2018 ANNUAL REPORT

HONG PU REAL ESTATE DEVELOPMENT

TSE：2536

宏普建設股份有限公司

股票代號：2536

一〇七年度年報

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Name: Chun-Wei Chuang, Chin-Sun Wang
Address: 68F., No.7, Sec. 5, Xinyi Rd., Xinyi District, Taipei City 11049, Taiwan (R.O.C.)
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Overseas Securities Exchange : None

The company interested party service line
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Notice to readers

This English version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English version and Chinese version, the Chinese version shall prevail.

Contents

2018 Business Report

Dear Shareholders,

Looking back to 2018, Although the United States and China engaged trade war and Fed raised interest rate and planed to unwind its balance sheet. However, the central government no further introduced control policies on housing market and new president of the central bank continued to maintain monetary policy stability. The mainstream of the real estate market still focused on rigid demand such as first purchase and first change.

A. Operating Performance in 2018

1. Achievement of operating plan

   We have achieved 2018 revenue of NT$3,918,005K, more than NT$2,685,328K in 2017, and have achieved 2018 earnings before tax of NT$520,842K, less than NT$891,723K in 2017.
   Because only two presale projects, “Hong Pu Park” and “Leisurely Days” were booked revenues, in addition, some delivered units of “Economy and Trade”, “WenDe”, “AMAX”, “Paris Mansion”, “Hong Pu New Star”, “Light Year-the World” and “Light Year-the One” were booked in revenues. Therefore, operating income and costs increased in 2018.

2. Budget implementation

   Our company is not required to file a financial forecast for fiscal year 2018 and 2017.

3. Financial revenue and expenditure

   Financial expenditures include capitalized interest expense NT$73,968K in 2018, and NT$88,664K in 2017. It decreased NT$14,696K than previous year, because of cash inflows form sales and delivery of “Hong Pu Park”, “Leisurely Days”, “Economy and Trade”, “WenDe”, “AMAX”, “Paris Mansion”, “Hong Pu New Star”, “Light Year-the World” and “Light Year-the One” and repayment of bank loans. Therefore, interest expenses decreased in 2018.

4. Profitability analysis

Item		Year 2018	Year 2017
ROA (%)		2.78	4.60
ROE (%)		3.81	6.72
As a % of paid in capital	Op. income	12.99	21.34
	Pretax profit	15.64	26.79
Net margin (%)		11.35	29.14
EPS (NT$)	Diluted earnings per share	1.34	2.35
	Adjusted diluted earnings per share	-	2.35

   Our analysis is derived from the above figures:
   Because only two presale projects, “Hong Pu Park” and “Leisurely Days” were booked revenues with lower margin, in addition, some delivered units of “AMAX”, “Paris Mansion”, “Economy and Trade”, “WenDe”, “Hong Pu New Star”, “Light Year-the World” and “Light Year-the One” were booked in revenues. Although, operating revenue increased, margin decreased in 2018.

5. Research and development status

   (1) Constructions planning and design: In order to design better projects, the location and the corresponding environment must be appealing. In addition, we must evaluate and balance our customer needs against the construction laws set by the government to ensure that the project will be satisfactory to both parties upon completion. In order to do so, we will be incorporating computerized simulation and planning software.

(2) Construction and management: Our construction department strives to study various technologies and building materials to improve efficiency and bring down construction costs.

(3) Market research: To truly understand the property market, our marketing department studies land and property market data from various areas regularly and uses the analyzed data as a basis for positioning new projects and marketing strategies.

B. Business plan in 2019

Looking forward to FY18, the Fed has slowed down to hike interest rate and ECB has also suspended to raise interest rate. Global economy has not further tightened monetary policies. Under the circumstance of quantitative easing, interest rate seems to be stable in Taiwan. Government continues to implement infrastructure construction to drive investment and guides Taiwanese businessmen to repatriate funds and stimulates domestic consumption and economic growth momentum. “TaChih” and “Central Park” and “ChangAn” will depend on market situation to adjust the strategy of sale or launched date.

Completion projects “World Trade Plaza” will be available for sale. In addition, “Leisurely Days”, “Economy and Trade”, “AMAX”, “Hong Pu New Star”, “Paris Mansion”, “WenDe”, “Light Year-the One” and “Hong Pu Park” will be booked revenues in 2019. We expect revenues and profits will be stable this year.

We have our 2019 operation schedule below:

1. Business objectives

(1) Accelerate land-bank development and continue to acquire quality land bank.

(2) Position our projects within proper niches.

(3) Maintain strong construction quality and good cost management.

(4) Sustain sound financial planning and financing strategy.

(5) Develop assets generate long-term rental income.

2. Sales forecast and sales policy

We are planning to sell projects, “World Trade Plaza”, “Hong Pu Park”, “Leisurely Days”, “Economy and Trade”, “WenDe”, “AMAX”, “Paris Mansion”, “Hong Pu New Star” and “Light Year-the One” in 2019.

3. Construction and marketing strategies

(1) Construction

◆ Focus on Taipei city and New Taipei City.

◆ Focus on residential property and office building.

(2) Marketing

◆ Design projects based on targeted customer’s demand and consumption power.

◆ Base our marketing strategy on project plans and Taipei city development to maintain profitability.

C. Future developing strategies and effects of external competition, legal and macroeconomic environment:

1. Hong Pu is major in Taipei City and New Taipei City, as well as some potential areas outside greater Taipei. We prefer to choose convenient transportation and life function land-piece to developing selfowned, joint venture or renewal projects. Beside residential buildings, we will put efforts on rent or sale of commercial

office buildings.

2. Property development is not only high capital density, but also professional skills of land acquiring and product positioning and project planning. We have competitive strength of market research, quality control and solid financial situation to build up brand name.

3. Under circumstance of low level of interest rate and our healthy financial structure, we plan to develop long-term income properties and adjust business strategies.

4. High sales price projects market is slow, fundamental and middle sales price projects become main stream.

All of our management team will endeavor to accomplish the goals set for the year. Thank you for your continued support and encouragement.

Yours sincerely,

Chairman：J.H.Tuan

Manager： J.H.Tuan

Manager of accounting dept：P.S.Liu

II.Company Profile

A. Date of Incorporation：October 5,1988

B. Company History

- In October1988, Hong-pu was incorporated and with a capital of NT$35 million.
- In May 1990, a capital increased to the amount of NT$193.88 million, and reorganized as a company limited by shares. In the end of the year, apply to the authority in charge of securities for an approval of public issuance of its shares.
- In March 1991, approved for public company by Securities and Futures Commission, Ministry of Finance. In Dec., for purchasing the land held for construction, a capital increased to the amount of NT$600 million.
- In December 1992, in order to refund the loans, and reduce the finance stress, a capital increased to the amount of NT$800 million.
- In February 1993, called a special shareholders' meeting, and had a resolution that the order of seatings in board of directors from 3 to 5. In April.
- In December 1994, a capital increased to the amount of NT$960 million.
- In June 1995, a capital increased to the amount of NT$1.104 billion.
- In March 1996, Hong-pu was listed in stock market. In June, in order to refund the loans, and reduce the finance stress, a capital increased to the amount of NT$1.5696 billion.
- In August 1997, a capital increased to the amount of NT$2.305 billion.
- In July 1998, a capital increased to the amount of NT$2.885 billion.
- In September 1998, required for establishment of a subsidiary「Hung-Yuan Investment Limited Company」 to proceed investment and manage finance. In2000, reorganized as a company limited by shares.
- In June 1999, a capital increased to the amount of NT$2.97155 billion.
- In August 2000, a capital increased to the amount of NT$3.17956 billion.
- In February 2003, a capital decreased to the amount of NT$3.13662 billion.
- In July 2004, Hong-pu merged Hong-Yuan Investment Co., Ltd. Hong-pu is the surviving company, NT$309.21 billion capital held by Hong-Yuan was canceled. A capital decreased to the amount of NT$282,741billion.
- In October 2007, a capital increased to the amount of NT$2.86268 billion.
- In September 2008, a capital increased to the amount of NT$2.89931 billion
- In August 2011, a capital increased to the amount of NT$3.19135billion
- In June 2013, a capital increased to the amount of NT$3.19467billion
- In January 2014, a capital increased to the amount of NT$3.19951billion
- In June 2014, a capital increased to the amount of NT$3.32809billion

C. Mergers and Acquisitions：None

D. Invested affiliates：None

E. Restructuring：None

F. The equity transfers of directors, supervisors or the shareholders with a stake of 10% or more：None

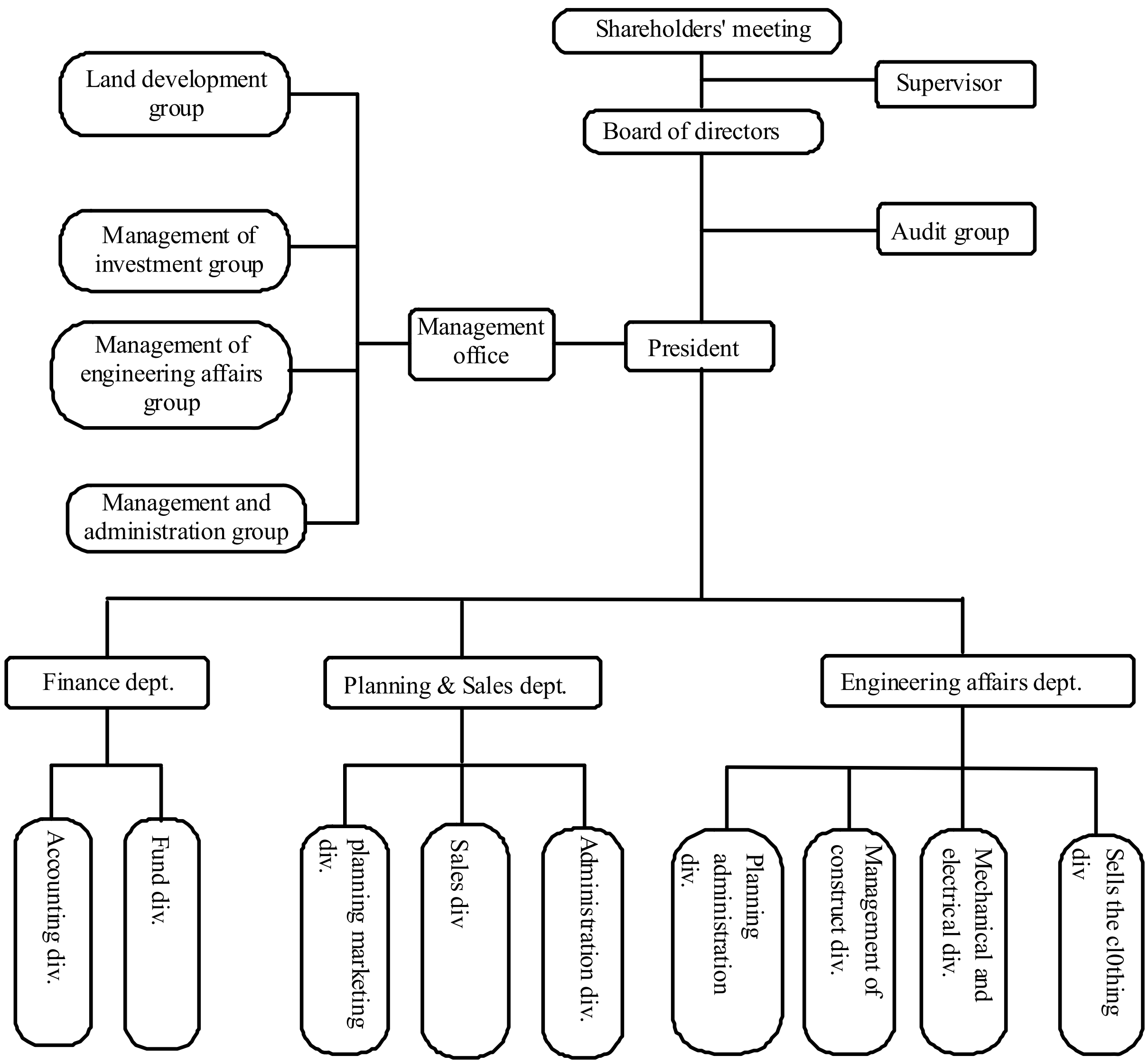
G. Change of management：None

H. Major changes of the operation style or business or other affairs, which might have an impact on the rights and interests of the shareholders:

We set up a leasing cooperation with Mitsui Fudosan Group on the hotel project "ZhongXiao" in January 2017. Lease contract was signed in June 2017 and the lease period is 20 years after delivery of the project.

III Company Governance Report

A. Organization chart



B. Directors, Supervisors and Management Team

a. Directors and Supervisors

Information on the company's directors and supervisors (a)

April 16, 2019

Unit：thousands of NT dollars

Title (Note1)	Nationality or place of Incorporation	Name	Gender	Assumed date	Term	Assumed date at first time (Note2)	Shares held in assumed date		Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience （Education） (Note3)	Additional occupation or position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Director	Taiwan	J.H.Tuan	male	20160603	3	1998.4.28 Note4	11,119	0.0033%	11,119	0.0033%	-	-	-	-	President of San-Poo Real Estate Development Co., Ltd. John Kennedy university National Chengchi University	President of the company Chairman, Hong Pu Social Welfare and Charity Foundation	None	None	None
Director		Hua-Zhan Investment Co., Ltd		20160603	3	1998.4.28	53,694,745	16.1338%	56,468,745	16.96%	-	-	-	-	-	None	None	None	None
Director Representative	Taiwan	S.L Shen	female	-	-	-	-	-	-	-	-	-	-	-	I-Lan Commercial Vocational School	Manager, Hong Pu Real Estate Development Co., Ltd Director, Hong Pu Social Welfare and Charity Foundation	None	None	None
Director		Fu-Da Investment Co., Ltd.		20160603	3	1998.4.28	49,896,040	14.9924%	49,905,040	14.99%	-	-	-	-	-	None	None	None	None
Director Representative	Taiwan	W. L. You	male	-	-	-	-	-	-	-	-	-	-	-	Project Manager, Huang-Hsiang Construction Co., Ltd. EMBA, National Taiwan University of Science and Technology	Vice President, Hong Pu Real Estate Development Co., Ltd Director, Hong Pu Social Welfare and Charity Foundation	None	None	None
Independent Director	Taiwan	B.S LI	female	20160603	-	-	-	-	-	-	-	-	-	-	VP, PwC Taiwan AVP, Ernst & Young Master Program, National Taiwan University Professional Education and Continuing Study in Business Administration, National Taiwan University、Professional Master's Program in Business Administration, National Taiwan University	Chairman, SHK Consulting Co., Ltd Member of Remuneration Committee, Hong Pu Real Estate Development Co., Ltd and Hsin-Li Chemical Industrial Corp. Member of Remuneration Committee, Financial Advisor, TCI Co., Ltd Supervisor, SBI Group Supervisor, Aquagen-Life Supervisor, Yong Jiang Investment Co., Ltd Supervisor, Taiwan Sunshine Bless Association	None	None	None
Independent Director	Taiwan	J.R Wu	female	20160603	-	-	-	-	-	-	-	-	-	-	Member of Committee, ROCCPA Taipei CPA, ROC Deputy Manager, Ernst & Young Partner, CKH & W CPA Office BA, Tunghai University	Chairman, Yun Ting Financial Management Consulting Ltd. Partner, Yu Jin CPA Office Hong Pu Real Estate Development Co., Ltd Member of Remuneration Committee	None	None	None
Director		Hua-Yi Investment Co., Ltd.		20160603	3	2013.06.19	1,678,990	0.5045%	1,678,990	0.5045%	-	-	-	-	-	None	None	None	None
Supervisor Representative	Taiwan	B. Z. Sun	male	-	-	-	-	-	-	-	-	-	-	-	Chien Kuo construction CO.,Ltd. Development B.U. CEO National Chengchi University	Chien Kuo construction co., Ltd. Director	None	None	None
Supervisor	Taiwan	W.H.Huang	male	20160603	3	2004.5.18	-	0.0000%	-	0.0000%	-	-	-	-	CPA National Chengchi University	None	None	None	None

Note1: Institutional shareholder shall show names of institution and it's representative separately (the representative shall remark the institution's name) and fill in Table 1 below.
Note2: It shall show when did he/she/it assume position of director or supervisor at first time. If it is discontinuous, it shall be described in the note.
Note3: If work experience related to position now is in accounting firm or affiliated company in the period showed above, it shall show his/her title and function of position.
Noet4:2008.08.18-2010.06.25 Hua-Zhan Investment Co., Ltd Legal person representative Director

Major shareholders of the institutional shareholders

April 16,2019

Name of institutional shareholders (Note 1)	Major shareholders of the institutional shareholders (Note 2)
Hua-Zhan Investment Co., Ltd.	Yi-Li Investment Co., Ltd. (Shares held：18.79%) Sheng-Hui Investment Co., Ltd. (Shares held：18.79%) Tong-Chang Investment Co., Ltd. (Shares held：18.79%) Fu-Yi Investment Co., Ltd. (Shares held：18.79%) Fu-Ta Investment Co., Ltd. (Shares held：18.79%) Wen-Shan Investment Co., Ltd. (Shares held： 6.02%) J.H.Tuan (Shares held： 0.03%)
Fu-Ta Investment Co., Ltd.	Fu-Yi Investment Co., Ltd. (Shares held：16.05%) Sheng-Hui Investment Co., Ltd. (Shares held：16.05%) Yi-Li Investment Co., Ltd. (Shares held：16.05%) Tong-Chang Investment Co., Ltd. (Shares held：16.05%) Hua-Zhan Investment Co., Ltd. (Shares held：16.05%) Tai-Ban Investment Co., Ltd. (Shares held：19.75%)
Hua-Yi Investment Co., Ltd	Fu-Yi Investment Co., Ltd. (Shares held：19.99%) Sheng-Hui Investment Co., Ltd. (Shares held：19.99%) Yi-Li Investment Co., Ltd. (Shares held：19.99%) Tong-Chang Investment Co., Ltd. (Shares held：19.99%) Fu-Ta Investment Co., Ltd. (Shares held：19.99%) J.H.Tuan (Shares held： 0.05%)

Note1: When director or supervisor is the representative of a corporate, name of the corporate shall be showed.

Note2: Company shall show the major shareholders' (top ten) names and holding ratios of the corporate. When the major shareholder is a corporate, company shall fill the table below.

Major shareholders of the major shareholders that are juridical persons

April 16,2019

Name of juridical persons (Note 1)	Major shareholders of the juridical persons (Note 2)
Sheng-Hui Investment Co.,Ltd.	Fu-Yi Investment Co., Ltd. (Shares held：19.99%) Fu-Ta Investment Co., Ltd. (Shares held：19.99%) Tong-Chang Investment Co., Ltd. (Shares held：19.99%) Yi-Li Investment Co., Ltd. (Shares held：19.99%) Hua-Zhan Investment Co., Ltd. (Shares held：19.99%) J.H.Tuan (Shares held： 0.05%)
Yi-Li Investment Co., Ltd.	Fu-Ta Investment Co., Ltd. (Shares held：19.99%) Sheng-Hui Investment Co., Ltd. (Shares held：19.99%) Tong-Chang Investment Co., Ltd. (Shares held：19.99%) Fu-Yi Investment Co., Ltd. (Shares held：19.99%) Hua-Zhan Investment Co., Ltd. (Shares held：19.99%) J.H.Tuan (Shares held： 0.05%)
Tong-Chang Investment Co., Ltd.	Sheng-Hui Investment Co., Ltd. (Shares held：19.99%) Hua-Zhan Investment Co., Ltd. (Shares held：19.99%) Fu-Ta Investment Co., Ltd. (Shares held：19.99%) Yi-Li Investment Co., Ltd. (Shares held：19.99%) Fu-Yi Investment Co., Ltd. (Shares held：19.99%) J.H.Tuan (Shares held： 0.05%)
Fu-Yi Investment Co., Ltd.	Tong-Chang Investment Co., Ltd. (Shares held：19.99%) Yi-Li Investment Co., Ltd. (Shares held：19.99%) Hua-Zhan Investment Co., Ltd. (Shares held：19.99%) Fu-Ta Investment Co., Ltd. (Shares held：19.99%) Sheng-Hui Investment Co., Ltd. (Shares held：19.99%) J.H.Tuan (Shares held： 0.05%)
Wen-Shan Investment Co., Ltd.	P.L.Tuan (Shares held：41.03%) W.G..Tuan (Shares held：58.97%)
Tai-Ban Investment Co., Ltd.	P.L.Tuan (Shares held：50.00%) W.G..Tuan (Shares held：50.00%)

Note1:When major shareholders are juridical persons, the name of the corporate shall be showed.

Note2: Company shall show the major shareholders' (top ten) names and holding ratios of the corporate.

Information on the company's directors, supervisors (b)

Criteria / Name (Note 1)	Meet One of the Following Professional Qualification Requirements, Together with at least Five Years Work Experience			Independence Criteria (Note2)										Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialists Who Has Passed a National Examination and Been Awarded a Certificate in a profession Necessary for the Business of Company	Have Work Experience in the Area of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	
Director : J.H.Tuan	—	—	✓	—	—	✓	✓	—	✓	—	✓	✓	✓	0
Director :Hua-Zhan Investment Co., Ltd. Representative：S.L.Shen	—	—	✓	—	—	✓	✓	✓	✓	✓	✓	✓	✓	0
Director : Fu-Ta Investment Co., Ltd. Representative：W. L. You	—	—	✓	—	—	✓	✓	✓	✓	—	✓	✓	✓	0
Independent Directior：P.S.Lee	—	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Independent Directior：C.J..WU	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Hua-Yi Investment Co., Ltd. Representative：B. Z. Sun			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Supervisor :W. H. Huang	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0

Note 1：Please tick the corresponding boxes.

