which the Company exercise significant influence: (Expressed in Thousands of New Taiwan Dollars)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2017			Net profit (loss) of the investee for the year ended December 31, 2017	Investment income (loss) recognized for the year ended December 31, 2017	Footnote
				Balance as at December 31, 2017	Balance as at December 31, 2016	Number of shares (in thousands)	Ownership (%)	Book value			
The Company	Dahyong	16F, No. 460, sec. 5, Chenggong Rd., Neihu Dist, Taipei City 11490	Residential and building development, sale and rental business and wholesale of building material	\$ 171,054	\$ 171,054	3,869	99	\$ 39,548	\$ 3,693	\$ 3,656	-
The Company	Huachien	16F, No. 460, sec. 5, Chenggong Rd., Neihu Dist, Taipei City 11490	Residential and building development, sale and rental business	704,993	704,993	18,208	58	351,202	( 19,756)	( 11,530)	-

#### **14. Segment information**

Please refer the consolidated financial statements of Delpha Construction Co., Ltd. for the year ended December 31, 2017.

**Delpha Construction Co., Ltd.**  
**Statement of cash and cash equivalents**

December 31, 2017

(Expressed in Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Cash			
Petty cash		\$ 150	
Cash in banks			
Checking accounts and demand deposits		29	
Demand deposits		87,900	
Foreign currency deposits (Note 1)		170,630	
		<u>258,559</u>	
Total		<u>\$ 258,709</u>	

Note 1: Foreign currency deposits

US\$	4,293 thousand
CNY	170 thousand
HK\$	11,056 thousand

**Statement of notes receivable**

December 31, 2017

(Expressed in Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Notes receivable - non-related parties			
Customer A		\$ 4,073	
Customer B		52	
Customer C		90	
		<u>4,215</u>	
Less: allowance for doubtful accounts		-	
Total		<u>\$ 4,215</u>	

**Delpha Construction Co., Ltd.**  
**Statement of other receivables**

December 31, 2017

(Expressed in Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Other receivables - non-related parties			
Other receivables		\$ 44,312	
Accrued revenue	Interest receivable	87	
		<u>44,399</u>	
Less: allowance for doubtful accounts		( 16,245 )	
Total		<u>\$ 28,154</u>	

**Statement of financial assets at fair value through profit or loss**

December 31, 2017

(Expressed in Thousands of New Taiwan Dollars)

Name of financial products	Numbers of share/units (in thousands)	Par value	Total	Acquisition costs	Fair value	
					Unit price (in dollars)	Total
<u>Fund</u>						
Franklin Templeton SinoAm Global Healthcare Fund - TWD	700	\$ 10	\$ 7,000	\$ 7,020	\$ 10.1600	\$ 7,112
Nomura Asia Pacific Multi - Asset Income Fund - TWD	200	10	2,000	2,018	10.0703	2,014
Total				<u>\$ 9,038</u>		<u>\$ 9,126</u>

## Delpha Construction Co., Ltd.

### Statement of inventories

December 31, 2017

(Expressed in Thousands of New Taiwan Dollars)

Item	Case	Cost	Net realizable value	Valuation allowance	Note
Land for sale and building for sale	Li Hsiang Jia A	\$ 1,762	\$ -	( \$ 1,762 )	
	Sheng Huo Jia A	6,532	7,524	-	
	Ya Dian Wang chao A	456	-	( 456 )	
	Ya Dian Wang chao B	1,722	-	( 1,722 )	
	Hang sha	8,314	10,158	-	
	Shi Tan Duan A	979,954	1,086,764	-	
	Shi Tan Duan B	144,999	160,108	-	
	Subtotal	<u>1,143,739</u>	<u>1,264,554</u>	<u>( 3,940 )</u>	
Land held for construction and construction in progress	Shu Lin An	198,192	131,221	( 66,971 )	
	Sheug Huo Jia B	9,153	6,790	( 2,363 )	
	Hsin Dian He Feng	632,155	377,665	( 254,490 )	
	Fu De Duan B	423	804	-	
	Hsin Guang Lu B	2,217	3,711	-	
	Rong Hsing Duan	77,136	85,238	-	
	Huai Sheng Duan	1,388,116	1,356,415	( 31,701 )	
	Yun He Jie	624,549	594,618	( 29,931 )	
Subtotal	<u>2,931,941</u>	<u>2,556,462</u>	<u>( 385,456 )</u>		
Total		<u>\$ 4,075,680</u>	<u>\$ 3,821,016</u>	<u>( \$ 389,396 )</u>	

Note : For details of inventories pledged as collateral, please refer to Note 8.