Note 2：Directors or Supervisors, during the two years before being elected or during the term of office, have been or be any of the following, please tick the appropriate corresponding boxes:

(1)Not an employee of the Company or any of its affiliates.

(2)Not a director or supervisor of the Company's affiliates (not to apply to setting independent directors of the Company, parent company or subsidiaries according to the Company Act or local statues).

(3)Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of issued shares of the company or ranking in the top 10 holdings.

(4)Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.

(5)Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of issued shares of the company or that holds shares ranking in the top five in holdings.

(6)Not a director, supervisor, officer, or shareholder holding 5% or more of the shares, of a specified company or institution that has a financial or business relationship with the company.

(7)Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that , provides commercial, legal, financial, accounting services or consultation to the company or to any affiliate of the company, or a spouse thereof. Performing the official power by the remuneration committee members of Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is listed on the Stock Exchange or Trade over the Counter Article 7, shall not be subject to this restriction.

(8)Not having a marital relationship, or a relative within the second degree of kinship to any other director of the company.

(9)Not been a person of any conditions defined in Article 30 of the company Law.

(10)Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

b. Management Team

April 16, 2019 (Unit: NT$ thousands)

Title	Nationality	Name	Gender	Assumed date	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience（Education）	Additional occupation or position	Managers who are Spouses or Within Two Degrees of Kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
President	Taiwan	J. H. Tuan	M	1993.02.02	11,119	0.0033%	0	0%	0	0%	President of San-Poo Real Estate Development Co., John Kennedy university National Chengchi University	Supervisor of Trade-Van Information Services Co.	None	None	None
Vice-President	Taiwan	W. L. You	M	2008.10.28	0	0%	0	0%	0	0%	Project Manager of Huang-Hsiang Construction Co., Ltd. National Taiwan University of Science and Technology	None	None	None	None
Audit Manager	Taiwan	C.H.chan	M	2017.03.23	0	0%	0	0%	0	0%	MBA in Department of Finance, National Sun Yat-sen University	None	None	None	None
Manager of finance dept.	Taiwan	P. S. Liu	F	2000.06.01	0	0%	0	0%	0	0%	Management of BDO Taiwan Union ＆Co., National Taipei University of Science and Technology Tunghai University	None	None	None	None

Note1: Include president, vice-presidents, assistant vice-presidents, and the chiefs of all the company’s divisions and branches. Despite the position, company shall show the assignments equivalent to president, vice-presidents, and assistant vice-presidents.

Note2:If work experience related to position now is in accounting firm or affiliated company in the period showed above, it shall show his/her title and function of position.

c. Payroll of Directors (Include Independent Directors), Supervisors, President And Vice President

(1)Remuneration of Directors (Include Independent Directors)

(Unit: NT$ thousands)

Title	Name(Note1)	Remuneration								Ratio of total remuneration (A+B+C+D) to net income(%) (Note 10)		Relevant remuneration received by directors who are also employees								Ratio of total compensation (A+B+C+D+E+F+G) to net income(%) (Note10)		Compensation paid to directors from an invested company other than the company's subsidiary (Note 11)
		Base Compensation(A) (Note 2)		Severance Pay(B))		Remuneration of director (C) (Note 3)		Allowance(D) (Note4)				Salary, Bonuses, and Allowances (E) (Note 5)		Severance Pay (F)		Employees' compensation (G) (Note 6)						
		The Company	Financial Report (Note7)	The Company	Financial Report (Note 7)	The Company	Financial Report (Note 7)	The Company	Financial Report (Note 7)	The Company	Financial Report (Note 7)	The Company	Financial Report (Note 7)	The Company	Financial Report (Note 7)	The Company		Financial Report (Note 7)		The Company	Financial Report (Note 7)	
																Cash Bonus	Stock Bonus	Cash Bonus	Stock Bonus			
Chairman	J. H. Tuan																					
Director	Hua-Zhan Investment Co., Ltd Representative: S,L,Shen																					
Director	FU-TA Investment Co., Ltd Representative: W..L.YOU	0	-	0	-	1,730	-	214	-	0.4371	-	5,797	-	0	-	3,688	0	-	-	2.5700	-	None
Independent Director	P.S,Lee																					
Independent Director	C.J.,WU																					

Except the table above, directors provide services (such as non-employee consultant) to receive remunerations from all the companies disclosed in the annual report of latest year.

Range of Payroll

Range of Payroll (Unit: NT$)	Director's Names			
	Sum of Payroll(A+B+C)		Sum of Payroll(A+B+C+D+E)	
	The company (Note 8)	Financial report (Note 9) G	The company (Note8)	Financial report (Note 9) H
Below 2,000,000	J.H.Tuan W.L.You B.S,Li J.R.Wu S.L.Shen	J.H.Tuan W.L.You B.S,Li J.R.Wu S.L.Shen	B.S,Li J.R.Wu	B.S,Li J.R.Wu -
2,000,000(included) ~ 5,000,000(not included)	-	-	W.L. You、S.L.Shen	W.L. You、S.L.Shen
5,000,000(included) ~ 10,000,000(not included)	-	-	J.H. Tuan	J.H. Tuan
10,000,000(included) ~ 15,000,000(not included)	-	-	-	-
15,000,000(included) ~ 30,000,000(not included)	-	-	-	-
30,000,000(included) ~ 50,000,000(not included)	-	-	-	-
50,000,000(included) ~ 100,000,000(not included)	-	-	-	-
More than 100,000,000	-	-	-	-
Total	5	5	5	5

Note1: Director's names shall be showed separately (names of company and representative shall be showed for institution shareholder), but company may show combined payment for each item. If director is president or vice-president simultaneously, the payment shall be showed in this table and in table below.
Note2: It is director's payment (include salary, duty allowance, retirement pension, severance pay, bonus and incentive, etc.) of latest year.
Note3: It is the board's suggested amount of director's reward of earning allocation held for the latest earning allocation.
Note4: It is the relative executive expense (include carfare, special expenditure, subsidy, dormitory and car, etc.). When company provides residences, cars, other vehicles or several expenditures, it shall disclose quality and cost, and actual or fair rents, oil price and other expenditures of the assets. If there is a wheelsman, it shall disclose the relative payment, but this amount is not payroll of director.
Note5: It is director's salary, duty allowance, retirement pension, severance pay, bonus, incentive, carfare, special expenditure, subsidy, dormitory, car, etc. When he/she is employee (include president, vice-president, manager, employee) simultaneously in the latest year. When company provides residences, cars, other vehicles or several expenditures, it shall disclose quality and cost, and actual or fair rents, oil price and other pay of the assets. If there is a wheelsman, it shall disclose the relative payment, but this amount is not payroll of director. And, salaries expense on share-based payment of IFRS2should be charged to remuneration, including employee stock option certificates, restricted employee right shares and new shares reserved for subscription by employee.
Note6: It is director's remuneration (include stock and cash) of earning allocation. It is the board's suggested amount of employees' compensation of earning allocation before the shareholders' meeting held for the latest earning allocation. When he/she is employee (include president, vice-president, manager, employee) simultaneously in the latest year. If company could not predict the amount, it might use actual allocation ratio of last year for suggested amount of this year and shall fill Table 1-3. Company listed on TSEC or OTC shall calculate fair value (close price on balance sheet ended date) according Financial Statement Rule of Securities Issuer. If it is not a listing company, it might use book value per share on the end of fiscal year.
Note7: Company shall show directors' total payments of each item from all entities (include the company) showed in consolidated financial report.
Note8: Company shall show the names of director in each range of directors' each payment.
Note9: Company shall show the names of director in each range of directors' each payment from all entities (include the company) showed in consolidated financial report.
Note10: It is net income after tax of the latest year；If the company has adopted IFRSs, it's net income after tax of only or individual financial report recently year.
Note11: (a) Company shall show "yes" or "no" for directors' receiving relative payments from invested corporate beside subsidiaries.
(b) If yes, company shall show amount of payments, and combine payments (from invested corporate according to his/her status) and G and H in range of payroll, and change to "all invested corporate".
(c) It is the payment, reward of earning allocation, employees' compensation of earning allocation and allowance of the director who is also a director, supervisor or manager of invested corporate.
*The content showed in this table is different form the notion of Tax Act. And this table is only use for information disclosure, not for taxation.

(2) Remuneration of Supervisors (Unit: NT$ thousands)

	Name(Note1)	Payment(A) (Note2)		Remuneration (B) (Note3)		Allowance (C) (Note4)		A, B and C sum as a percentage of net income after tax (Note 8)		Other compensation from Non-Subsidiary Affiliates (Note9)
		The company	Financial Report (Note 5)	The company	Financial Report (Note 5)	The company	Financial Report (Note 5)	The company	Financial Report (Note 5)	
Supervisor	W.H. Huang	0	-	470	-	106	-	0.1295	-	None
Supervisor	Hua-Yi Investment Co., Ltd. Representative：B. Z. Sun									

Range of Payroll

Range of Payroll (Unit: NT$)	Supervisor's Names	
	Sum of Payroll (A+B+C)	
	The company (Note 6)	Financial Report (Note 7)D
Below 2,000,000	W.H.Huang、B.Z. Sun	W.H.Huang、B.Z. Sun
2,000,000(included) ~ 5,000,000 (not included)	-	-
5,000,000(included) ~ 10,000,000 (not included)	-	-
10,000,000(included) ~ 15,000,000 (not included)	-	-
15,000,000(included) ~ 30,000,000 (not included)	-	-
30,000,000(included) ~ 50,000,000 (not included)	-	-
50,000,000(included) ~ 100,000,000 (not included)	-	-
More than 100,000,000	-	-
Total	2	2

Note1: Supervisor's names shall be showed separately (names of company and representative shall be showed for institution shareholder), but company may show combined payment for each item.

Note2: It is supervisor's payment (include salary, duty allowance, retirement pension, severance pay, bonus and incentive, etc.) of latest year.

Note3: It is the board's suggested amount of supervisors' reward of earning allocation before the shareholders' meeting held for the latest earning allocation.

Note4: It is the relative executive expense (include carfare, special expenditure, subsidy, dormitory and car, etc.). When company provides residences, cars, other vehicles or several expenditures, it shall disclose quality and cost, and actual or fair rents, oil price and other expenditures of the assets. If there is a wheelsman, it shall disclose the relative payment, but this amount is not payroll of supervisor.

Note5: Company shall show supervisors' total payments of each item from all entities (include the company) showed in consolidated financial statement.

Note6: Company shall show the names of supervisor in each range of supervisors' each payment.

Note7: Company shall show the names of supervisor in each range of supervisors' each payment from all entities (include the company) showed in consolidated financial report.

Note8: It is net income after tax of the latest year ;If the company has adopted IFRSs, it's net income after tax of only or individual financial report recently year.

Note9: (a) Company shall show "yes" or "no" for supervisors' receiving relative payments from invested corporate beside subsidiaries.

(b) If yes, company shall show amount of payments, and combine payments (from invested corporate according to his/her status) and D in range of payroll, and change to "all invested corporate".

(c) It is the payment, reward of earning allocation, employees' compensation of earning allocation and allowance of the supervisor who is also a director, supervisor or manager of invested corporate.

＊: The content showed in this table is different form the notion of Tax Act. And this table is only use for information disclosure, not for taxation.

(3) Compensation of President and Vice President

(Unit: NT$ thousands)

Title	Name (Note 1)	Salary(A) (Note2)		Retirement Pension (B)		Bonus and Perquisite(C) (Note3)		Employees' compensation (D) (Note4)				A、B 、C and D sum as a percentage of net income after tax(%)(Note8)		Compensation or Fees Received form Investments Other than Subsidiary (Note9)
								The company		Consolidated financial statements (Note5)				
		The company	Financial Report (Note 5)	The company	Financial Report (Note 5)	The company	Financial Report (Note 5)	Cash Bonus	Stock Bonus Market Price Amount	Cash Bonus	Stock Bonus Market Price Amount	The company	Financial Report (Note 5)	
President	J. H. Tuan	3,909	-	0	-	869	-	2,938	0	-	-	0.1735	-	None
Vice President	W. L. You													

Regardless of title, position function is equivalent to president or vice president (e.g. chairman, CEO, director, etc.) should be shown in this table

Range of Payroll

Range Of Payroll (Unit: NT$)	President's and Vice President's Names	
	The company (Note 6)	Financial Report (Note 7)E
Below 2,000,000	-	-
2,000,000(included) ~ 5,000,000 (not included)	W. L. You	W. L. You
5,000,000(included) ~ 10,000,000 (not included)	J. H. Tuan	J. H. Tuan
10,000,000(included) ~ 15,000,000 (not included)	-	-
15,000,000(included) ~ 30,000,000 (not included)	-	-
30,000,000(included) ~ 50,000,000 (not included)	-	-
50,000,000(included) ~ 100,000,000 (not included)	-	-
More than 100,000,000	-	-
Total	2	2

* Despite the position, company shall show the assignments equivalent to president and vice-presidents.

Note1: President's and vice-presidents' names shall be showed separately, but company may show combined payment of each item. If the director is the president or vice-president simultaneously, company shall fill this table and table above.

Note2: It is president's and vice-presidents' salary, duty allowance, retirement pension and severance pay of the latest year.

Note3: It is the president's and vice-presidents' bonus, incentive, carfare, perquisite, subsidy, dormitory, car and other payments. When company provides residences, cars, other vehicles or several expenditures, it shall disclose quality and cost, and actual or fair rents, oil price and other expenditures of the assets. If there is a wheelsman, it shall disclose the relative payment, but this amount is not payroll of president and vice-presidents. And, salaries expense on share-based payment of IFRS2should be charged to remuneration, including employee stock option certificates, restricted employee right shares and new shares reserved for subscription by employee.

Note4: It is the board's suggested amount of president and vice-presidents' compensation of earning allocation (include stock and cash) before the shareholders' meeting held for the latest earning allocation. If company could not predict the amount, it shall fill Table 1-3. Company listed on TSEC or OTC shall calculate fair value (close price on balance sheet ended date) according Financial Statement Rule of Securities Issuer. If it is not a listing company, it might use book value per share on the end of fiscal year. It is net income after tax of the latest year; If the company has adopted IFRSs, it's net income after tax of only or individual financial report recently year.

Note5: Company shall show presidents' and vice-presidents' total payments of each item from all entities (include the company) showed in consolidated financial statement.

Note6 Company shall show the names of president and vice-president in each range of president's and vice-presidents' each payment.

Note7: Company shall show the names of president and vice-president in each range of president's and vice-presidents' each payment from all entities (include the company) showed in consolidated financial statement.

Note8: It is net income after tax of the latest year; If the company has adopted IFRSs, it's net income after tax of only or individual financial report recently year.

Note9: (a) Company shall show "yes" or "no" for president's and vice-presidents' receiving relative payments from invested corporate beside subsidiaries.
(b) If yes, company shall show amount of payments, and combine payments (from invested corporate according to his/her status) and D in range of payroll, and change to "all invested corporate".
(c) It is the payment, reward of earning allocation, employees' compensation of earning allocation and allowance of the supervisor who is also a director, supervisor or manager of invested corporate.

* The content showed in this table is different form the notion of Tax Act. And this table is only use for information disclosure, not for taxation.

(4) Employees' compensation Granted to Management Team

April 16, 2019
(Unit: NT$ thousands)

	Title (Note1)	Name (Note1)	Stock compensation	Cash compensation	Total	As a percentage of net income after tax(%)
Executive Officers	President	J. H. Tuan	-	3,996	3,996	0.8986
	Vice-president	W. L. You				
	Chief of Acounter	P.S.Liu				
	Audit Manager	C.H.Chan				

Note1: Company shall show names and position separately, but it may show combined compensation of earning allocation.
Note2: It is the board's suggested amount of managers' compensation of earning allocation (include stock and cash) before the shareholders' meeting held for the latest earning allocation. If company could not predict the amount, it might use actual earning allocation ratio of last year for suggested amount of earning of this year. It is net income after tax of the latest year; If the company has adopted IFRSs, it's net income after tax of only or individual financial report recently year.
Note3: According to 2003/3/27 official letter No.0920001301 by Financial Supervisory Commission on March27,2003 the definition of manager is showed as follows:
(1) President or equivalent.
(2) Vice-president or equivalent.
(3) Assistant vice-president or equivalent.
(4) Manager of Finance Dept.
(5) Manager of Accounting Dept.
(6) Other employee who administers business or has right of signature.
Note4: If director, president, or vice-president receive compensation of earning allocation (include stock and cash), company shall fill Table 1-2 and this table.

d.Compensation Paid to Directors, Supervisors, President and Vice presidents

(Unit: NT$ thousands)

Title	Year 2018	Year 2017
Director	1,944	1,940
Supervisor	576	576
President、Vice president	7,716	7,725
Total	10,236	10,241
As a percentage of net income after tax	2.3018%	1.3087%

Note:
(1) The payment of director and supervisor is approved by shareholder's meeting and determined by authorized chairman of the board.
(2) The payment of president is determined by authorized chairman of the board.

e. Separate analysis of payments percentage to earnings after tax to Directors, Supervisors, President and Vice presidents in Hong Pu and companies in consolidated financial statement in recent 2 years and relevance to remuneration policies, standards and combination, procedures, performance and future risk.

1.Percentage of remuneration to earnings after tax in recent 2 years:

Company: the percentage is 1.3087% in 2017 and 2.30187% in 2018.

2.Compensation:

(1)Directors and Supervisors:

Traveling expenses: pay on numbers of attendance of meeting.

Remuneration: no more than 3% of earnings distribution.

(2)President and Vice Presidents:

Salary: under the salary principle passed by Board.

Bonus: under the bonus principle passed by Board.

(3)Directors and Supervisors remuneration are processed under corporate articles given reasonable rewards based on performance of operation. President and vice presidents remuneration policies are refer to standard of salaries in peers and market and responsibilities and contributions. Procedures of remuneration setting are taken into consideration of performance of operation, future industrial risk of operation and trend of growth simultaneously. And, adjust the remuneration system constantly under operating situations and relevant rules in order to maintain the balance of sustainable operation and risk control.

C. Implementation of Corporate Governance

a. Board of Directors

Boar of Directors Meeting Status

During the 2018 calendar year, twelve regular meetings were convened. Director and Supervisor attendance status is as follows:

Title	Name (Note1)	Attendance in Person【B】	By Proxy	Attendance Rate(%)【B/A】(Note2)	Remark
Chairman	J. H. Tuan	6	0	100%	
Director	Fu-Ta Investment Co., Ltd. Representative：W.L.You	6	0	100%	
Director	Hua-Zhan Investment Co., Ltd Representative:S.L.Shen	6	0	100%	
Independent Director	P.S.Lee	6	0	100%	
Independent Director	C.J.Wu	6	0	100%	
Supervisor	Hua-Yi Investment Co., Ltd. Representative：B. Z. Sun	6	0	100%	
Supervisor	W. H. Huang	6	0	100%	

Other mentionable items:

1.Matters listed in Article 14-3 of the Securities and Exchange Act and other resolutions of board meeting with written record of independent director's objection or qualification should illustrate date, term and number of board meeting, content, independent director's objection and settling of independent director's opinion: No objection or qualification.

(1) Matters listed in Article 14-3 of the Securities and Exchange Act: None.

(2) Besides matters above, other resolutions of board meeting with written record of independent director's objection or qualification: None.

2.If there is Directors' avoidance of motions in conflict of interest, the Directors' names, contents of motions, causes for avoidance and voting should be specified: None

3.Measures taken to strengthen the functionality of the Board: The Board of Directors has established an Audit Committee and a Compensation Committee to assist the Board in carrying out its various duties. According to Articles of incorporation and relevant regulations, the company enhances information transparency

Note1: When directors' and supervisors' are belong to juridical person shell be showed the company's name and representative.

Note2: (1) If director or supervisor resigned before end of year, company shall show date in note, and attendance rate (%) is attendant times of meeting in incumbent period.

(2) If there is re-election of director and supervisor, company shall show former, new, reappointed member and date in note. Attendance rate (%) is attendant times of meeting in incumbent period.

b. Audit Committee Meeting Status: Not applicable.

c. Supervisors participate in Board of Directors Meeting Status

Supervisors participate in Board of Directors Meeting Status

During the 2018 calendar year, twelve regular meetings were convened.Attendance status is as follows:

Title	Name (Note1)	Attendance in Person 【B】	Attendance Rate(%) 【B/A】 (Note2)	Remarks
Supervisor	Hua-Yi Investment Co., Ltd. B.Z.Sun	6	100%	
Supervisor	W. H. Huang	6	100%	

Other mentionable items:

1.Composition and Responsibilities of Supervisors:

A.How the supervisors communicate with the Company's employees and shareholders. (ex: communication channels and methods..) When it is necessary, supervisors communicate shareholders through shareholders' meeting or ordinary meeting with employees in company.

B. How the supervisors communicate with accounting, internal auditing officers.(ex:about communicating the way and consequence of financial operations,businss condition)

a.Supervisors make understand and communicate financial and operating situations through board meetings and reviewing documents.。

b.Audit chief attends and reports in board meetings and supervisors have no objection.

2.If supervisors attend meetings of the board of directors and state his/her opinions,we shall show the date, term, the content of the case,consequence,and the company's response to the supervisor's opinion indetail.:NONE

Note1: When directors' and supervisors' are belong to juridical person shell be showed the company's name and representative.

Note2: (1) If director or supervisor resigned before end of year, company shall show date in note, and attendance rate (%) is attendant times of meeting in incumbent period.

(2) If there is re-election of director and supervisor, company shall show former, new, reappointed member and date in note. Attendance rate (%) is attendant times of meeting in incumbent period.

d~i：Please refereance to Chinese version.

h. control system overview

(a) Statement of Internal Control System

Date: March 20, 2019

Based on the findings of a self-assessment, Hong-Pu Real Estate Development Co, Ltd. states the following with regard to its internal control system during the period from January 1, 2018 to December 31, 2018:

1. Hong-Pu is fully aware that establishing, operating, and maintaining an internal control system are the responsibility of its Board of Directors and management. Hong-Pu has established such a system aimed at providing reasonable assurance regarding the achievement of objectives in the following categories: (1) effectiveness and efficiency of operations (including profitability, performance, and safeguarding of assets), (2) reliability of financial reporting, and (3) compliance with applicable laws and regulations.

2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing the three objectives mentioned above. Moreover, the effectiveness of an internal control system may be subject to changes of environment or circumstances. Nevertheless, the internal control system of Hong-Pu contains self-monitoring mechanisms, and Hong-Pu takes corrective actions whenever a deficiency is identified.

3. Hong-Pu evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (here in below, the "Regulations"). The criteria adopted by the Regulations identify five components of internal control based on the process of management control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring. Each component further contains several items. Please refer to the Regulations for details.

4. Hong-Pu has evaluated the design and operating effectiveness of its internal control system according to the aforesaid criteria.
5. Based on the findings of the evaluation mentioned in the preceding paragraph, Hong-Pu believes that, on December 31st, 2018, its internal control system (including its supervision and management of subsidiaries), as well as its internal controls to monitor the achievement of its objectives concerning operational effectiveness and efficiency, reliability of financial reporting, and compliance with applicable laws and regulations, were effective in design and operation, and reasonably assured the achievement of the above-stated objectives.

6. This statement will be an integral part of Hong-Pu's Annual Report for the year 2018 and Prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Law.

7. This Statement has been passed by the Board of Directors, 5 director members(2 independent directors included), in their meeting held on March 20, 2019, with 1 absent director and 0 of the 4 attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

Hong-Pu Real Estate Development Co., Ltd.

Chairman: J. H. Tuan

CEO: J. H. Tuan

(b) The Securities and Futures Bureau May Request Companies to Commission Independent Auditor to Audit the Said Internal Control System. Disclosure of the Audit Report(s) is mandatory: None

k. Regulatory Authorities' Legal Penalties to the Company, and the Company's resulting Punishment on Its Employees: None

l. During the 2017 calendar year, through the period from January 1, 2018 to report published date, Shareholder Meetings' and Board Meetings' major resolutions passed at these meetings are summarized below:

Board Resolution	Item
2018//03/01	The company acquired land pieces (transferred capacity included) located in “ChangAn” in Taipei City and the rights of urban renewal executor.
2018/04/03	Board meeting approved the donation to Hong Pu Social Welfare and Charity Foundation.
2018/04/26	Board meeting adopted the proposal for dividend of fiscal year 2018 to shareholders’ meeting.
2018/06/11	Major resolutions of sharehoders’ meeting in 2018. Note1
2018/08/01	Board meeting set the ex-dividend date and relevant arrangements of earning distribution of fiscal year 2017.
2018/12/25	The announcement of the subsidiary company was selected as the best applicant for the “public urban renewal project of the public and private land around the fire fighting unit of the Guangxing of SanChong District, New Taipei City”.
2019/01/30	Board meeting approved the donation to Hong Pu Social Welfare and Charity Foundation.
2019/01/30	KPMG, the company's accounting firm, reassign accountant due to internal rotation.

Note 1: Resolution of shareholders’ meeting

Date	Abstracts of proposal	Resolutions	Implementations	Remarks
2018/06/11	(1) Adoption of business report and financial statements of fiscal year 2017。	(1)Approvd	(1) Business report and financial statements of fiscal year 2017 was ratified	None
	(2) Adoption of the proposal for distribution of profits fiscal year 2017。	(2) Approvd	(2) The profits was distributed in accordance with the resolution.	None
	(3) Amendment to the Articles of Incorporation。	(3) Approvd	(3) It has been implemented in accordance with the resolution.	None
	(4)The election of directors and supervisors	(4) None	(4) None	None
	(5)Other matters::None	(5) None	(5) None	None

m. Directors and supervisors have different opinion in the major resolutions passed by the Board of Directors and record as paper in recently year and up to the annual report published date: None.

n. Resigned or expired situation summary of the company chairman, the general manager, the accountant officer, the financial officer, the internal auditing officer and the R&D officer and so on in recently year and up to the annual report published date:

Summary of relevant person’s resignment or dismissal

2019/04/16

Title	Name	To assume a post Date	Expiration	The resignation or expiration the reason
-	-	-	-	-

Note: Said that is refers to chairman, general manager, the accountant officer, the financial officer, the internal auditing manager the R&D officer with the company person concerned and so on.

D. Information Regarding Hong-Pu's Independent Auditor

CPA	Name		Term	Remark
KPMG	CHING-SUNG,WANG	HENG-SHEN ,LIN	2018/1/1~2018/09/30	-
KPMG	CHUN-WEI,CHUANG	CHING-SUNG,WANG	2018/10/01/2018/12/31	In coordinate with the internal rotation of KPMG.

Note1: In this fiscal year, if company replaces certified public accountant or accounting firm, it shall show audit period separately in note.

a. Range of Audit fees and Non-Audit Fees

(Unit: NT$ thousands)

Range of Audit Fees \ Item		Audit Fees	Non-Audit Fees	Total
1	Below 2,000	-	√	-
2	2,000（included）～4,000	√	-	√
3	4,000（included）～6,000	-	-	-
4	6,000（included）～8,000	-	-	-
5	8,000（included）～10,000	-	-	-
6	More than 10,000（included）	-	-	-

b. Change CPA firm and the audit fees in changing year is less than previous year, it should disclose the amounts and reason: None.

c. The audit fees is less than previous year up to 15%, it should disclose the amount and reason: None.

CPA	Name	Audit fee	Non-audit fees					Term	Remark
			Systen design	Business registration	Human resource	Others (note2)	subtotal		
KPMG	CHUN-WEI,CHUANG CHING-SUNG,WANG HENG-SHEN ,LIN	2,030				350		2018Q1 to 2018Q4	Non-audited fees are consultant fee of retained earings for the year 2013-2015,and certification fee of the performance record.

Note2: Non-audit fees are listed separately according to the service items. If the “others” of the non-audit public fees reach 25% of the non-audit public funds, the service contents should be listed in the remarks column.

E. CPA Replacement Information: None

a. About former accountants

<table>
<tr><td>Date of chang</td><td colspan="5">2018/10/01</td></tr>
<tr><td>Reason and description of change</td><td colspan="5">The internal rotation of KPMG compliance with the laws and regulations.</td></tr>
<tr><td rowspan="3">Description of appointer's termination or accountants' refusal</td><td colspan="3">Situation</td><td>Accountants</td><td>Appointer</td></tr>
<tr><td colspan="3">Termination</td><td>V</td><td></td></tr>
<tr><td colspan="3">Refusal</td><td></td><td></td></tr>
<tr><td>Opinion and reson of non-unqualified opinion of auditing report in the last tow years</td><td colspan="5">None</td></tr>
<tr><td rowspan="6">Disagree with the company</td><td rowspan="4">yes</td><td></td><td colspan="3">Accounting principles or practice</td></tr>
<tr><td></td><td colspan="3">Disclosure of financial reports</td></tr>
<tr><td></td><td colspan="3">Auditing scope or procedures</td></tr>
<tr><td></td><td colspan="3">others</td></tr>
<tr><td>no</td><td colspan="4">V</td></tr>
<tr><td colspan="5">description</td></tr>
<tr><td>Other disclosures</td><td colspan="5">None</td></tr>
</table>

b. about succeed accountants

Name of accountants firm	KPMG
Name of accounts	JUN-WEI,ZHUANG、CHING-SUNG,WANG
Date of appointment	2018/10/1-2018/12/31
Advisory and results of accounting treatments or principles of the specific transaction and possible opinion of financial report before appointing	None
Written comments of different opinion with former accountants	None

F. Information on the company chairman, president or a manager in charge of financial or accounting matters serving as a CPA at the accounting firm or an affiliated company within the past year: None

G. Equity transfers and equity pledges (or changes thereto) during the preceding fiscal year or in the current fiscal year up to the date of printing of the annual report.

a. Changes in share holding of the director, supervisor, manager, and major shareholder

Title（Note1）	Name	2017		2018/1/1~2018/04/13	
		Increase (Decrease) of shares held	Increase (Decrease) of equity pledges	Increase (Decrease) of shares held	Increase (Decrease) of equity pledges
Chairman	J. H. Tuan	-	-	-	-
Director(major shareholder)	Hua-Zhan Investment Co., Ltd.	-	-	-	-
Director(major shareholder)	Hua-Zhan Investment Co., Ltd.	-	-	-	-
Director(major shareholder)	Fu-Da Investment Co.,Ltd.	-	-	-	-
Director(major shareholder)	Fu-Da Investment Co.,Ltd.	-	-	-	-
Supervisor	Hua-Yi Investment Co., Ltd.	-	-	-	-
Supervisor	W.H.Huang	-	-	-	-
President	J. H. Tuan	-	-	-	-
Deputy general manager	W.Y.Hong	-	-	-	-
Chief of Acounter	P. S. Liu	-	-	-	-
Audit Manager	C.H. Chan	-	-	-	-

Note1：shareholders with a stake of 10 percent or more, the recipient's name shall be disclosed along with a note explaining.

Note2：Where the recipient of the equity transfer or equity pledge has ties to the company, it have to fill in the following tabulation .

b. Stock Trade with Related Party: None.

c. Stock Pledge with Related Party: None.

H. Information on concerned relationship of No. 6 in FASB with top ten major shareholders:

Name (Note 1)	Current Shareholding		Spouse & Minor Children's Shareholding		Share-holding in Name of Ohters		Name and relationship of among in the company's 10 largest shareholders and any one is a related party or a relative within the second degree of kinship of another. (Note 3)		Remark
	Shares	%	Shares	%	Shares	%	Name	Relationship	None
Hua-Zhan Investment Co., Ltd. Representative：J.H.Tuan	56,468,745 11,119	16.97% 0%	-	-	-	-	Fu-Da Investment Co., Ltd Fu-Yi Investment Co., Ltd	The same chairman Fu-Yi is a direct at Hua-Zhan	None
Fu-Da Investment Co., Ltd. Representative：J.H.Tuan	49,905,040 11,119	15.00% 0%	-	-	-	-	Hua-Zhan Investment Co., Ltd.	The same chairman	None
Teacher Retirement System of Texas - Dimensional Fund Advisors LP as external fund manager	15,970,491	4.80%	-	-	-	-	-	-	None
Edgbaston Asian Equity Trust	15,870,154	4.77%	-	-	-	-	-	-	None
Fubon Life Insurance Company Representative：B.Y.Zheng	14,214,925	4.27%	-	-	-	-	-	-	None
Sunfon Construction Co., Ltd. Representative：M.F.Hong	8,100,000	2.43%	-	-	-	-	-	-	None
Tai-Ban Investment Co., Ltd. Representative：D.H.Qiu	7,166,738	2.15%	-	-	-	-	-	-	None
Nan Shan Life Insurance Co. Representative：W.D.Guo	6,.438,000	1.93%	-	-	-	-	-	-	None
Public Service Pension Fund Managerment Board	6,100,448	1.83%	-	-	-	-	-	-	None
Fu Yi Investment Co., Ltd. Representative：S.C.Huang	4,356,077 4,032	1.31% 0%	-	-	-	-	Hua-Zhan Investment Co., Ltd.	Fu-Yi is a direct at Hua-Zhan	None

Note 1: List all of top ten shareholders and if the shareholders are belonging to juridical person shell be showed the company's name and representative.
Note 2: The shareholding percentage is calculated in his own name, spouse, minor children or use other's name.
Note 3: The top ten shareholders including institutional shareholder and natural person should required by regulations governing the preparation of financial reports by issues to disclose the relationship between each other.

I. The number of shares held by the company, directors, supervisors, managers, and the number of shares of the same re-invested business which are held by the entities directly or indirectly controlled by the company, and calculating the consolidated shareholding percentage of the above categories: None

IV. Capital Overview

A. Disclosure of the company's capital and shares, corporate bonds, preferred Shares, global depository receipts, employee stock option certificates, and any merger & acquisition activities：

a. Capital and shares

1. Source of capital

Year/ Month	Issuing price	Authorized capital		Capital collected		Remark		
		Stock share (Thousand shares)	Amount (Thousand dollars)	Stock share (Thousand shares)	Amount (Thousand dollars)	Source of capital	Capital is paid with something other than cash	Other
1988.10	10	3,500	35,000	3,500	35,000	Capital $35,000,000	None	Note1
1990.06	10	19,388	193,880	19,388	193,880	Property to offset the equity shareholders $158,880,000	Yes	Note2
1991.12	10	60,000	600,000	60,000	600,000	cash capital increase $406,120,000	None	Note3
1992.06	10	80,000	800,000	80,000	800,000	cash capital increase $200,000,000	None	Note4
1995.02	10	96,000	960,000	96,000	960,000	Unappropriated retained earnings$160,000,000	None	Note5
1995.12	10	110,400	1,104,000	110,400	1,104,000	unappropriated retained earnings $144,000,000	None	Note6
1996.12	10	176,640	1,766,400	156,960	1,569,600	cash capital increase $300,000,000 unappropriated retained earnings $165,600,000	None	Note7
1997.09	10	320,000	3,200,000	230,500	2,305,000	cash capital increase $418,500,000 unappropriated retained earnings $159,940,000 capital reserve $156,960,000	None	Note8
1998.07	10	360,000	3,600,000	288,500	2,885,000	unappropriated retained earnings $115,250,000 capital reserve $461,000,000 employee bonuses$3,750,000	None	Note9
1999.06	10	360,000	3,600,000	297,155	2,971,550	unappropriated retained earnings $86,550,000	None	Note10
2000.08	10	430,000	4,300,000	317,956	3,179,559	unappropriated retained earnings $208,008,500	None	Note11
2003.02	10	430,000	4,300,000	313,662	3,136,619	Treasury stock capital decrease $42,940,000	None	Note12
2004.07	10	430,000	4,300,000	282,741	2,827,406	Merge Hong-Yuan Investment Co., Ltd Capital decrease$309,212,940	None	Note13
2007.08	10	430,000	4,300,000	286,268	2,862,680	unappropriated retained earnings $28,274,050 employee bonuses$7,000,000	None	Note14
2008.08	10	430,000	4,300,000	289,931	2,899,306	unappropriated retained earnings $28,626,790 employee bonuses$8,000,000	None	Note15
2011.08	10 36	430,000	4,300,000	319,135	3,191,348	unappropriated retained earnings $289,930,640 Convertible Bond $76,000,000 was converted to common stock $2,111,070 accumulatively.	None	Note16
2013.06	10 29.	430,000	4,300,000	319,467	3,194,670	Convertible Bond $9,900,000 was converted to common stock $3,322,140 accumulatively	None	Note17
2014.01	10 28.1	430,000	4,300,000	319,951	3,199,510	Convertible Bond $13,600,000 was converted to common stock $4,839,800accumulatively	None	Note18
2014.05	10 28.1	430,000	4,300,000	319,954	3,199,954	Convertible Bond $100,000 was converted to common stock $35,580 accumulatively	None	Note19
2014.06	10 28.1	430,000	4,300,000	332,809	3,328,087	Convertible Bond $361,200,000 was converted to common stock $128,540,890accumulatively	None	Note20

Note 1: Apply for approval by MOEA in 1988/10/5, see:經(077)商 30388 號函.
Note 2: Apply for approval by MOEA in 1990/6/23, see:經(079)商 111788 號函.
Note 3: Apply for approval by MOEA in 1991/12/30, see:經(080)商 129062 號函.
Note 4: Apply for approval by MOEA in 1992/6/1, see:經(081)商 126109 號函.
Note 5: Apply for approval by MOEA in 1995/2/13, see:經(084)商 101097 號函.
Apply for approval by SFC in 1994/12/19, see:(83)台財證(一)第 44036 號函.
Note 6: Apply for approval by MOEA in 1995/12/29, see:經(084)商 120526 號函.
Apply for approval by SFC in 1995/12/5, see:(84)台財證(一)第 62982 號函.
Note 7: Apply for approval by MOEA in 1996/12/23, see:經(085)商 122200 號函.
Apply for approval by SFC in 1996/10/17, see:(85)台財證(一)第 59596 號函.
Note 8: Apply for approval by MOEA in 1997/9/5, see:經(086)商 115644 號函.
Apply for approval by SFC in 1997/5/19, see:(86)台財證(一)第 33867 號函.
Note 9: Apply for approval by MOEA in 1998/7/3, see:經(087)商 116246 號函.
Apply for approval by SFC in 1998/5/18, see:(87)台財證(一)第 43779 號函.
Note10:Apply for approval by MOEA in 1999/6/7, see:經(088)商 128149 號函.
Apply for approval by SFC in 1999/6/11, see:(88)台財證(一)第 54911 號函.
Note11:Apply for approval by MOEA in 2000/8/31, see:經(089)商 132051 號函.
Apply for approval by SFC in 2000/7/26, see:(89)台財證(一)第 64952 號函.
Note12:Apply for approval by MOEA in 2003/2/27, see:經(092)商 01059210 號函.
Apply for approval by SFC in 2002/11/19, see:(91)台財證(三)第 0162211 號函.
Note13:Apply for approval by MOEA in 2004/8/13, see:經(093)商 01152070 號函.
Apply for approval by SFC in 2004/7/2, see:(91)台財上字第 0930101704 號函.
Note14:Apply for approval by MOEA in 2007/07/26, see: 經授商字第 0960039463 號函.
Note15:Apply for approval by MOEA in 2008/07/17, see: 經授商字第 0970036086 號函.
Note16:Apply for approval by MOEA in 2011/07/22, see: 經授商字第 1000034201 號函.
Note17:Apply for approval by MOEA in 2013/07/15, see: 經授商字第 10201139040 號函.
Note18:Apply for approval by MOEA in 2014/07/14, see: 經授商字第 10301020900 號函
Note19:Apply for approval by MOEA in 2014/07/14, see: 經授商字第 10301085220 號函.
Note20:Apply for approval by MOEA in 2014/07/14, see: 經授商字第 10301140350 號函.

2.Types of shares

Types of Shares	Authorized capital			Remark
	Outstanding stock	Non-issued stock	Total	
Common stock	332,808,652	97,191,348	430,000,000	Listed stock

Aggregated declaration information：NA

3.Structure of shareholders April 16,2019

Structure of Shareholders / Amount	Government agency	Financial Institutions	Other juristic person	Personal	Foreign Institutional and foreign national	Total
Number	3	3	59	11,369	125	11,559
Shares held	7,300,454	22,072,925	152,680,858	87,216,088	63,538,327	332,808,652
%	2.19%	6.63%	45.88%	26.21%	19.09%	100%

Note: The first listing (OTC) and emerging companies should disclose their financial stake in China; China refers to China fund to invest in Taiwan permit regulations under section 3 of the people of the China Area, legal entities, organizations, other institutions or investment companies in the third region.

4.Status of dispersal of shareholding

(1)Common stock

April 16, 2019

Range of shareholder	Number of shareholders	Shares held	%
1～ 999	3,762	679,646	0.20%
1,000～ 5,000	5,323	11,424,893	3.43%
5,001～ 10,000	1,105	8,649,351	2.60%
10,001～ 15,000	383	4,805,579	1.44%
15,001～ 20,000	216	3,975,934	1.19%
20,001～ 30,000	210	5,328,611	1.60%
30,001～ 40,000	115	4,129,693	1.24%
40,001～ 50,000	88	4,084,661	1.23%
50,001～ 100,000	151	10,804,652	3.25%
100,001～ 200,000	98	13,589,550	4.08%
200,001～ 400,000	47	12,794,545	3.84%
400,001～ 600,000	14	6,945,162	2.09%
600,001～ 800,000	4	2,573,494	0.77%
800,001～1,000,000	7	6,370,697	1.91%
1,000,001 above	36	236,652,184	71.13%
Total	11,559	332,808,652	100.00%

(2) Preferred stock：None

5.List of major shareholders

Major Shareholders \ Shares	Shares held	%
Hua-Zhan Investment Co., Ltd.	56,468,745	16.97%
Fu-Da Investment Co., Ltd.	49,905,040	15.00%
Teacher Retirement System of Texas - Dimensional Fund Advisors LP as external fund manager	15,970,491	4.80%
Edgbaston Asian Equity Trust	15,870,154	4.77%
Fubon Life Insurance Company	14,214,925	4.27%
Sunfon Construction Co., Ltd.	8,100,000	2.43%
Tai-Ban Investment Co., Ltd.	7,166,738	2.15%
Nan Shan Life Insurance Co.	6,.438,000	1.93%
Public Service Pension Fund Management Board	6,100,448	1.83%
Fu Yi Investment Co., Ltd.	4,356,077	1.31%

6.Share prices for the past two fiscal years, together with the company's net worth per share, earnings per share, dividends per share, and related information

Item \ Year			2017	2018	2019.01.01~ 2019.03.31
Market price per share （Note1）	Max.		26.50	23.40	20.40
	Min.		19.80	19.15	19.25
	Average		23.02	21.34	19.82
Net worth per share （Note2）	Unappropriated		35.06	35.00	35.05
	Appropriated		33.56	(Note 8)	(Note 9)
Earnings per share	Weighted average stock shares		322,809,000	322,809,000	332,809,000
	Earnings per share （Note3）	Unretroacted	2.35	1.34	0.05
		Retroacted	2.35	(Note 8)	(Note 9)
Dividends per share	Cash dividend		1.5	(Note 8)	-
	Stock dividend	Dividends from retained earnings	-	-	-
		Dividend from capital surplus-	-	-	-
	Accumulated unappropriated dividends（Note4）		-	-	-
Return on investment	Ratio of profit（Note5）		9.80	15.93	396.40
	Ratio of dividend（Note6）		10.96	14.23	-
	Ratio of cash dividend（Note7）		0.091	0.070	-

Note 1：List the highest and lowest market price of each year. And calculating each year's average market price based upon each year's actual transaction prices and volume.
Note 2：To base on the decision of distribution reached in next Shareholder's Meeting.
Note 3：The situation have to retroactively adjust because of stock dividend, it shall disclose the information of earnings per share before and after adjusted.
Note 4：If unpaid dividends would distribute till the year that have earnings, it should disclose the accumulated amount of unpaid dividends.
Note 5：Ratio of profit＝closing price per share of the year／earnings per share.
Note 6：Ratio of dividend＝closing price per share of the year／cash dividend per share.
Note 7：Ratio of cash dividend＝cash dividend per share／closing price per share of the year.
Note 8：The distribution of 2018 retained earnings has not determined by shareholders’ meeting.
Note 9：No distribution of the settlement in the first quarter in 2019.