**Delpha Construction Co., Ltd**  
**Statement of construction in progress**  
For the year ended December 31, 2017  
(Expressed in Thousands of New Taiwan Dollars)

Case	January 1	Construction cost	Construction expense	Capitalized interest	Transfer	December 31
Shu Lin An	\$ 85,821	\$ -	\$ -	\$ -	\$ -	\$ 85,821
Sheng Huo Jia B	1,350	-	-	-	-	1,350
Hsin Dian He						
Feng	148,391	-	-	-	-	148,391
Hsi Song Duan	4,247	-	-	-	( 4,247 )	-
Rong Hsing						
Duan	2,855	-	841	-	-	3,696
Huai Sheng						
Duan	5,955	-	-	-	-	5,955
Yun He Jie	-	-	1,383	-	-	1,383
<b>Total</b>	<b>\$ 248,619</b>	<b>\$ -</b>	<b>\$ 2,224</b>	<b>\$ -</b>	<b>( \$ 4,247 )</b>	<b>\$ 246,596</b>

**Statement of prepayments**  
December 31, 2017  
(Expressed in Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Prepayment			
Prepayment for purchases		\$ 73,915	
Prepaid other expenses		9,522	
Remaining tax credit		14,888	
Other advances		1,430	
<b>Total</b>		<b>\$ 99,755</b>	

Please refer to Note 6 (7) for details of other financial assets – current.

**Delpha Construction Co., Ltd.**  
**Statement of financial assets carried at cost - non-current**

For the year ended December 31, 2017  
(Expressed in Thousands of New Taiwan Dollars)

Company	Balance, January 1		Increase		Decrease		Type	Balance, December 31		Collateral
	Shares (in thousands)	Amount	Shares (in thousands)	Amount	Shares (in thousands)	Amount		Shares (in thousands)	Amount	
Emphasis Materials, Inc.	300	\$ 3,363	-	\$ -	-	\$ -	Common stock	300	\$ 3,363	None
Core Pacific Venture Capital Corp.	506	4,434	-	-	( 506 )	( 4,434 )	Common stock	-	-	None
New Castle Investment Development Corp.	USD 0.6	8,716	-	-	-	( 2,615 )	Common stock	0.6	6,101	None
Znyx Network Co. Pref D	51	155	-	-	-	-	Preferred stock	51	155	None
Znyx Network Co. Pref E	45	413	-	-	-	-	Preferred stock	45	413	None
Znyx Network Co. Pref F	26	801	-	-	-	-	Preferred stock	26	801	None
Impairment	-	( 9,166 )	-	-	-	4,434		-	( 4,732 )	
<b>Total</b>		<b>\$ 8,716</b>		<b>\$ -</b>		<b>( \$ 2,615 )</b>			<b>\$ 6,101</b>	

Note: 1. The liquidation of Core Pacific Venture Capital Corp. was completed. The cost of financial assets and accumulated impairment loss of \$4,434 thousand were written off, respectively. °  
2. The Company received \$2,615 thousand after capital reserve reduction from New Castle Investment Development Corp.