7.Company's dividend policy and implementation status：

(a)Dividend policy：consider need of and the perfect financial plan the future fund and the perfect financial plan, if there have the dividend distribution, the total of the cash dividend not be lower than 20% of the amount of cash dividend and stock dividend, other will distribute by stock from retained earnings and capital reserve.

(b)Implementation status：the effect of business performance, earnings per stock, and return on investment by stock dividend.

(Unit: NT$ thousands)

Item / Year			2017	2018
Paid-in capital in beginning			3,328,087	3,328,087
Distribution	Cash dividend per share(unit：NT dollars)		2.1	1.5
	Stock dividend per share-retained earnings		-	-
	Stock dividend per share-capital reserve		-	-
Business performance	Operating income		(note7) 710,304	432,625
	Operating income (compare with last year)		(note 7) (30.12)%	(39.09)%
	Net income		(note 7) 782,535	444,704
	Net income (compare with last year)		(note 7) (26.75)%	(43.17)%
	Earnings per share(unit：NT dollars)	Unretroacted	(note 7) 2.35	1.34
		Retroacted	(note 7) 2.35	-
	Earnings per share (compare with last year)	Unretroacted	(note 7) (26.79)%	(42.98)%
		Retroacted	(note 7) -	-
	Average of return on investment		21.43%	9.42%
	Capital increase paid out of earnings→cash dividends	Fictitious earnings per share	2.35	1.34
		Fictitious average of return on investment	21.43%	9.42%
	No capitalization of capital reserve	Fictitious earnings per share	2.35	1.34
		Fictitious average of return on investment	21.34%	9.42%
	No capitalization of capital reserve and capital increase paid out of earnings→cash dividends	Fictitious earnings per share	2.35	1.34
		Fictitious average of return on investment	21.34%	9.42%

Note1：Earnings per share(if capital increase paid out of earnings → cash dividends) =〔net income-interest expense*(1-interest rate)〕/[weighted average outstanding stock-stock dividend per share by retained earnings]

Interest expense = amount of capital increase through capitalization of retained Earnings * average loan rate

Note2：Average market price per share in 2017＝NT$23.02；average market price per share in 2018＝NT$21.34.

Note3：Interest rate is calculated by weighted average interest rate on short-term margin loan, 1.31% in 2017 and 1.25% in 2018

Note4：Valid interest rate is 20% in 2018

Note5：Cost-profit average ratio = average market price per share/earnings per share.

Note6：No make a budget and announce the financial forecast in 2018, therefore no need to disclose the affect of issuance of bonus shares.

Chairman: J.H.Tuan Manager: J.H.Tuan Manager of accounting dept.: P.S.Liu (c)Proposed dividend distribution to Shareholder’s meeting:

1. Resolution of Board Meeting in April 26, 2019 Dividend of 2017 distribute cash dividend $1 per share.
2. The above distribution proposal, yet to submit to Shareholders' meeting by June 14, 2019.

(d) Dividend policy is expected there will be major changes explanation: None.

8.Effect upon business performance and earnings per share of any stock dividend distribution proposed or adopted at the most recent shareholders' meeting：The Company dosen’t make public financial forecast of 2018, so this item is not applicable.

9.Employee remuneration and compensation of directors and supervisors

(1)The multiples or ranges with respect to employee dividends and director/auditor compensation, as set forth in the company's articles of incorporation：

Net income at closing, except allocate for tax in advance, redeem loss in business in past year, and allocate 10%for legal reserve, remanent are distributed by the Board of Directors, and than recognize by Shareholder's Meeting:

a.Remuneration to directors and supervisors can't over 3%

b.Employee remuneration can't lower than 1%，and can distribute in stock if have the situation that remuneration transferred to common stock

c.Shareholder’s Meeting could resolved the distribution of retained earnings

(2)The accounting treatment of estimate base of employee remuneration and compensation of directors and supervisors, and calculated base of number of shares in stock remuneration distribution, are different to actual distributed amount: None

(3)The information of proposed dividend distribution of Board Meeting:

a.Distribution amount of employee remuneration, stock dividend, and compensation of directors and supervisors: (Unit: NT$)

Distribution	Estimate Amount	Distribution Amount Approved by the Board	Difference	Reason & Treatment
Employee remuneration	9,000,000	9,000,000	0	None
Employee remuneration	0	0	0	None
Remuneration of Directors and Supervisors	2,200,000	2,200,000	0	None

b.Propose to distribute employee stock remuneration and the percentage of net income and total employee remuneration: 0%

c.Earnings per share of considered in distribute employee remuneration and compensation of directors and supervisors: NT$2.35.

(4)Use of earnings in the preceding fiscal year for distribution of employee dividends and directors/supervisors compensation:

(Unit: NT$)

Year 2017	Employee remuneration	Compensation for Directors and Supervisors
Distribution Proposal of Retained Earnings adopted at the Board of Directors.	12,000,000	2,200,000
Actual Distribution of Retained Earnings in Shareholders' Meeting.	12,000,000	2,200,000
Difference	0	0

The information related to the appropriation of employees' bonuses and remuneration to directors and supervisors can be found on web sites such as the Market Observation Post System after the Shareholders' meeting.

10. Share Repurchases: None.

b. Corporate Bonds:

1.Bond (handle situation): Please refereance to Chinese version.

2.The information of Convertible bonds: Please refereance to Chinese version.

c. Preferred Shares

1. Issuance of Preferred Shares: None.

2. Preferred Share with Warrants: None.

d. Global depository receipts:None.

e. Employee stock option certificates:None.

f. Merger & acquisition:None.

B.Information on Implementation of the Company's Funds Utilization Plans

a. Description of the plans:None.

b. Status of implementation:None.

V. Operational Highlights

A. Business Activities

(A)Cope of business

1. Major business content

(1) Contract contractor to construct public housing and commercial building for rental and sale

(2) Proxy, business, import and export of building material and engineering material

(3) Upholstery

(4) Conduct of convenience market ＆ supermarket

(5) E201010l andscape engineering

(6) F501010 dinihg hall

(7) H701020 develop, rental, and sale of industry building

(8) H701040 development of specific professional area

(9) H701060 development of new town and new community

(10) H703010 rental of factory building

(11) H703020 rental of storage

(12) H703030 rental of office

(13) H701050 invest in construction of public structure

2. Business operation

Contracting contractor to construct public housing and commercial building for rental and sale in domestic market (100%)

3. Current product line and future service

(1)Apartment：residence、store、parking lot

(2)Building：residence、store、market、suite、parking lot

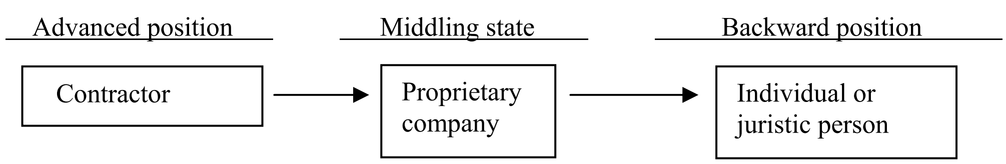
(B)Industry summary

1.Current and development of industry：

Looking back to 2018, Although the United States and China engaged trade war and Fed raised interest rate and planed to unwind its balance sheet. However, the central government no further introduced control policies on housing market and new president of the central bank continued to maintain monetary policy stability. The mainstream of the real estate market still focused on rigid demand such as first purchase and first change. Presale projects, “Leisurely Days”, “Hong Pu Park” were completed and booked revenue. “WenDe”, “Economy and Trade”, “A Max”, “Paris Mansion”, “Hong Pu New Star”, “Light Year-the World” and “Light Year-the One” were delivered and booked revenue. We have a stable revenue and profit in 2018.

2.Relation between advanced position, middling state, and backward position：

Hong-Pu is in the business of contracting contractor to construct public housing and commercial building for rental and sale in domestic market. The relation show in follow chart：



3.Evolutional trend：

Growth rate of major product in this ten years：

(Unit: NT$ thousands)

Year	Item	Sales	Growth rate
2010	Sales Revenue	3,729,574	-25.49%
	Rental	14,082	18.29%
2011	Sales Revenue	2,934,481	-21.32%
	Rental	16,718	18.72%
2012	Sales Revenue	4,378,490	49.21%
	Rental	20,466	22.42%
2012 (IFRS)	Sales Revenue	3,939,002	34.23%
	Rental	20,466	22.42%
2013	Sales Revenue	3,972,960	0.86%
	Rental	32,998	61.23%
2014	Sales Revenue	4,460,492	12.27%
	Rental	39,488	19.67%
2015	Sales Revenue	5,021,702	12.58%
	Rental	29,053	-26.43%
2016	Sales Revenue	4,766,599	-5.08%
	Rental	22,195	-23.61%
2017	Sales Revenue	2,664,960	-44.09%
	Rental	20,368	-0.08%
2018	Sales Revenue	3,897,830	46.26%
	Rental	20,175	-0.95%

It can be seen from the above table that the Company's revenue increased by 46.26% in 2018. The presale projects, "Hong Pu Park" and "Leisurely Days", were completed and delivered, in addition, "Economy and Trade", "WenDe", "AMAX", "Paris Mansion", "Hong Pu New Star", "Light Year-the World" and "Light Year-the One" were sold and delivered, therefore revenue increased.

(C)An overview of the company's technologies and its research and development work：

1. Increase building’s ability to resist earthquake.
2. Improve quality of curtail wall.
3. Invest in research in healthy and green residence and fulfill every indicator.
4. Create specialty and uniqueness of house.

(D)The long- and short-term business development plans

Projection in short-term, medium-term, and long-term ：

Development	Short-term (2018)	Medium-term and long-term
Customer	1.Full service for customers 2.Strengthen communication between advanced position, middling state, and backward position	1. Cut cost and share the profit 2. Much accounted of customer's require
Product	1.Predominant and convenient house 2.Slowdown from acquisitive land to complete work	1.Development of new residence 2.Raise the abilities of employees in planning dept. 3.With solid financial structure, the company plans to develop long-term rental income assets.
Market	1.Looking for the worth land in Taiwan.	1. Looking for the worth land in Taiwan.

B. Market and Sales Overview

(A)Market analysis

1. Sales and market for key product and services

Hong-Pu is in the business to construct residential building and office building, and all in Taipei area and the land development prefer to choose convenient transportation, perfect life function, and full of potential lot in future.

2. Market demand and supply

(1)Supply：

a. Investigate housing supply situation currently and surplus housing pressure in market from variety of expedite number in construct license and use license. We observe that to know, construct license is increase in 2005, generality, use license must wait to expedite till building finish construction, and use license would be lag behind construct license in 1.5 years to 2 years. Therefore expedite number of use license large increase in 2006 and 2007, and expect surplus supply pressure in market would be continuing increase. But it's getting slowly in 2008, the supply in market decrease slightly. Under impact of government tightening policies such as Luxury Tax on property in year 2011 and political and economical uncertainties in the first half year 2012, the number of issued construct licenses in year 2011 and 2012 was reduced. But, from the second half of 2012, market sentiment became better. And after the implementation of Registering the Actual Selling Price of Real Estate, uncertain factor was eliminated. Market became optimistic in 2013 and 2014. Developers launched new projects increasingly. The implement of "Integrated Housing and Land Tax", the increase of property tax due to raised "Standard Values of Houses" and "Assessed and Announced Value of Land" affect investors' confidence, therefore transaction of real estate became slow；Due to the Amendment of construction regulations, number of application of construction permits increased in 2017.

b. Economy had begun recovery since 2003, except a little decrease international financial crisis in2008. But market recovered again in 2009. Under circumstance of the implementation of the luxury-housing tax in 2011, The implement of "Integrated Housing and Land Tax" and the conservative market sentiment caused the application numbers of building permit decreased significantly；Looking back to 2018, Although the United States and China engaged trade war and Fed raised interest rate and planed to unwind its balance sheet. However, the central government no further introduced control policies on housing market and new president of the central bank continued to maintain monetary policy stability. The mainstream of the real estate market still focused on rigid demand such as first purchase and first change.

List of number of housing that issuing building permit and occupation permits.

Unit：ten thousand housing

Year	Number of housing that issuing building permit	Number of housing that issuing occupation permit
1997	13.0	11.3
1998	8.5	9.8
1999	5.7	8.5
2000	4.5	6.2
2001	2.4	4.9
2002	3.9	4.5
2003	6.3	5.8
2004	11.0	6.9
2005	18.30	11.49
2006	11.64	12.41
2007	10.61	13.04
2008	7.04	11.12
2009	5.12	7.59
2010	8.45	7.19
2011	9.32	6.87
2012	9.43	7.72
2013	11.68	8.30
2014	12.14	8.89
2015	10.38	9.66
2016	7.84	9.53
2017	9.13	8.70
2018	12.09	9.78

Note：data origin: Construction and Planning Agency, Ministry of the Interior

(2)Demand:

The central government no further released control policies on housing market and introduced “Statute for Expediting Reconstruction of Urban Unsafe and Old Buildings”, the local government announced lower “Assessed Land Value”, and the central bank’s monetary policy continued to maintain a dynamic stability Rigid demand is still main stream in the real estate market.

3. Development strength and weakness

(1) Strength:

a. Economy:

1. Due to FATCA China version, Taiwanese merchants in Mainland wired funds back.

2. The supply of land is limited and demand of owner-occupied or set assets is strong.

b. Fund:

1. Interest rate keeps stady low, and financial cost of builders and consumers are low.

2. United States and China engaged trade war and Fed raised interest rate and planed to unwind its balance sheet. The real estate market still focused on rigid demand.

c.Policy and regulation:

1.Circle line is going to complete and open, therefore residential demand is increasing along the route.

2. Local governments lowered the “Assessed Land Value” and central government introduced the “Statute for Expediting Reconstruction of Urban Unsafe and Old Buildings”.

(2) Weakness:

a. Economy:

1. Land of prime locations acquired not easily and cost of land and construction get higher.

2. The decreasing China tourists and no significant effect of promoting tourist form other regions.

b. Fund:

1 The effect of lowering “Announced Land Vale” and property tax by local governments was not significant, therefore, buyer confidence is still conservative.

2. Bankers’ mortgage limit on 65% of land cost lowers capability of development.

c. Policy and regulation:

1. The implement of “Integrated Housing and Land Tax”.

2. The rule of volume incentives is added the upper limit and the volume transferation of road changes to cash equivalent.

3 Uncertainty on cross-strait policies.

(3) Response strategies:

Maintain finance stable, plan potential area and project within market, Develop long-term rental income assets.

elect excellent construct team carefully, create brand superiority and competitiveness.

(B)Usage and manufacturing processes for the company's main products

Hong-Pu’s major product are developing housing, villa, store, market, office and parking lot by contracting contractor.

(C)Supply situation for the company's major raw materials

1.Land：acquire through purchase or joint venture. Though it is difficult for land acquiring in Taipei City, it is still possible to purchase or joint venture.

2. Construction: there are more than 600 grade A contractors in greater Taipei area. No shortage or cartel concerns.

(D) In any year that account for purchase (sales) total value more than 10% for the two most recent fiscal years, the amounts bought from (sold to) each, the percentage of total procurement (sales) accounted for by each

1. Major Suppliers

Major Suppliers Information for the Last Two Calendar Years

(Unit: NT$ thousands)

Item	2017				2018				2019(As of March 31) (註 2)			
	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer
1	Kimzo Construction Co., Ltd.	568,829	32.68%	None	Mr. Chen and 2 others	841,500	48.43%	None	Chung-Lu Construction Co., Ltd.	104,587	56.54%	None
2	Rei Ju Construction Co.,Ltd	333,829	19.18%	None	Mr. Liu and 2 others	249,998	14.39%	None	GuoYao Construction Co., Ltd.	40,144	21.70%	None
3	Chung-Lu Construction Co., Ltd.	245,373	14.09%	None	-	-	-	-	Acter Co., Ltd.	20,008	10.82%	None
4	Han Zhen MEE Co.,Ltd	242,374	13.92%	None	-	-	-	-	-	-	-	-
Others		350,455	20.13%	-	Others	646,036	37.18%	-	Others	20,233	10.94%	-
Net Purchases		1,740,860	100.00%		Net Purchases	1,737,534	100.00%		Net Purchases	184,972	100.00%	

Note 1: Major suppliers mean each commanding 10%-plus share of annual order volume.

Note2：As of publication of annual report, recent certified or reviewed financial data of supplier whose stock listed on TSE or GreTai Securities Market should be disclosed.。

The reason of change: The change of purchase amount from suppliers is due to projects completed and projects started in last two years.

2. Major Clients

Major Clients Information for the Last Two Calendar Years

(Unit: NT$ thousands)

Item	2017				2018				2019(As of March 31) (註 2)			
	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer
1	-	-	-	-	-	-	-	-	ZhiSen Co., Ltd	49,437	16.04%	None
2	-	-	-	-	-	-	-	-	-	-	-	-
3	-	-	-	-	-	-	-	-	-	-	-	-
Others		2,685,328	100.00%	-	Others	3,918,005	100.00%	-	Others	258,786	83.96%	-
Net Operating Revenues		2,685,328	100.00%		Net Operating Revenues	3,918,005	100.00%		Net Operating Revenues	308,223	100.00%	

Note 1: Major Clients mean each commanding 10%-plus share of annual sales volume.

Nore2:As of publication of annual report, recent certified or reviewed financial data of client whose stock listed on TSE or GreTai Securities Market should be disclosed.

The reason of change: Due to the nature of development industry, there are no specific customers.

(E) An indication of the production volume for the two most recent fiscal years

(Unit: NT$ thousands)

Year / Output / Major Products (or by departments)	2017		2018	
	Volume (Housing)	Amount	Volume (Housing)	Amount
House	359	4,183,430	67	1,809,600
Parking lot	294	(Included Parking lot cost)	117	(Included Parking lot cost)
Rental	-	-	-	-
Total	653	4,183,430	184	1,809,600

(F) An indication of the volume of units sold for the two most recent fiscal years

(Unit: NT$ thousands)

Year / Volume / Product	2017				2018			
	Domestic		Foreign		Domestic		Foreign	
	Volume	Amount	Volume	Amount	Volume	Amount	Volume	Amount
Sales Revenue (House, Parking lot)	281	2,664,960	-	-	685	3,918,005	-	-
Rental	53	20,368	-	-	54	20,175	-	-
Land	-	-	-	-	-	-	-	-
Total	334	2,685,328	-	-	739	3,918,005	-	-

C. Human Resources :

April 16, 2019

Year		2017	2018	As of Apr. 15, 2019
Number of staff	Employee	19	15	15
	Engineering employee	17	11	10
	Total	36	26	25
Average age		47	48	50
Average length of service		10.19	11.34	12.12
Education background	Doctor	-	-	-
	Master	8.3%	11.6%	12%
	Bachelor	72.2%	76.9%	76%
	High school	19.5%	11.5%	12%
	Other	-	-	-

D. Disbursements for environmental protection

a.Pursuant to laws, facilities should apply for the permit or the pollution of pollution discharge permit or pollution control costs should be paid or environmental protection should be set up dedicated units who were ,Its claim, the case of payment instructions or established.

Investment in our by the construction company to build the case for labor and materials or way of contracting not-included contract, Construction process of environmental protection, by the contractor company responsible. However, the concept based on Environmental Protection, Our for the engineering construction process, Contract manufacturers are strictly required to do environmental protection,

So the last two years has not suffered losses due to pollution of the environment,

no significant environmental expenditures anticipated future.

b.Companies on the prevention of environmental pollution on the investment of major equipment and use and could be beneficial：None

c. Last three year the company to improve the environment through pollution, the event has pollution dispute, And should explain the deal through：

Our contracts with construction companies in the construction period stipulated in the environmental responsibility of a construction plant, responsible for overseeing the company. In the prevention of pollution Our on the following measures：

1. Geological and Adjacent Building status as the selection of appropriate construction methods to reduce noise and vibration.
2. Erection of fence around the building to prevent dust or debris falling.
3. Set the closed conduit from garbage strewn garbage transfer process.
4. Designated waste placement, periodic deliveries of disposable workers.
5. Regular employee base of gutter cleaning, maintenance of the surrounding environment in order to maintain smooth Health.

d. The last three years the company suffered losses due to pollution of the environment (including compensation)：None

e. Pollution and improve current earnings, competitive position and capital expenditures over the next three years and its significant environmental capital expenditures are expected: None

E.Labor relations

a.Various staff welfare measures, education, training, retirement system and its implementation of the agreement between the case and the labor and the situation of the protection of workers

1. Our provided the welfare system as follows:
   - (1)Housing benefits: All regular employees Our to purchase the company invest in the construction of the Product, are entitled to a discount
   - (2)Car borrowing: The Company provides a staff car borrowing approach.
   - (3)Emergency borrowing: Where the company the official staff of probation emergency occurs, it may Borrow less than 6 months in advance of salary, and to provide a staff of emergency borrowing Measures.
2. Employee Welfare Committee Our to provide the following benefits:
   - (1)Domestic and foreign tourist activities: To encourage employees to engage in the leisure, where the Employees of the Company may from time to time to participate in the employee benefits committee organized by domestic and foreign tourism. Tourism activities and is home to the subsidy approach.

(2)Gifts and education grants: all regular employees who have enjoyed the company birth, wedding Gifts, bereavement of themselves and their families are offered each semester Dianyi and education grants for their employees. And to provide a staff of gifts, grants approach.

(3) Achievements of Employees' Welfare Committee in 2018:

Welfare	Item	Amount(NT dollars)
Benefits	Weddings and funerals	36,000
	Emergency Allowances	16,800
Educational subsidy	Child education subsidy	106,000
Recreational subsidy	Leisure and sports activity	1,429,167
	Club activity	637,209
	Recreation and facility	634,400
	Others	26,950

3. The case with the implementation of the retirement system:

(1)Employees Retirement System has set the year 1992, the implementation of, and has been seen by The Ministry of Finance, Taipei National Tax Administration, filing approval set down only as of 12/31/2018, the cumulative deposited in the Central Trust of the retirement reserve account has Reached NT$18,340 thou sand Dollars.

(2)Our in accordance with the provisions of the labor pension contribution of 6%

4. Collective agreement: The company has always been harmonious labor relations, no labor disputes, the Situation is therefore not labor agreement

b.The Company is to enhance the quality of human resources and development advantages, there education and training to implement sustainable management practices to maintain the company foundation and development, education and training system is divided into Our internal training and external training camp.

c.The last three years the company suffered due to loss of labor disputes and to expose current and future estimated amount of possible response measures: None

d. Please refereance to Chinese version.

c. Please refereance to Chinese version.

F.Important contracts

Contract	Party	Date	Engineering	Restriction
Construction	Guo Yao Construction Co., Ltd.	2017.08~2019.12	041060434 hotel project	NA
Construction	Acter Co.,Ltd.	2017.12~2019.12	041060434 Electrical and Mechanical	NA
Construction	Chung-Lu Construction Co.,Ltd.	2016.06~2018.07	031110634Structure	NA
Construction	Li-Ben Technical & Trading Ltd.	2016.08~2018.07	031110634Electrical and Mechanical	NA
Construction	Kimzo Construction Co.	2016.04~2017.08	09240289 Internal Decoration	NA
Construction	Kimzo Construction Co.	2016.03~2018.03	061060137Structure	NA
Construction	Qiao Zhen MEE Co.,Ltd	2016.08~2018.03	061060137Electrical and Mechanical	NA
Construction	Han-Zhen Machinery & Electronic Co., Ltd.	2015.04~2017.08	09240289 Electrical and Mechanical	NA
Construction	ShineFar Construction Co., Ltd.	2015.08~2017.10	121040760 Structure	NA
Construction	Han-Zhen Machinery & Electronic Co., Ltd.	2015.12~2017.10	121040760Electrical and Mechanical	NA
Construction	ShineFar Construction Co., Ltd.	2015.06~2017.07	012510135 Electrical and Mechanical	NA
Construction	ReiJu Construction Co., Ltd.	2014.12~2017.07	012510135 Foundation	NA

VI. Financial Information

A. Abbreviated condensed balance sheets and comprehensive income statements for the past five fiscal years

a. Condensed balance sheet & comprehensive income statement

1. condensed balance sheet- IFRS

Unit: Thousands of NT dollars

Item \ Year		Financial information for the last five years (Note 1)					Financial information up to March 31, 2019 (Note 2)
						2018 (Note 1)	
Current assests						15,751,740	15,687,372
Property, Plant and Equipment						86,238	85,258
Intangible assets						-	-
Other assets						261,508	263,106
Total assets						16,099,486	16,035,736
Current liabilities	Before distribution					4,443,370	4,362,441
	After distribution					-	(Note 2)
Non-current liabilities						7,252	9,401
Total liabilities	Before distribution					4,450,622	4,371,842
	After distribution					-	(Note 2)
Attributable to parent's equity						-	-
Cpaital stock						3,328,087	3,328,087
Capital surplus						2,041,583	2,041,583
Retained earnings	Before distribution					6,288,723	6,303,753
	After distribution						(Note 2)
Other equity						(9,529)	(9,529)
Treasury stock						-	-
Non-controlling interests						11,648,864	-
Total equity	Before distribution					16,099,486	11,663,894
	After distribution					-	(Note 2)

Note 1: The company applies the consolidated financial statements for the first time in the year of 2018. Please refer to the instructions of individual statement instructions.

Note 2: The financial information of the first quarter in 2019 is being reviewed by CPA, and there is no distribution.

1-1.condensed balance sheet- IFRS

Item \ Year		Financial information for the last five years (Note 1)				
		2014	2015	2016	2017	2018
Current assests		20,026,248	19,506,615	16,593,983	17,007,856	15,697,656
Property, Plant and Equipment		78,838	78,186	79,116	77,203	86,238
Intangible assets		-	-	-	-	-
Other assets		1,258,405	702,500	582,135	694,174	314,268
Total assets		21,366,491	20,287,301	17,255,234	17,779,233	16,098,162
Current liabilities	Before distribution	10,728,031	8,861,100	5,660,968	6,109,885	4,442,046
	After distribution	11,393,648 (Note 3)	9,726,402 (Note 4)	6,359,866 (Note 5)	6,609,098 (Note 6)	(Note 7)
Non-current liabilities		5,697	5,074	2,513	2,085	7,252
Total liabilities	Before distribution	10,733,728	8,866,174	5,663,481	6,111,970	4,449,298
	After distribution	11,399,345	9,731,476	6,362,379	6,611,183	(Note 7)
Attributable to parent’s equity		-	-	-	-	-
Cpaital stock		3,328,087	3,328,087	3,328,087	3,328,087	3,328,087
Capital surplus		2,041,583	2,041,583	2,041,583	2,041,583	2,041,583
Retained earnings	Before distribution	5,199,711	6,000,434	6,203,493	6,287,130	6,288,723
	After distribution	4,534,094	5,135,132	5,504,595	5,787,917	(Note 7)
Other equity		63,382	51,023	18,590	10,463	(9,529)
Treasury stock		-	-	-	-	-
Non-controlling interests		-	-	-	-	-
Total equity	Before distribution	10,632,763	11,421,127	11,591,753	11,667,263	11,648,864
	After distribution	9,967,146	10,555,825	10,892,855	11,168,050	(Note 7)

Note 1: 2014-2018 the above financial data has audited or review by CPA.
Note 2: The financial information of the first quarter in 2019 is being reviewed by CPA, and there is no distribution.
Note3: Retained earnings after distribution in 2014= retained earnings before distribution in 2015-cash dividend NT$665,617,000
Nore4: Retained earnings after distribution in 2015= retained earnings before distribution in 2016-cash dividend NT$865,302,000
Note5: Retained earnings after distribution in 2016= retained earnings before distribution in 2017-cash dividend NT$698,898,000
Note6: Retained earnings after distribution in 2017= retained earnings before distribution in 2018-cash dividend NT$499,213,000
Note7: The distribution of 2019 retained earnings has not determined by shareholders’ meeting.
Note8: Property, Plant and Equipment never revalued assets.

2. Condensed comprehensive income statement-IFRS

Unit: Thousands of NT dollars

Item \ Year	Financial information for the last five years (Note 1)					Financial information up to March 31, 2019 (Note 2)
					2018 (Note 1)	
Operating revenue					3,918,005	308,195
Operating profit					650,889	51,480
Operating income					432,625	10,266
Non-operating income and expense					88,217	7,702
Income before tax					520,842	17,968
Continuing operating net income					444,704	15,030
Discontinuing operating loss					-	-
Net income (loss)					444,704	15,030
Other comprehensive income (After-tax amount)					2,351	15,030
Total comprehensive income					447,055	15,030
Income attributable to parent					447,055	15,030
Income attributable to non-controlling interests					-	-
Total comprehensive income attributable to parent					447,055	15,030
Total comprehensive income attributable to non-controlling interests					-	-
Earning per share(NT$)					1.34	0.05

Note 1: The company applies the consolidated financial statements for the first time in the year of 2018. Please refer to the instructions of individual statement instructions.

Note 2: The financial information of the first quarter in 2019 is being reviewed by CPA, and there is no distribution.

2-1. Condensed comprehensive income statement-IFRS(個體報表)

Unit: Thousands of NT dollars

Item \ Year	Financial information for the last five years (Note 1)				
	2014	2015	2016	2017	2018
Operating revenue	4,499,980	5,050,755	4,788,794	2,685,328	3,918,034
Operating profit	1,757,828	1,833,896	1,165,198	843,058	650,918
Operating income	1,357,875	1,579,543	1,016,523	710,304	433,195
Non-operating income and expense	(121,184)	(21,425)	118,170	181,419	87,647
Income before tax	1,236,691	1,558,118	1,134,693	891,723	520,842
Continuing operating net income	1,138,675	1,466,340	1,068,361	782,535	444,704
Discontinuing operating loss	-	-	-	-	-
Net income (loss)	1,138,675	1,466,340	1,068,361	782,535	444,704
Other comprehensive income (After-tax amount)	8,639	(12,359)	(32,433)	(8,127)	2,351
Total comprehensive income	1,147,314	1,453,981	1,035,928	774,408	447,055
Income attributable to parent	1,147,314	1,453,981	1,035,928	774,408	447,055
Income attributable to non-controlling interests	-	-	-	-	-
Total comprehensive income attributable to parent	1,147,314	1,453,981	1,035,928	774,408	447,055
Total comprehensive income attributable to non-controlling interests	-	-	-	-	-
Earning per share(NT$)	3.46	4.41	3.21	2.35	1.34

Note 1: 2014-2018 the above financial data has audited or review by CPA.

Note 2: The financial information of the first quarter in 2019 is being reviewed by CPA, and there is no distribution.

b. Name of CPA within five years and auditing opinion given

Year	Name of accounting firm	CPA	Auditing opinion
2014	KPMG	H.S. Lin & Y.F. Shu	Unqualified Opinion
2015	KPMG	H.S. Lin & Y.F. Shu	Unqualified Opinion
2016	KPMG	C.S.Wang & H.S. Lin	Unqualified Opinion
2017	KPMG	C.S.Wang & H.S. Lin	Unqualified Opinion
2018Q1~2018Q3	KPMG	C.S.Wang & H.S. Lin	Unqualified Opinion
2018Q4	KPMG	C.W. CHUANG & C.S.Wang	Unqualified Opinion

B.Financial analysis for the past five years

Financial analysis of the applicable of IFRS

Unit: Thousands of NT dollars

Year (Note 1) / Fanancial analysis (Note 3)		Financial information for the last five years (Note 1)					Financial information up to March 31, 2019 (Note 2)
						2018 (Note 1)	
Financial structure (%)	Debt of long fund to bank (%)					27.64	27.26
	Ratio of property, plant and equipment to assets (%)					13516.21	13691.72
Solvency	Current ratio(%)					354.49 (Note 4)	359.60
	Quick ratio(%)					26.21 (Note 4)	26.46
	Times interest earned ratio(times)					16.05 (Note 5)	2.65
Operating ability	Account receivable turnover(times)					51.61 (Note 6)	19.47
	Days sales in account receivable					7 (Note 6)	19
	Inventory turnover(times)					0.21 (Note 7)	0.07
	Account payable turnover(times)					7.76 (Note 7)	3.73
	Average days in sales					1738 (Note 7)	5,214
	Property, plant and equipment turnover(times)					47.94 (Note 6)	14.37
	Total assets turnover(times)					0.23 (Note 6)	0.07
Profitability	Ratio of return on total assets (%)					2.78 (Note 6)	0.14
	Ratio of return on equity (%)					3.81 (Note 6)	0.12
	Income before tax Ratio to issued capital stock(%)					15.64 (Note6)	0.53
	Profit ratio (%)					11.35 (Note 6)	4.87
	Earning per share(NT$)					1.34 (Note 6)	0.05
Cash flow	Cash flow ratio(%)					24.53 (Note 8)	1.63
	Cash flow adequancy ratio(%)					306.29	321.26
	Cash re-investment ratio(%)					5.04 (Note 8)	0.60
Balance	Operation balance					1.21	3.86
	Financial balance					1.08	(17.11)
Analysis of financial ratio change in the last two years (if the difference does not exceed 20%, the analysis is not required.)							

Note 1: The company applies the consolidated financial statements for the first time in the year of 2018. Please refer to the instructions of individual statement instructions.

Financial analysis of the applicable of IFRS

Fanancial analysis (Note 3)	Year (Note 1)	Financial information for the last five years (Note 1)				
		2014	2015	2016	2017	2018
Financial structure (%)	Debt of long fund to bank (%)	50.23	43.70	32.82	34.37	27.63
	Ratio of property, plant and equipment to assets (%)	13486.85	14607.63	14651.59	15115.15	13516.21
Solvency	Current ratio(%)	186.70	220.13	293.12	278.36	353.38 (Note 4)
	Quick ratio(%)	13.3	12.28	12.27	17.54	25.07 (Note 4)
	Times interest earned ratio(times)	15.18	38.58	72.99	30.97	16.05 (Note 5)
Operating ability	Account receivable turnover(times)	19.90	61.42	67.53	32.78	51.61 (Note 6)
	Days sales in account receivable	18	6	5	11	7 (Note 6)
	Inventory turnover(times)	0.14	0.17	0.21	0.11	0.21 (Note 7)
	Account payable turnover(times)	4.29	4.63	5.88	3.68	7.76 (Note 7)
	Average days in sales	2607	2147	1738	3318	1738 (Note 7)
	Property, plant and equipment turnover(times)	58.14	64.33	60.88	34.35	47.94 (Note 6)
	Total assets turnover(times)	0.20	0.24	0.25	0.15	0.23 (Note 6)
Profitability	Ratio of return on total assets (%)	5.44	7.20	5.76	4.6	2.78 (Note 6)
	Ratio of return on equity (%)	11.34	13.29	9.28	6.72	3.81 (Note 6)
	Income before tax Ratio to issued capital stock(%)	37.15	46.81	34.09	26.79	13.01 (Note 6)
	Profit ratio (%)	25.3	29.03	22.30	29.14	11.35 (Note 6)
	Earning per share(NT$)	3.46	4.41	3.21	2.35	1.34 (Note 6)
Cash flow	Cash flow ratio(%)	34.62	48.02	(7.28)	12.19	24.63 (Note 8)
	Cash flow adequancy ratio(%)	(9.16)	57.69	101.07	103.62	306.44 (Note 8)
	Cash re-investment ratio(%)	31.75	31.27	(10.97)	0.39	5.11 (Note 8)
Balance	Operation balance	1.02	1.04	1.09	1.04	1.21
	Financial balance	1.06	1.02	1.01	1.04	1.08
Analysis of financial ratio change in the last two years (if the difference does not exceed 20%, the analysis is not required.)						

Note 1: 2014-2018the above financial data has audited or review by CPA.
Note 2: The financial information of the first quarter in 2018 is being reviewed by CPA.
Note 3: Formulas of financial ratio are as follow:

1. Financial structure:
   (1)Debt of long fund to bank property and equipment=total liabilities/total assets
   (2)Ratio of property, plant and quipment to assets =(total equity+non-current liabilities)/net property, plant and quipment
2. Solvency
   (1)Current ratio=current assets/current liabilities
   (2)Quick ratio=(current assets-inventory-prepaid expense)/current liabilities

(3)Times interest earned ratio=net income before tax and interest expense/interest expense

3. Operating ability

(1)Account receivable turnover (including accounts receivable and notes receivable resulted from business operation)=net sales/average balance of account receivable (including accounts receivable and notes receivable resulted from business operation)

(2)Days sales in account receivable=365/account receivable turnover

(3)Inventory turnover=cost of goods sold/average inventory

(4)Account payable turnover (including accounts payable and notes payable resulted from business operation)=operating costs/average balance of account payable (including accounts payable and notes payable resulted from business operation)

(5)Average days in sales=365/inventory turnover

(6)Fixed property, plant and quipment turnover=net sales/net property, plant and quipment

(7)Total assets turnover=net sales/average total assets

4. Profitability

(1)Ratio or return on total assets=[net income+interest expense*(1-tax rate)]/average total assets

(2)Ratio of return on equity=net income/average total equity

(3)Profit ratio=net income/net sales

(4)Earnings per share=(attributable to parent's equity -preferred stock dividend)/weighted average stock shares issued

5.Cash flow

(1)Cash flow ratio=net cash flow from operating activity/current liabilities

(2)Cash flow adequacy ratio= (net cash flow from operating activities within five year/(capital expenditure+inventory increase +cash dividend) within five year

(3)Cash re-investment ratio=(net cash flow from operating activity -cash dividend)/(total property, plant and quipment +long-term investment+other non-current assets+working capital)

(6) Balance

Operation balance= (net operating income-operating variable cost and expense)/operating income

Financial balance= operating income/(operating income-interest expense)

Note 4: Due to short-term borrowings decreased significantly, current liabilities decreased.

Note 5: The borrowings decreased and only 2 interest capitalization projects, hotel and "World Trade Plaza", therefore interest expenses decreased in 2018.

Note 6: Presale projects, "Hong Pu Park", "Leisurely Days" were completed and delivered, in addition, other projects, "Light Year-the World", "Light Year-the One", "Hong Pu New Star", "Economy and Trade", "AMAX", "Paris Mansion" were sold and delivered, therefore revenue increased and account receivable decreased.

Note 7: "Hong Pu Park" and "Leisurely days" were completed and delivered, therefore cost of goods sold increased substantially, other projects sold and delivered decreased in inventory and account payable in yearend.

Note8: Presale projects, "Hong Pu Park" and "Leisurely Days" were completed and delivered, in addition, other projects were sold and delivered increased cash flows in 2018.

Note 9:When stock with no par value or par value is not equal to NTD10, income before tax ratio to issued capital is substitute to ratio to equity of parent company in balance sheets.

C. Supervisors' Report in the Most Recent Year

Supervisors' Review Report

The board of directors has prepared and submitted to us the Company's 2018 financial statements. These statements have been audited by KPMG. The financial statements present fairly the financial position of the Company and the results of its operations and cash flows. We, as the Supervisors of the Company, have reviewed these statements, the report of operations and the proposals relating to distribution of net profit. According to article 219 of the Company Law, we hereby submit this report.

To the 2019 annual Shareholder's Meeting for ratification.

Hong-Pu Real Estate Development Co., Ltd.

Supervisor: W. H. Huang

Supervisor: B.Z.Sun

As of April 26, 2019

D. Financial Statements for the Years Ended December 31, 2018 and 2017, and Independent Auditors' Report

Independent Auditors' Report

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

Opinion

We have audited the financial statements of Hong Pu Real Estate Development Co., Ltd. ("the Company"), which comprise the balance sheets as of December 31, 2018 and 2017, the statement of comprehensive income, changes in equity and cash flows for the years ended December 31, 2018 and 2017, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

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

1. Recognition of Revenue

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

   Description of key audit matter:

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

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

How the matter was addressed in our audit:

Our principal audit procedures included:

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

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

2. Valuation of Inventories

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

Description of key audit matter:

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

How the matter was addressed in our audit:

Our Principal audit procedures included:

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

KPMG

Taipei, Taiwan (Republic of China)
March 20, 2019

Notes to Readers

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

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

(English Translation of Financial Statements Originally Issued in Chinese)

HONG PU REAL ESTATE DEVELOPMENT CO., LTD.