**Statement of changes in investments accounted for under equity method**

For the year ended December 31, 2017  
(Expressed in Thousands of New Taiwan Dollars)

Investees	Balance, January 1, 2017		Increase		Decrease		Investment income (loss)	Type	Balance, December 31, 2017		Net Assets value		Ownership %	Valuation method	Collateral
	Shares (in thousands)	Amount	Shares (in thousands)	Amount	Shares (in thousands)	Amount			Shares (in thousands)	Amount	Total amount	Unit price (NT\$)			
Dahyoung	3,869	\$ 35,892	-	\$ -	-	\$ -	\$ 3,656	Common stock	3,869	\$ 39,548	\$ 39,948	\$ 10.22	99%	Equity method	None
Huachien	18,208	362,732	-	-	-	-	( 11,530 )	Common stock	18,208	351,202	641,520	20.56	58%	Equity method	None
<b>Total</b>		<b>\$ 398,624</b>		<b>\$ -</b>		<b>\$ -</b>	<b>( \$ 7,874 )</b>			<b>\$ 390,750</b>					

**Delpha Construction Co., Ltd.**  
**Statement of other non-current assets**

December 31, 2017

(Expressed in Thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Refundable deposits	Security deposits of car rental	\$ 2,950	
	Security deposits on cooperation case at Long Quan Duan	9,600	
	Other	740	1
Total		<u>\$ 13,290</u>	
Other assets - other	Three pieces of artwork	<u>\$ 1,730</u>	

Note 1: No item included in "Other" exceeded 5 % of the total balance.

For details of property, plant and equipment, please refer to Note 6(9).

For details of accumulated depreciation and impairment loss of property, plant and equipment, please refer to Note 6 (9).

**Delpha Construction Co., Ltd.**  
**Statement of short-term borrowings**

December 31, 2017

(Expressed in Thousands of New Taiwan Dollars)

Bonds name	Purposes	Amount	Contract period	Rate	Total amount	Footnote
Jih Sun International						
Commercial Bank - Xin Dian Branch	Mortgage	\$ 197,957	2017.09.18-2018.04.13	1.700%	\$ 242,000	1
The Second Credit Cooperative of Keelung - Operating Department						
	Mortgage	168,100	2017.04.14-2018.04.14	1.900%	172,000	1
Shin Kong Bank - Hsin Hu Branch						
	Mortgage	25,000	2017.11.02-2018.05.02	2.000%	70,000	1
		20,000	2017.12.11-2018.06.11			
The Shanghai commercial & Savings Bank - Jen Ai Branch						
	Mortgage	100,000	2017.10.30-2018.10.30	1.680%	100,000	1
Taichung Bank - Nei Hu Branch						
	Mortgage	-	-	-	100,000	1
Total		<u>\$ 511,057</u>			<u>\$ 684,000</u>	

Note 1: For details of pledged of assets, please refer to Note 8.

**Delpha Construction Co., Ltd.**  
**Statement of short-term notes and bills payable**

December 31, 2017

(Expressed in Thousands of New Taiwan Dollars)

Acceptance agencies	Contract period	Interest rates range	Issued amounts	Unamortized discount for notes payable	Book value	Note
Dah Chung Bills Finance Corp.	2017.12.06 ~ 2018.01.08	0.48%	\$ 400,000	\$ 37	\$ 399,963	For details of pledged of assets, please refer to Note 8.

**Delpha Construction Co., Ltd.**  
**Statement of notes payable**  
December 31, 2017  
(Expressed in Thousands of New Taiwan Dollars)

Customer	Description	Amount	Note
Non-related parties:			
Home Deluxe Enterprise Co., Ltd.		\$ 1,282	

**Statement of accounts payable**  
December 31, 2017  
(Expressed in Thousands of New Taiwan Dollars)

Customer	Description	Amount	Note
Non-related parties:			
Hou-Hin Engineering Corp.		\$ 36,035	
Home Deluxe Enterprise Co., Ltd.		11,567	
Other		12,103	1
Total		\$ 59,705	

Note 1: No item included in "Other" exceeded 5 % of the total balance.

**Statement of other payable**  
December 31, 2017  
(Expressed in Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Accrued expenses	Salary and wages payable	\$ 2,531	
	Year-end bonus payable	4,968	
	Interest payable	535	
	Services fee payable	800	
	Other	877	1
Total		\$ 9,711	

Note 1: No item included in "Other" exceeded 5 % of the total balance.