Balance Sheets

December 31, 2018 and 2017

(expressed in thousands of New Taiwan dollars)

		December 31, 2018		December 31, 2017	
	Assets	**Amount**	**%**	**Amount**	**%**
	Current assets:				
1100	Cash and cash equivalents (note 6(a))	$ 611,067	4	243,950	2
1110	Financial assets at fair value through profit and loss (note 6(b))	18,851	-	6,337	-
1150	Notes receivable, net (note 6(e))	32,180	-	54,857	-
1170	Accounts receivable, net (note 6(e))	38,261	-	26,514	-
1320	Inventories (notes 6(f) 8 and 9)	14,538,223	91	15,918,689	90
1410	Prepayments	181,665	1	187,520	1
1460	Non-current assets held for sale (note 6(g))	253,256	2	-	-
1476	Other financial assets－current (note 6(l))	2,230	-	173,138	1
1479	Other current assets (note 9)	10,419	-	396,851	2
1480	Incremental costs of obtaining a contract	11,504	-	-	-
	Total current assets	15,697,656	98	17,007,856	96
	Non-current assets:				
1523	Available-for-sale financial assets－non-current (note 6(c))	-	-	30,409	-
1543	Financial assets carried at cost－non-current (note 6(d))	-	-	1,214	-
1550	Investments accounted for using equity method (note 6(h))	63,634	-	447,369	3
1600	Property, plant and equipment (note 6(i) and 8)	86,238	1	4,272	-
1760	Investment property, net (notes 6(j) and 8)	-	-	72,931	-
1920	Refundable deposits (note 9)	222,125	1	178,580	1
1990	Other assets	28,509	-	36,602	-
	Total non-current assets	400,506	2	771,377	4
	Total assets	**$ 16,098,162**	**100**	**17,779,233**	**100**

		December 31, 2018		December 31, 2017	
	Liabilities and Stockholders' Equity	**Amount**	**%**	**Amount**	**%**
	Current liabilities:				
2100	Short-term loans (note 6(k))	$ 1,887,000	12	2,167,000	12
2110	Short-term notes and bills payable (note 6(k))	1,843,088	12	2,285,568	13
2130	Current contract liabilities (note 6(l)(r) and 9)	200,969	1	-	-
2150	Notes payable	85,793	1	63,994	-
2170	Accounts payable	222,344	1	469,211	3
2200	Other payable	141,307	1	58,929	-
2230	Current tax liabilities	20,433	-	26,229	-
2312	Advance real estate receipts (notes 6(l) and 9)	-	-	1,003,112	6
2399	Other current liabilities	41,112	-	35,842	-
	Total current liabilities	4,442,046	28	6,109,885	34
	Non-current liabilities:				
2600	Other non-current liabilities	7,252	-	2,085	-
	Total liabilities	4,449,298	28	6,111,970	34
	Equity :				
3110	Common stock(note 6(p))	3,328,087	20	3,328,087	19
3200	Capital surplus (note 6(p))	2,041,583	13	2,041,583	11
	Retained earnings:				
3310	Appropriated as legal capital reserve (note 6(p))	1,812,417	11	1,734,163	10
3350	Unappropriated earnings(note 6(p))	4,476,306	28	4,552,967	26
		6,288,723	39	6,287,130	36
	Other equity:				
3410	Foreign exchange differences arising from foreign operation (note 6(p))	(9,529)	-	(11,880)	-
3425	Unrealized gain on available-for-sale financial assets (note 6(p))	-	-	22,343	-
	Total other equity	(9,529)	-	10,463	-
	Total equity	11,648,864	72	11,667,263	66
	Total equity and liabilities	**$ 16,098,162**	**100**	**17,779,233**	**100**

(English Translation of Financial Statements Originally Issued in Chinese)
HONG PU REAL ESTATE DEVELOPMENT CO., LTD.
Statements of Comprehensive Income
For the years ended December 31, 2018 and 2017
(expressed in thousands of New Taiwan dollars Except Earnings per Share)

		2018		2017	
		Amount	**%**	**Amount**	**%**
	Operating revenue:				
4300	Rental revenue (notes 6(m) (r) and (s))	$ 20,204	-	20,368	1
4511	Construction contract revenue (notes 6(r) (s))	3,977,559	102	2,688,499	100
4519	Less: Construction contract revenue returns and discount	79,729	2	23,539	1
	Net operating revenue	3,918,034	100	2,685,328	100
	Operating cost:				
5300	Rental Cost (note 6(m))	915	-	1,446	-
5510	Construction contract cost	3,266,201	83	1,840,824	69
	Net operating cost	3,267,116	83	1,842,270	69
	Gross profit	650,918	17	843,058	31
	Operating expenses:				
6100	Selling expenses	170,789	5	88,700	3
6200	Administrative expenses	46,684	1	44,054	2
6450	Impairment loss determined in accordance with IFRS 9 (note 6(e))	250	-	-	-
	Total operating expenses	217,723	6	132,754	5
	Operating income	433,195	11	710,304	26
	Non-operating income and expenses:				
7010	Other income (note 6(u))	101,240	2	105,252	4
7020	Other gains and losses (note 6(u))	(4,034)	-	5,554	-
7050	Finance costs (note 6(u))	(34,588)	(1)	(29,747)	(1)
7060	Share of profit of investment in associates and subsidiaries accounted for using equity method (note 6(h))	25,029	1	100,360	4
	Total non-operating income and expenses	87,647	2	181,419	7
7900	**Profit before tax**	520,842	13	891,723	33
7951	**Less: income tax expenses (note 6(o))**	76,138	2	109,188	4
8200	**Profit**	444,704	11	782,535	29
	Other comprehensive income (loss) (note 6(p)):				
8360	**Items that may be reclassified subsequently to profit or loss:**				
8361	Financial statements translation differences for foreign operations (note 6(h))	2,351	-	(5,660)	-
8362	Unrealized loss on valuation of available-for-sale financial assets	-	-	(2,467)	-
8399	Income tax expense relating to components of other comprehensive income (loss)	-	-	-	-
8300	**Other comprehensive income (after tax)**	2,351	-	(8,127)	-
8500	**Total comprehensive income**	**$ 447,055**	**11**	**774,408**	**29**
	Earnings per share (in dollars), after tax (note 6(q)):				
	Basic earnings per share	**$**	**1.34**		**2.35**
	Diluted earnings per share	**$**	**1.33**		**2.35**

(English Translation of Financial Statements Originally Issued in Chinese)

HONG PU REAL ESTATE DEVELOPMENT CO., LTD.

Statements of Changes in Equity

For the years ended December 31, 2018 and 2017

(Expressed in thousands of New Taiwan dollars)

	Common stock	Capital surplus	Retained earnings: Legal reserve	Retained earnings: Unappropriated earnings	Retained earnings: Total	Other equity adjustments: Financial statements translation differences for foreign operations	Other equity adjustments: Unrealized gain (loss) on valuation of available-for-sale financial assets	Total equity
Balance at January 1, 2017	$ 3,328,087	2,041,583	1,627,327	4,576,166	6,203,493	(6,220)	24,810	11,591,753
Net income	-	-	-	782,535	782,535	-	-	782,535
Other comprehensive income (loss)	-	-	-	-	-	(5,660)	(2,467)	(8,127)
Total comprehensive income (loss)	-	-	-	782,535	782,535	(5,660)	(2,467)	774,408
Appropriations and distributions:								
Legal reserve	-	-	106,836	(106,836)	-	-	-	-
Cash dividends	-	-	-	(698,898)	(698,898)	-	-	(698,898)
Balance at December 31, 2017	3,328,087	2,041,583	1,734,163	4,552,967	6,287,130	(11,880)	22,343	11,667,263
Effects of retrospective application	-	-	-	56,102	56,102	-	(22,343)	33,759
Balance on January 1, 2018 after adjustments	3,328,087	2,041,583	1,734,163	4,609,069	6,343,232	(11,880)	-	11,701,022
Net income	-	-	-	444,704	444,704	-	-	444,704
Other comprehensive income (loss)	-	-	-	-	-	2,351	-	2,351
Total comprehensive income (loss)	-	-	-	444,704	444,704	2,351	-	447,055
Appropriations and distributions:								
Legal reserve	-	-	78,254	(78,254)	-	-	-	-
Cash dividends	-	-	-	(499,213)	(499,213)	-	-	(499,213)
Balance at December 31, 2018	**$ 3,328,087**	**2,041,583**	**1,812,417**	**4,476,306**	**6,288,723**	**(9,529)**	**-**	**11,648,864**

(English Translation of Financial Statements Originally Issued in Chinese)
HONG PU REAL ESTATE DEVELOPMENT CO., LTD.
Statements of Cash Flows
For the years ended December 31, 2018 and 2017
(expressed in thousands of New Taiwan dollars)

	2018	2017
Cash flows from (used in) operating activities:		
Profit before income tax	$ 520,842	891,723
Adjustments:		
Adjustments to reconcile profit and loss:		
Expected credit loss for bad debt expense	250	-
Depreciation expense	3,452	1,913
Amortization expense	126	240
Net profit on financial assets at fair value through profit or loss	(263)	(1,586)
Interest expenses	34,588	29,747
Gain on disposal of property, plant and equipment, net	-	(135)
Interest income	(989)	(369)
Dividend income	(996)	-
Gain on disposal of financial assets	-	(10,600)
Recognized share of profit of investment in associates accounted for using equity method	(25,029)	(100,360)
Total adjustments to reconcile profit and loss	11,139	(81,150)
Net changes in operating assets and liabilities:		
Financial asset at fair value through profit or loss	19,372	-
Notes receivable	22,677	(2,073)
Accounts receivable	(11,997)	3,139
Inventories	1,419,846	27,789
Prepayments	5,855	(23,162)
Other current assets	4,276	(2,240)
Incremental costs of obtaining a contract	22,255	-
Other financial assets	170,908	88,482
Notes payable	21,799	(21,481)
Accounts payable	(246,867)	104,353
Accounts payable－related parties	-	(16,686)
Other payable	83,635	13,173
Advance receipts	-	(47,161)
Current contract liabilities	(802,143)	-
Other current liabilities	5,270	27,856
Total changes in operating assets / liabilities, net	714,886	151,989
Total adjustments	726,025	70,839
Cash generated from operations	1,246,867	962,562
Interest received	989	369
Interest paid	(75,225)	(89,337)
Income tax paid	(78,188)	(128,337)
Net cash flows from operating activities	1,094,443	745,257
Cash flows from (used in) investing activities:		
Return of capital of investments accounted for using equity method due to capital reduction	222,059	-
Acquisition of property, plant and equipment	(12,487)	-
Proceeds from sale of property, plant and equipment	-	135
Proceeds from disposal of available-for-sale financial assets	-	16,754
Increase in refundable deposits	(77,431)	(492,643)
Decrease in refundable deposits	412,296	88,280
Decrease (increase) in other assets	7,967	(11,974)
Dividends received	996	19,077
Acquisition of investments accounted for using equity method	(64,200)	-
Net cash flows from (used in) investing activities	489,200	(380,371)
Cash flows from (used in) financing activities:		
Increase in short-term borrowings	2,577,000	2,643,000
Decrease in short-term borrowings	(2,857,000)	(2,573,000)
Increase in short-term commercial paper payable	9,973,186	12,475,435
Decrease in short-term commercial paper payable	(10,415,666)	(12,136,750)
Decrease in other non-liabilities	5,167	(428)
Cash dividends paid	(499,213)	(698,898)
Net cash flows used in financing activities	(1,216,526)	(290,641)
Net increase in cash and cash equivalents	367,117	74,245
Cash and cash equivalents, at beginning of period	243,950	169,705
Cash and cash equivalents, at end of period	**$ 611,067**	**243,950**

(English Translation of Financial Statements Originally Issued in Chinese)

HONG PU REAL ESTATE DEVELOPMENT CO., LTD.

Notes to Financial Statements

For the years ended December 31 2018 and 2017

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

1. ORGANIZATION AND BUSINESS SCOPE

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

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

2. THE AUTHORIZATION OF FINANCIAL STATEMENTS

The financial statements were approved and authorized for issue by the Board of Directors on March 20, 2019.

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

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2018.

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendment to IFRS 2 “Clarifications of Classification and Measurement of Share-based Payment Transactions”	January 1, 2018
Amendments to IFRS 4 “Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts”	January 1, 2018
IFRS 9 “Financial Instruments”	January 1, 2018
IFRS 15 “Revenue from Contracts with Customers”	January 1, 2018
Amendment to IAS 7 “Statement of Cash Flows -Disclosure Initiative”	January 1, 2017
Amendment to IAS 12 “Income Taxes- Recognition of Deferred Tax Assets for Unrealized Losses”	January 1, 2017

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IAS 40 "Transfers of Investment Property"	January 1, 2018
Annual Improvements to IFRS Standards 2014－2016 Cycle:	
Amendments to IFRS 12	January 1, 2017
Amendments to IFRS 1 and Amendments to IAS 28	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

Except for the following items, the Company believes that the adoption of the above IFRSs would not have any material impact on its financial statements. The extent and impact of signification changes are as follows:

(i) IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces the existing revenue recognition guidance, including IAS 18 "Revenue" and IAS 11 "Construction Contracts". The Company applies this standard retrospectively with the cumulative effect, it need not restate those contracts, but instead, continues to apply IAS 11, IAS 18 and the related Interpretations for comparative reporting period. The Company recognizes the cumulative effect upon the initially application of this Standard as an adjustment to the opening balance of retained earnings on January 1, 2018.

The Company uses the practical expedients for completed contracts, which means it need not restate those contracts that have been completed on January 1, 2018.

The following are the nature and impacts on changing of accounting policies:

1) Sales of properties and land

For the sales contract of properties and land, revenue was recognized when the construction and the handover was completed. Revenue was recognized at this point provided that the revenue and costs could be measured reliably, the recovery of the consideration was probable and there was no continuing management involvement with the goods. Under IFRS 15, the Company shall assess whether the performance obligation is satisfied over time or at a point in time. The Company assesses that the contract is fulfilled at a point in time and that the timing of the transfer of significant risk and rewards of ownership is similar with the timing of the transfer of control. As a result there is no material impact on the financial statements.

For certain contracts that permit a customer to return an item, revenue was recognized when a reasonable estimate of the returns can be made, provided that all other criteria for revenue recognition were met. Otherwise, a revenue recognition was deferred until the return period lapses or a reasonable estimate of returns could be made. Under IFRS 15, revenue is recognized for these contracts to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur. A refund liability and an asset for recovery will be recognized for these contracts and presented separately in the statement of financial position.

2) Significant financing components－advance real estate receipts

Because the imputation of interest was not required by previous standards, the Company did not adjust any of the transaction prices for advance receipts. Under IFRS 15, the Company shall assess whether the advance receipts contain significant financing components to determine whether to adjust the amount of commitment consideration to reflect the impact of time value.

By individual contract, the Company assesses that there is a difference between commitment consideration and cash price and that the above advance receipts include financing agreements. However, the advance receipts do not include any significant financing component in individual contract, therefore, the adoption does not have any material impact on its financial statements.

3) Incremental costs of obtaining a contract

The sales commission paid to the real estate agency and the related expenditure from sales department were expensed when occurred. Under IFRS15, if the relevant cost of obtaining a contract with a customer is expected to be recovered through sale of the real estate, it should be recognized as an asset and be amortized on a systematic basis which reflecting the pattern of the transfer of the presold real estate. As a consequence, incremental costs of obtaining a contract meeting the above requirement will be amortized when the revenue is recognized.

4) Impacts on financial statements

The following tables summarize the impacts of adopting IFRS15 on the Company’s financial statements:

	December 31, 2018			January 1, 2018		
Impacted line items on the balance sheet	**Balances prior to the adoption of IFRS 15**	**Impact of changes in accounting policies**	**Balance upon adoption of IFRS 15**	**Balances prior to the adoption of IFRS 15**	**Impact of changes in accounting policies**	**Balance upon adoption of IFRS 15**
Incremental costs of obtaining a contract	$ -	11,504	11,504	-	33,759	33,759
Impact on assets		**11,504**			**33,759**	
Current contract liabilities	-	200,969	200,969	-	1,003,112	1,003,112
Advance real estate receipts	200,969	(200,969)	-	1,003,112	(1,003,112)	-
Impact on liabilities		**-**			**-**	
Retained earnings	4,464,802	11,504	4,476,306	4,552,967	33,759	4,586,726
Impact on equity		**$ 11,504**			33,759	

	For the year ended December 31, 2018		
Impacted line items on the income statement	**Before adjustments**	**Impact of changes in accounting polices**	**After adjustments**
Selling expenses	$ 148,534	22,255	170,789
Impact on profit before income tax		(22,255)	
Income tax expenses	-	-	-
Impact on Profit		**(22,255)**	
Basic earnings per share	**$ 1.41**	**(0.07)**	**1.34**
Diluted earnings per share	**$ 1.40**	**(0.07)**	**1.33**

Impacted line items on the statement of cash flows		For the year ended December 31, 2018 Before adjustments	Impact of changes in accounting polices	After adjustments
Cash flows from (used in) operating activities:				
Profit before tax	$	543,097	(22,255)	520,842
Adjustments:				
Incremental costs of obtaining a contract		-	22,255	22,255
Current contract liabilities		-	(802,143)	(802,143)
Advance real estate receipts		(802,143)	802,143	-
Impact on net cash flows from operating activities			$ -	

(ii) IFRS 9 "Financial Instruments"

IFRS 9 replaces IAS 39 "Financial Instruments: Recognition and Measurement" which contains classification and measurement of financial instruments, impairment and hedge accounting.

As a result of the adoption of IFRS 9, the Company adopted the consequential amendments to IAS 1 "Presentation of Financial Statements" which requires impairment of financial assets to be presented in a separate line item in the statement of profit or loss and OCI. Previously, the Company's approach was to include the impairment of trade receivables in administrative expenses. Additionally, the Company adopted the consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to disclosures about 2018 but generally have not been applied to comparative information.

The detail of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below:

1) Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification. For an explanation of how the Company classifies and measures financial assets and accounts for related gains and losses under IFRS 9, please see note 4(f).

The adoption of IFRS 9 did not have any a significant impact on its accounting policies on financial liabilities.

2) Impairment of financial assets

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with the ‘expected credit loss’ (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than they are under IAS 39 – please see note 4(f).

3) Transition

The adoption of IFRS 9 have been applied retrospectively, except as described below,

- Comparative periods have been restated only for retrospective application of the cost of hedging approach for forward points. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized in retained earnings and reserves as on January 1, 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.

- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.

  —The determination of the business model within which a financial asset is held.

  —The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.

  —The designation of certain investments in equity instruments not held for trading as at FVOCI.

4) Classification of financial assets on the date of initial application of IFRS 9

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company’s financial assets as of January 1, 2018.

	IAS39		IFRS9	
	Measurement categories	**Carrying Amount**	**Measurement categories**	**Carrying Amount**
Financial Assets				
Cash and equivalents	Loans and receivables	243,950	Amortized cost	243,950
Equity instruments	Financial assets at fair value through profit and loss	6,337	Financial assets at fair value through profit and loss	6,337
	Available-for-sale (note)	30,409	Financial assets at fair value through profit and loss	30,409
	Financial assets carried at cost (note)	1,214	Financial assets at fair value through profit and loss	1,214
Trade and other receivables	Loans and receivables	81,371	Amortized cost	81,371

Note: The Company does not intend to hold these equity securities investments for the long term for strategic purposes. As permitted by IFRS 9, the Company has designated these investments at the date of initial application as measured at FVTPL. Accordingly, a decrease of $22,343 thousand in other equity and an increase of $22,434 thousand in retained earnings were recognized on January 1, 2018.

The following table reconciles the carrying amounts of financial assets under IAS 39 to the carrying amounts under IFRS 9 upon transition to IFRS 9 on 1 January, 2018.

	2017.12.31 IAS 39 Carrying Amount	Reclassifications	2018.1.1 IFRS 9 Carrying Amount	2018.1.1 Retained earnings	2018.1.1 Other equity
Fair value through profit or loss					
Beginning balance of FVTPL (IAS 39)	$ 6,337	-		-	-
Additions − equity instruments:					
From available-for-sale	-	30,409		22,343	(22,343)
From financial assets measured at cost	-	1,214		-	-
Total	$ 6,337	31,623	37,960	22,343	(22,343)
Fair value through other comprehensive income					
Beginning balance of available-for-sale (including measured at cost) (IAS 39)	$ 31,623	-		-	-
Available for sale to FVOCI	-	-		-	-
Subtraction − equity instruments:					
To FVTPL − required reclassification based on classification criteria	-	(31,623)		-	-
Total	$ 31,623	(31,623)	-	-	-

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2019 in accordance with Ruling No. 1070324857 issued by the FSC on July 17, 2018:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
IFRS 16 “Leases”	January 1, 2019
IFRIC 23 “Uncertainty over Income Tax Treatments”	January 1, 2019
Amendments to IFRS 9 “Prepayment features with negative compensation”	January 1, 2019
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019
Amendments to IAS 28 “Long-term interests in associates and joint ventures”	January 1, 2019
Annual Improvements to IFRS Standards 2015－2017 Cycle	January 1, 2019

Except for the following items, the Company believes that the adoption of the above IFRSs would not have any material impact on its financial statements. The extent and impact of signification changes are as follows:

(i) IFRIC 23 Uncertainty over Income Tax Treatments

In assessing whether and how an uncertain tax treatment affects the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, as well as tax rates, an entity shall assume that a taxation authority will examine the amounts it has the right to examine and have a full knowledge on all related information when making those examinations.

If an entity concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the entity shall determine the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, as well as tax rates consistently with the tax treatment used or planned to be used in its income tax filings. Otherwise, an entity shall reflect the effect of uncertainty for each uncertain tax treatment by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty.

So far, the Company estimated the application of the amendments may not have significant impact.

The actual impacts of adopting the standards may change depending on the economic conditions and events which may occur in the future.

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

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

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”	Effective date to be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

(a) Statement of compliance

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

(b) Basis of preparation

(1) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following significant accounts in the balance sheet:

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

ii Fair value through other comprehensive income (Available-for-sale financial assets) are measured at fair value.

(2) Functional and presentation currency

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

(c) Foreign currencies

(1) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the end of the period (hereinafter referred to as the reporting date) are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between the amortized cost in the functional currency at the beginning of the period adjusted for the effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the reporting date.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of transaction.

Foreign currency differences arising on retranslation are recognized in profit or loss, except for the following differences which are recognized in other comprehensive income:

● Fair value through other comprehensive income (Available-for-sale) equity investment;

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

● Qualifying cash flow hedges to the extent that the hedge is effective.

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

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

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

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

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

(4) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

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

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

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

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

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

(e) Cash and cash equivalents

Cash consists of cash on hand and cash in banks. Cash equivalents comprise short-term and highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes should be recognized as cash and cash equivalents.

Bank overdrafts that are repayable on demand and form an integral part of the Company’s cash management are included as a component of cash and cash equivalents.

(f) Financial instruments

(i) Financial assets (policy applicable from January 1, 2018)

Financial assets are classified into the following categories: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

The Company shall reclassify all affected financial assets only when it changes its business model for managing its financial assets.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses, and impairment loss, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

2) Fair value through other comprehensive income (FVOCI)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL

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

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

A financial asset measured at FVOCI is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses, and impairment losses, deriving from debt investments are recognized in profit or loss; whereas dividends deriving from equity investments are recognized as income in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses of financial assets measured at FVOCI are recognized in OCI. On derecognition, gains and losses accumulated in OCI of debt investments are reclassified to profit or loss. However, gains and losses accumulated in OCI of equity investments are reclassified to retain earnings instead of profit or loss.

Dividend income derived from equity investments is recognized on the date that the Company's right to receive payment is established, which in the case of quoted securities is normally the exdividend date. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Subsequent changes that are measured at fair value, which take into account any dividend and interest income, are recognized in profit or loss. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

4) Business model assessment

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

5) Impairment of financial assets

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

The Company measures loss allowances at an amount equal to lifetime expected credit loss (ECL), except for the following which are measured as 12-month ECL

- debt securities that are determined to have low credit risk at the reporting date; and
- bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for accounts receivables are always measured at an amount equal to lifetime ECL.

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

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

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

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company’s historical experience and informed credit assessment as well as forward-looking information.

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

ECLs are probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

For debt securities at FVOCI, loss allowances are recognized in other comprehensive income instead of reducing the carrying amount of the asset. The Company recognizes the amount of expected credit losses (or reversal) in profit or loss, as an impairment gain or loss.

The gross carrying amount of a financial asset is written off, either partially or in full, to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company’s procedures for recovery of amounts due.

6) Derecognition of financial assets

Financial assets are derecognized when the contractual rights to the cash flows from the assets expire, or when the Company transfers substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a debt instrument in its entirety, the Company recognizes the difference between its carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income and presented in “other equity – unrealized gains or losses on fair value through other comprehensive income”, in profit or loss, and presents it in the line item of non-operating income and expenses.

On derecognition of a financial asset other than in its entirety, the Company allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss, and presented in the line item of non-operating income and expenses. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

(ii) Financial assets (policy applicable before January 1, 2018)

The Company classifies financial assets into the following categories: financial assets at fair value through profit or loss, available-for-sale financial assets and loans and receivables.

1) Financial assets at fair value through profit or loss

A financial asset is classified in this category if it is classified as held-for-trading or is designated as such on initial recognition.

Financial assets are classified as held-for-trading if they are acquired principally for the purpose of selling in the short term. The Company designates financial assets, other than the ones classified as held-for-trading, as at fair value through profit or loss at initial recognition under one of the following situations:

- Designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;
- Performance of the financial asset is evaluated on a fair value basis;
- A hybrid instrument contains one or more embedded derivatives.

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein, which take into account any dividend and interest income, are recognized in profit or loss, and are included in non-operating income and expenses. A regular way purchase or sale of financial assets shall be recognized and derecognized, as applicable, using trade-date accounting.

Investments in equity instruments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured, are measured at amortized cost, and are included in the financial assets measured at cost.

2) Available-for sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the other categories of financial assets. Available-for-sale financial assets are recognized initially at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, interest income calculated using the effective interest method, dividend income, and foreign currency differences on available-for-sale debt instruments, are recognized in other comprehensive income and are presented in the fair value reserve in equity. When an investment is derecognized, the cumulative gain or loss in equity is reclassified to profit or loss, and included in non-operating income and expenses.

Investments in equity instruments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured, are measured at amortized cost less any identified impairment loss, and are included in financial assets measured at cost.

Dividend income is recognized in profit or loss on the date that the Company's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date. Such dividend income is included in non-operating income and expenses.

Interest income from investment in bond security is recognized in profit or loss, and included in non-operating income and expenses.

3) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables comprise trade receivables and other receivables. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses, other than insignificant interest on short-term receivables. A regular way purchase or sale of financial assets shall be recognized and derecognized, as applicable, using trade-date accounting.

Interest income is recognized in profit or loss, and it is included in non-operating income and expenses.

4) Impairment of financial assets

Except for financial assets at fair value through profit or loss, financial assets are assessed for impairment at each reporting date. A financial asset is impaired if, and only if, there is any objective evidence of impairment as a result of one or more events (a loss event) that occurred subsequent to the initial recognition of the asset and that a loss event (or events) has an impact on the future cash flows of the financial assets that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is accounted for as objective evidence of impairment.

All individually significant receivables are assessed for specific impairment. Receivables that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics. In assessing collective impairment, the Company uses historical trends of the probability of default, the timing of recoveries, and the amount of loss incurred, adjusted for management’s judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or lesser than those suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset’s original effective interest rate.

An impairment loss in respect of a financial asset measured at cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversible in subsequent periods.

For all financial assets, an impairment loss is deducted from the carrying amount, except for trade receivables, for which an impairment loss is reflected in an allowance account against the receivables. When it is determined a receivable is uncollectible, it is written off from the allowance account. Any subsequent recovery of receivable written off is recorded in the allowance account. Changes in the amount of the allowance account are recognized in profit or loss.

Impairment losses on available-for-sale financial assets are recognized by reclassifying the gain or losses accumulated in the fair value reserve in equity to profit or loss.

If, in a subsequent period, the amount of the impairment loss of a financial asset measured at amortized cost decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the decrease in impairment loss is reversed through profit or loss to the extent that the carrying value of the asset does not exceed its amortized cost before an impairment is recognized at the reversal date.

Impairment losses recognized on an available-for-sale equity security are not reversed through profit or loss. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income, and accumulated in other equity.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed, with the amount of the reversal recognized in profit or loss.

Impairment losses and recoveries of accounts receivable are recognized in "Administrative expenses". Impairment losses and recoveries of other financial assets are recognized in “Impairment loss” and “Reversal of impairment loss recognized in profit or loss”, included in non-operating income and expenses.

5) Derecognition of financial assets

The Company derecognizes financial assets only when the contractual rights of the cash inflow from the asset are terminated, or when the Company transfers substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income and presented in other equity – unrealized gains or losses on available-for-sale financial assets is recognized in profit or loss, and is included in non-operating income and expenses.

The Company separates the part that continues to be recognized and the part that is derecognized, based on the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part derecognized and the sum of the consideration received for the part derecognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income shall be recognized in profit or loss, and is included in non-operating income and expenses.

A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is derecognized, based on the relative fair values of those parts.

(iii) Financial liabilities and equity instruments

1) Other financial liabilities

Financial liabilities not classified as held-for-trading or designated as at fair value through profit or loss, which comprise loans and borrowings, accounts payable and other payables, are measured at fair value, plus any directly attributable transaction cost at the time of initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method. Interest expense not capitalized as capital cost is recognized in “Finance cost”, and is included in non-operating income and expenses.

2) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligation has been discharged or cancelled, or expires. The difference between the carrying amount of a financial liability removed and the consideration paid or payable (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss, and is included in non-operating income and expenses.

3) Offsetting of financial assets and liabilities

The company presents the financial assets and liabilities on a net basis only when the Company has the legally enforceable rights to offset, and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

(g) Inventories

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

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

(h) Non-current assets held for sale

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

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

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

When the assets classified as held for sale or held for distribution to owners are intangible assets or property, plant and equipment, they are no longer amortized or depreciated, and any equity-accounted investee is no longer equity accounted.

(i) Investment in associates

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

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

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

Unrealized profits resulting from the transactions between the Company and an associate are eliminated to the extent of the Company's interest in the associate. Unrealized losses on transactions with associates are eliminated in the same way, except to the extent that the underlying asset is impaired.

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

(j) Investment in subsidiaries

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

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

(k) Investment property

Investment property is the property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, for use in the production or supply of goods or services, or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at cost less accumulated depreciation. Depreciation expense is calculated based on the depreciation method, useful life and residual value which are the same as those adopted for property, plant and equipment. Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of raw materials and direct labor, and any other costs directly attributable to bringing the investment property to a working condition for its intended use and capitalized borrowing costs.

When the use of an investment property changes, such that it is reclassified as property, plant and equipment, its carrying amount at the date of reclassification becomes its cost for subsequent accounting.

(l) Property, plant and equipment

(1) Recognition and measurement

Items of property, plant and equipment are measured at cost, less, accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset. The cost of a self-constructed asset comprises material, labor, any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, and any borrowing cost that is eligible for capitalization. Cost also includes transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. The cost of the software is capitalized as part of the property, plant and equipment if the purchase of the software is necessary for the property, plant and equipment to be capable of operating.

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 shall be depreciated separately, unless, the useful life and the depreciation method of a significant part of an item of property, plant and equipment are the same as the useful life and depreciation method of another significant part of that same item.

The gain or loss arising from the derecognition of an item of property, plant and equipment shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and it shall be recognized as other gains and losses.

(2) Reclassify to investment property

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

(3) Subsequent cost

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Company and the amount can be reliably measured. The carrying amount of those parts that are replaced is derecognized. Ongoing repairs and maintenance are expensed as incurred.

(4) Depreciation

Depreciation is calculated on the cost of an asset less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, land and equipment. Items of property, plant and equipment with the same useful life may be grouped in determining the depreciation charge.

Leased assets are depreciated by the straight-line method during the period of expected use, consistent with the depreciation policy the lessee adopts for depreciable assets that are owned. If there is reasonable certainty that the lessee will obtain ownership by the end of the lease term, the period of expected use is the useful life of the asset; otherwise, the asset is depreciated over the shorter of the lease term and its useful life.

Land has an unlimited useful life, and therefore, is not depreciated.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

(i) Buildings 3~55 years

(ii) Other equipment 4~8 years

Depreciation methods, useful lives, and residual values are reviewed at each reporting date. If expectations differ from the previous estimates, the change(s) is accounted for as a change in an accounting estimate.

(m) Leases

(1) Lessor

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

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

(2) Lessee

Payments made under operating lease (excluding insurance and maintenance expenses) are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

Contingent rents are recognized as expenses in the periods in which it is incurred.

At inception of an arrangement not in the legal form of a lease, the Company determines whether such an arrangement is or contains a lease. This will be the case if the following two criteria are met:

●The fulfillment of the arrangement is dependent on the use of a specific asset or assets; and

●The arrangement contains a right to use the asset(s).

The Company classifies an arrangement as a finance lease or an operating lease according to the above at inception or revaluation of an arrangement. The Company separates the payment and other consideration required by such arrangement into the part of lease and other elements based on the relative fair values. If the Company finds it impracticable to separate the payment reliably, under a finance lease, the Company shall recognize assets and liabilities at amounts equal to the fair value of the leased properties. Afterwards, the Company reduces the liability at actual payment and imputes the finance cost on the liability based on the Company's incremental borrowing rate. In the case of an operating lease, the payment shall be recognized as an expense and be included in disclosures.

(n) Impairment－non-financial assets

Non-financial assets other than inventories and non-current assets held for sale are reviewed for impairment at each reporting date to determine whether there is any indication of impairment. When there exists an indication of impairment for an asset, the recoverable amount of the asset is estimated. If the recoverable amount of an individual asset cannot be determined, the Company estimates the recoverable amount of the cash-generating unit (CGU) to which the asset has been allocated.

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

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

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

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

(o) Revenue

(i) Revenue from contracts with customers (policy applicable from January 1, 2018)

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

1) Land development and sales of real estate

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

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

2) Financing components

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

(ii) Revenue recognition (policy applicable before January 1, 2018)

1) Profit or loss on sales of land and buildings

The profit or loss from the business of selling land and building is recognized when the construction is completed and the title is transferred.

Regarding the timing of revenue recognition, in principal, the Company recognizes revenue when the property handover is completed or the transfer of property right is first registered (whichever happens later)- i.e., when significant risks and rewards of ownership have been transferred to the buyer.

2) Lease income

Lease income from the investment property is recognized in income on a straight-line basis over the lease term. Incentives granted to the Company to enter into the operating lease are spread over the lease term on a straight-line basis so that the lease income received is reduced accordingly. Income from subletting property is recognized as “Rent income”, and is included in non-operating income and expenses.

(iii) Contract costs (policy applicable from January 1, 2018)

1) Incremental costs of obtaining a contract

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

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

(p) Employee benefits

(1) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees

(q) Income tax

Income tax expenses include both current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using the statutory tax rate on the reporting date or the actual legislative tax rate, as well as the tax adjustments related to prior years.

(r) Earnings per share (EPS)

The Company discloses its basic and diluted earnings per share attributable to ordinary equity holders of the Company. The calculation of basic earnings per share is based on the profit attributable to the ordinary shareholder of the Company divided by weighted average number of ordinary shares outstanding. The calculation of diluted earnings per share is based on the profit attributable to ordinary shareholders of the Company, divided by weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, such as accrued employee bonus.

(s) Operating segments

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Company). Operating results of the operating segment are regularly reviewed by the Company’s chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance. Each operating segment consists of standalone financial information.

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

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

Management continues to monitor the accounting assumptions, estimates and judgments. Management recognizes the changes in the accounting estimates during the period and the impact of the changes in the accounting estimates in the following period.

With regard to the estimation and uncertainty, the following that exists significant risk would cause any considerable adjustment in the next period.

1. Valuation of Inventory

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

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

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

- Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.

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

6. SIGNIFICANT ACCOUNTING DISCLOSURE

(a) Cash and cash equivalents

	December 31, 2018	December 31, 2017
Cash on hand	$ 203	204
Cash in bank	560,887	243,746
Cash equivalents	49,977	-
Cash and cash equivalents in the statement of cash flows	$ 611,067	243,950

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

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

	December 31, 2018	December 31, 2017
Mandatorily measured at fair value through profit or loss:		
Non-derivative financial assets		
Stocks listed on domestic markets	$ 18,851	-
Financial assets held-for-trading		
Stocks listed on domestic markets	-	6,337
Total	$ 18,851	6,337

Please refer to note 6(v) for the credit, currency, interest and market price risk of the financial instruments of the Company. As of December 31, 2018 and 2017, the financial assets were not pledged.

(c) Available-for-sale financial assets

	December 31, 2017
Investments in listed securities	
Stocks listed on domestic markets	$ 30,409

(d) Financial assets measured at cost

	December 31, 2017
Domestic unlisted common shares	$ 1,214

(e) Note and trade receivables

	December 31, 2018	December 31, 2017
Notes receivable	$ 32,180	54,857
Trade receivables – measured as amortized cost	38,261	26,514
Total	**$ 70,441**	**81,371**

The Company applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables on December 31, 2018. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information, including macroeconomic and relevant industry information. The loss allowance provision of note and account and overdue receivables as of December 31, 2018 was determined as follows:

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

As of December 31, 2017, the Company applied the incurred loss model to consider the loss allowance provision of notes and accounts receivable. The aging analysis of notes and accounts receivable which were past due but not impaired was as follows:

	December 31, 2017
Note due	**$ 81,371**

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

	2018	2017
Balance on January 1	$ -	-
Impairment losses recognized	250	-
Amounts written off	(250)	-
Balance on December 31	**$ -**	-

(f) Inventories

Please refer to note 8 for inventories pledged as collateral as of December 31, 2018 and 2017.

	December 31, 2018	December 31, 2017
Properties and land held for sale	$ 4,436,058	4,391,656
Construction-in-progress－land	5,203,075	6,821,248
Construction-in-progress－projects	2,129,095	3,228,950
Land held for development	3,025,075	1,923,215
Less: allowance for loss on decline in market value and obsolescence	(255,080)	(446,380)
	$ 14,538,223	**15,918,689**

(i) Properties and land held for sale

Construction project	December 31, 2018 Properties held for sale	Land held for sale	Total	December 31, 2017 Properties held for sale	Land held for sale	Total
031110162	$ -	9,837	9,837	-	9,837	9,837
041160235	785	74	859	785	74	859
032310218	14,246	4,571	18,817	15,177	4,672	19,849
021140132	48,978	58,109	107,087	51,222	58,257	109,479
011149104	273,288	249,193	522,481	387,758	356,297	744,055
092420289	950,559	1,157,134	2,107,693	1,206,956	1,428,031	2,634,987
121040760	37,827	59,300	97,127	108,750	144,449	253,199
151100406	37,220	81,406	118,626	37,220	81,406	118,626
031460589	78,215	49,738	127,953	180,144	113,088	293,232
061060137	22,413	51,533	73,946	-	-	-
073200141	-	-	-	3,587	4,230	7,817
083200081	35,691	40,851	76,542	94,805	104,911	199,716
012510135	665,848	509,242	1,175,090	-	-	-
Total	$ 2,165,070	2,270,988	4,436,058	2,086,404	2,305,252	4,391,656

(ii) Construction-in-progress

Details of construction-in-progress are as follows:

Construction project	Estimated year of completion	December 31, 2018 Construction in progress -land	Construction in progress - project	Total
011040249	2021	$ 3,142,338	954,905	4,097,243
041060434	2020	1,113,744	413,648	1,527,392
031110634	2019	946,993	727,634	1,674,627
Others		-	32,908	32,908
		$ 5,203,075	2,129,095	7,332,170

Construction project	Estimated year of completion	December 31, 2017 Construction in progress-land	Construction in progress - project	Total
011040249	2021	$ 3,142,338	959,198	4,101,536
041060434	2020	1,113,744	221,603	1,335,347
012510135	2018	1,018,199	1,231,523	2,249,722
061060137	2018	599,973	324,600	924,573
031110634	2019	946,994	476,889	1,423,883
Others		-	15,137	15,137
		$ 6,821,248	3,228,950	10,050,198

(iii) Details of Land held for development are as follows:

	December 31, 2018	December 31, 2017
032420418	$ 164,715	164,715
031145412	829,556	829,556
012310247	38,905	38,905
011120075	79,060	79,060
021120022	807,526	807,526
011046961	849,676	-
032310150	252,184	-
Others	3,453	3,453
	$ 3,025,075	1,923,215

(iv) The capitalized interests of land held for development and construction in progress were $39,380 thousand and $58,917 thousand in the year of 2018 and 2017, respectively.

(v) In 2018, and 2017 the reversal of write-downs amounted to $191,300 thousand and $1,980 thousand, respectively, due to the increase in market demand.

(g) Non-current assets held for sale

On December 26, 2018, a resolution was passed by the Board of Directors to dispose the investment in associates. The efforts to sell the investment have commenced, and accordingly the investment was presented as non-current assets held for sale.

As of December 31, 2018, non-current assets held for sale are as follows:

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

(h) Investments accounted for using equity method

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

	December 31, 2018	December 31, 2017
Subsidiary	$ 63,634	-
Associates	-	447,369
Total	$ 63,634	447,369

(i) Subsidiaries

Please refer to the consolidated financial statement for the year ended 2018.

(ii) Associates

The Company’ s financial information for investments accounted for using the equity method that are individually insignificant was as follows:

	December 31, 2018	December 31, 2017
Carrying amount of individually insignificant associates’ equity	$ -	447,369

	December 31, 2018	December 31, 2017
The Company's share of:		
Net income from continuing operations	$ 25,595	100,360
Other comprehensive income	2,351	(5,660)
Total comprehensive income for the period	$ 27,946	94,700

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

(iii) Collateral

As of December 31, 2018 and 2017 the investments accounted for using equity method were not pledged as collateral.

(i) Property, plant and equipment

(i) The cost, depreciation, and impairment of the property, plant and equipment of the Company for the years ended December 31, 2018 and 2017 are as follows:

	Land	Buildings	Other Facilities	Total
Cost or deemed cost:				
Balance at January 1, 2018	$ -	-	14,006	14,006
Transfer from investment properties	54,131	56,212	-	110,343
Addition	-	9,776	2,711	12,487
Balance at December 31, 2018	$ 54,131	65,988	16,717	136,836
Balance at January 1, 2017	$ -	-	14,809	14,809
Disposal	-	-	(803)	(803)
Balance at December 31, 2017	$ -	-	14,006	14,006
Depreciation and impairment loss:				
Balance at January 1, 2018	$ -	-	9,734	9,734
Depreciation for the year	-	2,021	1,431	3,452
Transfer from Investment Property	7,869	29,543	-	37,412
Balance at December 31, 2018	$ 7,869	31,564	11,165	50,598
Balance at January 1, 2017	$ -	-	9,324	9,324
Depreciation for the year	-	-	1,213	1,213
Disposal	-	-	(803)	(803)
Balance at December 31, 2017	$ -	-	9,734	9,734

(Continued)

	Land		Buildings	Other Facilities	Total
Carrying value:					
Balance at December 31, 2018	$	46,262	34,424	5,552	86,238
Balance at December 31, 2017	$	-	-	4,272	4,272
Balance at January 1, 2017	$	-	-	5,485	5,485

(ii) Collateral

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

As of December 31, 2017, the property, plant and equipment of the Company had not been pledged as collateral.

(j) Investment Properties

	Land and improvements		Buildings	Total
Cost:				
Balance as at December 31, 2018	$	54,131	56,212	110,343
Transfer to Property, Plant and Equipment		(54,131)	(56,212)	(110,343)
Balance as at December 31, 2018	$	-	-	-
Balance as at January 1, 2017	$	54,131	56,212	110,343
Balance as at December 31, 2017	$	54,131	56,212	110,343
Depreciation and impairment losses:				
Balance as at December 31, 2018	$	7,869	29,543	37,412
Transfer to Property, Plant and Equipment		(7,869)	(29,543)	(37,412)
Balance as at December 31, 2018	$	-	-	-
Balance as at January 1, 2017	$	7,869	28,843	36,712
Depreciation for the year		-	700	700
Balance as at December 31, 2017	$	7,869	29,543	37,412
Carrying amount：				
Balance as at December 31, 2018	$	-	-	-
Balance as at December 31, 2017	$	46,262	26,669	72,931
Balance as at January 1, 2017	$	46,262	27,369	73,631
Fair value：				
Balance as at December 31, 2018				$ -
Balance as at December 31, 2017				$ 73,088
Balance as at January 1, 2017				$ 73,088

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

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

As of December 31, 2017, the investments property had been pledged as collateral, please refer to note 8 for details.