For details of provision for liabilities - current, please refer to Note 6(17).

For details of advances from customers, please refer to Note 6(14).

**Delpha Construction Co., Ltd.**  
**Statement of other current liabilities - other**  
December 31, 2017  
(Expressed in Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Other current liabilities - other	Receipts under custody	\$ 566	

For details of long-term borrowing, please refer to Note 6(15).

**Statement of non-current liabilities**  
December 31, 2017  
(Expressed in Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Net defined benefit liabilities		\$ 17,053	
Guarantee deposits received	Rental deposits	9,305	
Total		<u>\$ 26,358</u>	

**Statement of net revenue**  
For the year ended December 31, 2017  
(Expressed in Thousands of New Taiwan Dollars)

Item	Number of ping	Amount	Note
Sales for land:			
Hsin Yi B		\$ 4,008	
Shi Tan Duan B		39,793	
Sales for building:			
Hsin Yi B	42.93	2,441	
Shi Tan Duan B	89.55	15,435	
Rental:			
Hang Sha		91	
Rong Hsing Duan		206	
Ou Zhou Yue Du		163	
Shu Lin An		34	
Huai Sheng Duan		590	
Total		<u>\$ 62,761</u>	

**Delpha Construction Co., Ltd**  
**Statement of cost of revenue**

For the year ended December 31, 2017

(Expressed in Thousands of New Taiwan Dollars)

Item	Amount
Construction in progress, January 1	\$ 248,619
Add: Addition during the year	2,224
Less: other	( 4,247 )
Construction in progress, December 31	( 246,596 )
Cost of construction	-
Building for sales, January 1	386,830
Add: cost of renovation work	5,105
Building for sales, December 31	( 368,281 )
Operation cost for building	23,654
Land held for construction, January 1	2,671,785
Add: Addition during the year	13,560
Land held for construction, December 31	( 2,685,345 )
Land for sales, January 1	807,807
Add: Prepaid land value increment tax	2,886
Less: Land increment tax	( 1,006 )
Land for sales, December 31	( 775,458 )
Operating cost for land	34,169
Other operating cost	-
Total	\$ 57,823

**Delpha Construction Co., Ltd**  
**Statement of selling expenses**

For the year ended December 31, 2017

(Expressed in Thousands of New Taiwan Dollars)

Item	Amount	Note
Salary	\$ 4,410	
Advertising	3,222	
Other	281	1
<b>Total</b>	<b>\$ 7,913</b>	

Note 1: No item included in "Other" exceeded 5 % of the total balance.

**Statement of general & administrative expenses**

For the Year Ended December 31, 2017

(Expressed in Thousands of New Taiwan Dollars)

Item	Amount	Note
Salary	\$ 36,834	
Pension	19,266	
Taxes	8,414	
Miscellaneous	6,958	
Other	24,793	1
<b>Total</b>	<b>\$ 96,265</b>	

Note 1: No item included in "Other" exceeded 5 % of the total balance.

For details of other income, please refer to Note 6(22).

For details of other gains and losses, please refer to Note 6(23).

For details of financial costs, please refer to Note 6(26).

**Delpha Construction Co., Ltd.**  
**Statement of labor, depreciation and amortization by function**

For the year ended December 31, 2017  
(Expressed in Thousands of New Taiwan Dollars)

Classification Nature	For the years ended December 31,					
	2017			2016		
	Classified as cost of revenue	Classified as operating expenses	Total	Classified as cost of revenue	Classified as operating expenses	Total
Labor cost						
Salary and bonus	\$ -	\$ 41,164	\$ 41,164	\$ -	\$ 60,020	\$ 60,020
Labor and health insurance	-	3,067	3,067	-	3,161	3,161
Pension	-	19,266	19,266	-	5,845	5,845
Others	-	1,419	1,419	-	1,576	1,576
Depreciation	-	2,628	2,628	-	3,213	3,213

For the years ended December 31, 2017 and 2016, the number of employees of the Company was 40 and 35 respectively.