(k) Short-term notes and bills payable

Details of short-term notes and bills payable as of December 31, 2018 and 2017 are summarized as follows:

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

	December 31, 2017				
	Currency	Interest rate collars	Expiration		Amount
Secured bank loans	TWD	2.01%~2.10%	2021	$	1,517,000
Unsecured bank loans	TWD	1.85%	2018		650,000
Commercial paper payables	TWD	0.50%~1.30%	2018		2,285,568
Total				$	4,452,568
Current				$	4,452,568
Non-current					-
Total				$	4,452,568

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

Please refer to note 8 for the pledge for borrowings.

(l) Contract liabilities and Advance Real Estate Receipts

		December 31, 2018	December 31, 2017
012510135	$	46,630	234,208
021140132		-	1,260
011149104		9,720	-
092420289		96,053	344,066
121040760		8,738	76,149
061060137		8,596	297,749
031460589		21,212	42,900
073200141		-	920
083200081		10,020	5,860
Total	$	200,969	1,003,112

(i) Unearned revenues from sales and pre-sales of properties and land held for sale are registered and transferred into trusts. This trust amount is recorded as other financial assets- current.

	December 31, 2018	December 31, 2017
Other financial assets- current	$ -	173,138

As of December 31, 2018, in accordance with the Trust agreements, the Company consigned the trustees to manage the capital received from the pre-sale of properties. The trust will be terminated when the project is completed, when the permit to use the building is issued, and when the ownership of the building is first registered.

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

(m) Operating lease

(i) Leases as lessee

Non-cancellable operating lease rentals payable are follows:

	December 31, 2018	December 31, 2017
Less than one year	$ -	1,286
Between one and five years	-	-
	$ -	1,286

The operating lease expenses for the years ended December 31, 2018 and 2017 were $1,722 thousand and $5,142 thousand, respectively.

(ii) Leases as lessor

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

	December 31, 2018	December 31, 2017
Less than one year	$ 20,095	16,232
Between one and five years	49,715	23,179
More than five years	16,238	3,861
	$ 86,048	43,272

The operating lease revenues from investment properties for the years ended December 31, 2018 and 2017 were $0 thousand and $3,320 thousand, respectively.

Stated below are the maintenance expenses of the investment properties that were expensed under rental cost:

	2018	2017
Those creating leasing revenues	$ -	933

(n) Employee benefits

(i) Defined contribution plans

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

The pension cost incurred from the contributions to the Bureau of Labor Insurance amounted to $1,165 thousand and $1,350 thousand for the years ended December 31, 2018 and 2017, respectively.

(o) Income tax

According to the amendments to the "Income Tax Act" enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018, an increase in the corporate income tax rate from 17% to 20% is applicable upon filing the corporate income tax return commencing FY 2018.

(i) Income tax expense

The components of income tax in the years of 2018 and 2017 were as follows:

	2018	2017
Income tax expenses －current	$ 76,138	109,188
Income tax expenses－deferred	-	-
Income tax expenses from continuing operations	$ 76,138	109,188

The reconciliation of income tax expense and profit before tax for the years ended December 31, 2018 and 2017 were as follows:

	2018	2017
Income before tax	$ 520,842	891,723
Estimated income tax calculated based on financial income before tax at domestic tax rate	$ 104,168	151,593
Tax-exempt income	(100,222)	(100,462)
Land Value Increment Tax	55,631	82,925
Surtax on undistributed earnings	20,507	26,263
Others	(3,946)	(51,131)
Total	$ 76,138	109,188

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets

The details of unrecognized deferred tax assets were as follows:

	December 31, 2018	December 31, 2017
Deductible temporary differences	$ 102,137	154,830
The carryforward of unused tax losses	123,269	90,026
	$ 225,406	244,856

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

As of December 31, 2018, the information of the Company's unutilized business losses for which no deferred tax assets were recognized was as follows:

Year of loss	Unused amount	Expiration year
2010	$ 153,862	2020
2015	34,844	2025
2017	14,183	2027

(3) The ROC income tax authorities have examined the Company's income tax returns for all years through 2016 except for 2015.

(p) Capital and Other Equities

As of December 31, 2018 and 2017, the total value of authorized ordinary shares amounted to $4,300,000 thousand. Face value of each share is $10, which means in total, there were 430,000 thousand ordinary shares, of which 332,809 thousand were issued.
As of December 31, 2018 and 2017, the number of shares outstanding were both 332,809 thousand.

(i) Capital surplus

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

	December 31, 2018	December 31, 2017
Share capital	$ 1,769,869	1,769,869
Treasury share transactions	26,353	26,353
Capital surplus－premium from merger	217,538	217,538
Conversion right of convertible bonds	16,588	16,588
Interest payable refund from bond conversion	11,235	11,235
Total	$ 2,041,583	2,041,583

According to the amendment of the ROC Company Act in January 2012, capital surplus needs to be offset with losses. This realized capital surplus can then be reclassified as capital or cash dividends. The aforementioned realized capital surplus includes income from treasury shares selling above the book value and income from gifts received. In accordance to the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, the Company can increase its capital surplus; however, the annual increase in capital surplus cannot exceed 10% of the realized capital surplus.

(ii) Unappropriated earnings

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

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

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

1) Legal reserve

According to the ROC Company Act, the Company must retain 10% of its after-tax annual earnings as legal reserve until such retention equals the amount of the total capital. When a company incurs no loss, it may, in pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of the legal reserve which exceeds 25% of the capital may be distribute.

2) Special reserve

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

3) Earnings Distribution

Based on the resolutions approved by the stockholders' meetings on June 11, 2018, and June 15, 2017, the earnings for year 2017 and 2016 were distributed as follows:

	2017		2016	
	Attribution per share	**Amount**	**Attribution per share**	**Amount**
Cash Dividend	$ 1.50	499,213	2.10	698,898

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

(iii) Other equity

	Foreign exchange differences arising from foreign operation	Available-for-sale investments
Balance at January 1, 2018	$ (11,880)	22,343
Effects of retrospective application	-	(22,343)
Balance at January 1, 2018 after adjustments	(11,880)	
Foreign exchange differences (net of tax):		
Associates	2,351	-
Unrealized gains and losses from available-for-sale investment：		
The Company	-	-
Balance at December 31, 2018	**$ (9,529)**	**-**
Balance at January 1, 2017	$ (6,220)	24,810
Foreign exchange differences (net of tax):		
Associates	(5,660)	-
Unrealized gains and losses from available-for-sale investment:		
The Company	-	8,133
Cumulative gain reclassified to profit or loss upon disposal of available-for-sale financial assets：		
The Company	-	(10,600)
Balance at December 31, 2017	**$ (11,880)**	**22,343**

(q) Earnings per share

(i) Basic Earnings per share

The calculation of basic earnings per share at December 31, 2018 that was based on the profit attributable to ordinary shareholders of the Company amounting to $444,704 thousand (2017: $782,535 thousand) and both the weighted average number of ordinary shares outstanding amounting to 332,809 thousand was calculated as follows:

1) Profit attributable to ordinary shareholders

	2018	2017
Profit (loss) attributable to ordinary shareholders of the Company	**$ 444,704**	**782,535**

(ii) Diluted earnings per share

The calculation of diluted earnings per share at December 31, 2018 that was based on profit attributable to ordinary shareholders of the Company amounting to $444,704 thousand (2017: $782,535 thousand) and the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares amounting to 333,401 thousand (2017: 333,685 thousand) was calculated as follows.

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

	2018	2017
Profit (loss) attributable to ordinary shareholders of the Company (basic)	$ 444,704	782,535
Profit (loss) attributable to ordinary shareholders of the Company (diluted)	**$ 444,704**	**782,535**

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

	2018	2017
Weighted-average number of ordinary shares (basic)	$ 332,809	332,809
Effect of employee stock bonus	592	876
Weighted-average number of ordinary shares (diluted) at 31 December	**$ 333,401**	**333,685**

(r) Revenue from contracts with customers

(i) Disaggregation of revenue

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

	2018
Primary geographical markets	
Taiwan	**$ 3,918,034**

	2018
Major products/services lines	
Sale of land	$ 2,535,843
Sale of buildings	1,361,987
Lease of real estate	20,204
	$ 3,918,034

For details on revenue for the year ended December 31, 2017, please refer to note 6(s).

(ii) Contract balances

	December 31, 2018	December 31, 2017
Accounts receivable	$ 38,261	54,857
Notes receivable	32,180	26,514
Total	**$ 70,441**	**81,371**
Contract liabilities－sale of real estate	$ 200,969	1,003,112
Total	**$ 200,969**	**1,003,112**

(s) Revenues

The details of revenue for the years ended December 31, 2017 were as follows:

	2017
Land revenue	$ 1,850,212
Building Revenue	838,287
Rental Revenue	20,368
Construction contract revenue returns and discount	(23,539)
Total	$ 2,685,328

(t) Directors' and supervisor's remuneration

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

The employee bonuses and directors' and supervisors' remuneration were recognized as cost of sales or operating expenses on specific percentage of net income. These amounts are calculated using the Company's profit before tax without the employee bonuses and directors' and supervisors' remuneration for each period. The Company recognized its employee bonuses of $9,000 thousand in 2018 and $12,000 thousand in 2017 respectively, as well as directors' and supervisors' remuneration of $2,200 thousand in 2018 and $2,200 thousand in 2017 respectively. Related information is available on the Market Observation Post System website of the Taiwan Stock Exchange. The differences between the amounts approved in the shareholders' meeting and those recognized in the financial statements, if any, are accounted for as changes in accounting estimates and recognized as profit or loss in the distribution year.

(u) Non-operating income and expenses

(i) Other income

The details of non-operating income and expenses for the years ended December 31, 2018 and 2017 were as follows:

	2018	2017
Interest income	$ 989	369
Dividend income	996	1,970
Fee Revenue	10	126
Breach Revenue	88,921	101,592
Others	10,324	1,195
Total	$ 101,240	105,252

(ii) Other gains and losses

The details of other gains and losses for the years ended December 31, 2018 and

2017 were as follows:

		2018	2017
Gains on financial assets at fair value through profit or loss	$	263	1,586
Gain on disposal of financial assets at fair value through profit loss		-	10,600
Others		(4,297)	(6,632)
Total	$	(4,034)	5,554

(iii) Finance costs

The details of finance costs for the years ended December 31, 2018 and 2017 were as follows:

		2018	2017
Interest expenses	$	73,968	88,664
Less: Capitalized Interest		(39,380)	(58,917)
Total	$	34,588	29,747
Capitalized Interest Rate		1.02%~1.40%	1.26%~1.42%

(v) Financial Instrument

(i) Credit risk

1) Credit risk exposure

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

2) The concentration of credit risk

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

(ii) Liquidity risk

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

	Carrying amount	Contractual cash flow	Within 6 months	Within 6-12months	1-2 years	2-5 years	More than 5 years
As of December 31, 2018							
Non-derivative financial liabilities							
Secured bank loans	$ 1,437,000	1,491,816	13,249	13,395	26,571	1,438,601	-
Unsecured Secured bank loans	450,000	455,333	3,994	451,339	-	-	-
Commercial notes	1,843,088	1,853,000	1,103,000	750,000	-	-	-
Notes and accounts payables	308,137	308,137	308,137	-	-	-	-
	$ 4,038,225	4,108,286	1,428,380	1,214,734	26,571	1,438,601	-
As of December 31, 2017							
Non-derivative financial liabilities							
Secured bank loans	$ 1,517,000	1,597,660	15,573	15,744	687,636	878,707	-
Unsecured bank loan	650,000	658,137	5,996	652,141	-	-	-
Commercial notes	2,285,568	2,287,000	2,287,000	-	-	-	-
Notes and accounts payables	533,205	533,205	533,205	-	-	-	-
	$ 4,985,773	5,076,002	2,841,774	667,885	687,636	878,707	-

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

(iii) Currency risk

1) Exposure to currency risk

	December 31, 2018			December 31, 2017		
	Foreign currency	**Exchange rate**	**NTD**	**Foreign currency**	**Exchange rate**	**NTD**
Financial assets						
USD	$ 8,376	30.715	257,275	15,000	29.76	446,400

2) Sensitivity analysis

The Company' s exposure to foreign currency risk arises from cash and cash equivalents that are determined in foreign currency and the investment accounted for using equity method, resulting in exchange differences on translation of financial statements. A Strengthening (weakening) 10 % of appreciation (depreciation) of the TWD against the USD as of December 31, 2018 and 2017, would have increased (decreased) profit of 2018 by $25,727 thousand and other equity of 2017 by $44,640 thousand. The analysis assumes that all other variables remain constant.

(iv) Interest risk

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

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

If the interest rate increases / decreases by 50 basis points, the Company' s net profit after tax would have increased (decreased) by $20,485 thousand and $21,255 thousand for the years ended December 31, 2018 and 2017 with all other variable factors that remain constant. This is mainly due to the Company' s borrowings in floating variable rate.

(v) Other market price risk

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

	2018		2017	
Equity price at reporting date	**After-tax other Comprehensive income**	**After-tax profit (loss)**	**After-tax other Comprehensive income**	**After-tax profit (loss)**
Increase 3%	$ -	566	912	190
Decrease 3%	$ -	(566)	(912)	(190)

(vi) Fair value

1) Categories of financial instruments and fair value

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

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

	December 31, 2017				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Held-for-trading non-derivative financial assets	$ 6,337	6,337	-	-	6,337
Available-for-sale financial assets					
Stocks in listed companies	30,409	30,409	-	-	30,409
Financial assets at cost	1,214	-	-	-	-
Loans and account receivable					
Cash and cash equivalents	243,950	-	-	-	-
Notes receivable and account receivable	81,371	-	-	-	-
Other financial assets - current	173,138	-	-	-	-
Subtotal	498,459	-	-	-	-
Total	$ 536,419	36,746	-	-	36,746
Financial liabilities at amortized cost					
Bank Loans	$ 2,167,000	-	-	-	-
Short-term notes and bills payable	2,285,568	-	-	-	-
Notes payable and account payable	533,205	-	-	-	-
Other payable	58,929	-	-	-	-
Subtotal	5,044,702	-	-	-	-
Total	$ 5,044,702	-	-	-	-

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

Non-derivative financial liabilities

Financial instruments traded in active markets are based on quoted market prices. The quoted price of a financial instrument obtained from main exchanges and on-the-run bonds from Taipei Exchange can be used as a basis to determine the fair value of the listed companies' equity instrument and debt instrument in an active market.

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

(w) Management of financial risk

Overview

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

- Credit risk
- Liquidity risk
- Market risk

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

(ii) Risk management framework

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

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

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

(iii) Credit risk

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

1) Investment

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

2) Guarantees

As of December 31, 2018 and 2017, there is no guarantee outstanding.

(iv) Liquidity risk

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

The loans and borrowings from the bank form an important source of liquidity for the Company. The Company has unused short-term bank facilities of $4,168,000 thousand and $3,200,000 thousand as at 31 December 31, 2018 and 2017.

(v) Market risk

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

1) Currency risk

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

2) Interest rate risk

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

(x) Capital management

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

		December 31, 2018	December 31, 2017
Total liabilities	$	4,449,298	6,111,970
Less: cash and cash equivalents		(611,067)	(243,950)
Net debt	$	3,838,231	5,868,020
Total equity	$	11,648,864	11,667,263
Debt to equity ratio		32.95%	50.29%

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

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

There was no investing and financing activity not affecting cash flow as of December 31, 2018 and 2017.

7. Related-party transactions

(a) Names and relationship with related parties

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

Name related party	Relationship with the Company
J.H. Tuan	The chairman of the Company
Hsin Pei Real Estate Development Co., Ltd.	An associate

(b) Related party transactions

(i) Endorsements and guarantees

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

(ii) Others

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

(c) Key management personnel compensation

		2018	2017
Short-term employee benefits	$	9,899	9,711
Retirement benefits		234	230
Other long-term benefits		-	-
Resignation benefits		-	-
Share-based payment		-	-
Total	$	10,133	9,941

8. Pledged assets

As of December 31, 2018 and 2017, the carrying values of pledged assets were as follows:

Pledged assets	Pledged to secure	December 31, 2018	December 31, 2017
Construction-in-progress－land	Short-term bills payable, short-term loans	$ 5,203,075	5,803,049
Land held for development	Short-term bills payable, short-term loans	1,679,232	829,556
Properties and land held for sale	Short-term bills payable, short-term loans	522,480	853,534
Property, Plant and Equipment	Short-term bills payable	80,686	-
Investment properties	Short-term bills payable	-	72,931
		$ 7,485,473	7,559,070

9. Commitments and contingencies

As of December 31, 2018, the Company had issued promissory notes of $5,437,000 thousand to financial institutions for their provision of repayment guarantees.

As of December 31, 2018, the total contract amount of the Company’s construction projects was $1,370,962 thousand, of which $752,394 thous1and had been paid and recorded as “inventory.”

As of December 31, 2018, the total contract amount of the Company’s advanced-sell projects was $1,429,142 thousand of which $200,969 thousand had been received and recorded as “current contract liabilities.”

The Company has signed project “061120014” joint construction agreement with ten non-related parties, Mrs. Yang and five others, on June 2010; and Mr. Pan and three others on September 2011. As of December 31, 2018, in accordance with the joint construction agreement, the Company has paid a promissory amount of $11,390 thousand to the land owners and recorded it as refundable deposits.

The Company has signed project “012310247” joint construction agreement with nine non-related parties, Mrs. Lin and eight others, on May 2014 and on July 2015. As of December 31, 2018, in accordance with the joint construction agreement, the Company has paid a promissory amount of $80,822 thousand to the land owners and recorded it as refundable deposit

The Company has signed project “061060137” joint construction agreement with four non-related parties, Mrs. Lo and three others, from April 2013 to April 2014. As of December 31, 2017, in accordance with the joint construction agreement, the Company has paid a promissory amount of $1,050 thousand to the land owners and recorded it as other current assets.

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

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

10. Losses due to major disasters：None.

11. Subsequent events：None.

12. Other

(a) Total personnel, depreciation and amortization expenses categorized by function for the years ended December 31, 2018 and 2017, were as follows:

	2018			2017		
	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Personnel expenses						
Salaries	12,684	25,391	38,075	15,886	26,014	41,900
Labor and health insurance	847	1,697	2,544	1,097	1,745	2,842
Pension	537	660	1,197	692	691	1,383
Remuneration of directors	-	2,024	2,024	-	2,024	2,024
Others	292	541	833	405	565	970
Depreciation	-	3,452	3,452	700	1,214	1,914
Amortization	-	126	126	-	240	240

In the year of 2018 and 2017, the Company employed 31 and 36 employees on average, respectively, and the number of directors not employed were both 2.

(b) In 2015, the Company and Taiwan Trump Construction Company Limited signed a contract concerning a joint-constructing investment in project "061060137", wherein the Company owns 70% of the shares.

13. Other disclosures

(a) Information on significant transactions

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

(1) Fund financing to other parties：None.

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

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

Name of holder	Category of security	Category and name of security	Account	Balance at December 31, 2017				Note
				Number of shares	Book value	Percentage of share	Market value(or net value)	
The Company	C Sun Mfg. Ltd.	-	Mandatorily measured at fair value through profit－current	228,045	5,963	-	5,963	
The Company	CPT	-	〃	23,599	15	-	15	
The Company	NEOMAGIC(NMGC)	-	〃	10,659	-	-	-	
The Company	Trade-Van	-	〃	393,655	12,873	0.26%	12,873	
The Company	HORIZON VENTURE FUND I.L.P.	-	〃	-	-	1.21%	-	
The Company	PROSPERITY LAND PROPERTIES LIMITED	-	Non-current assets held for sale	7,575,758	253,256	30.30%	253,256	

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

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

(Expressed in thousands of TWD)

Name of company	Name of property	Transaction date	Transaction amount	Status of payment	Counter party	Relationship with the Company	If the counter-party is a related party, disclose the previous transfer information				References for determining price	Purpose of acquisition and current condition	Others
							Owner	Relationship with the Company	Date of transfer	Amount			
The Company	Construction-in-progress-land	2018.03.01	849,676	819,676	Hung-Yi Co., Ltd. Yong-Fu Co., Ltd. Mr. Chen	Non-related parties	-	-	-	-	Appraising	Construction	none

(6) Disposal of real estate with an amount exceeding the lower of $300,000 thousand or 20% of the Company’ s paid-in capital：None.

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

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

(9) Derivative financial instruments：None.

(b) Information on investees：

The followings are the information on investees:

(Expressed in thousands of TWD)

Investor company	Investee company	Location	Main businesses and products	Original investment amount		December 31, 2018			Net income (losses) of the investee	Investment income (losses) recognized	Note
				December 31, 2018	December 31, 2017	Shares (in thousands)	Percentage of ownership	Carrying value			
The Company	Prosperity Land Properties Limited	Hong Kong	Investing business	228,285	450,345	7,575,758	30.30%	253,256	84,463	25,595	
Prosperity Land Properties Limited	Jia Xing Hong Pu Prosperity Land properties	Mainland China	Real estate development service	746,955	1,479,750	-	100.00%	836,784	84,536	84,536	
The Company	Chuan Yue Real Estate Development Co.,Ltd.	Taipei	Real estate development service	64,200	-	6,000,000	100.00%	63,634	(566)	(566)	

(c) Information on investment in Mainland China：

(1) Information on investment in Mainland China：

(Expressed in thousands of TWD)

Name of the investee in Mainland China	Major operations	Issued capital	method of investment	Beginning remittance balance - Cumulative investment (amount) from Taiwan	Current remittance/recoverable investment (amount)		Ending remittance balance - Cumulative investment (amount) from Taiwan	Current investment gains and losses	Direct/indirect shareholdings investments (%) in the Company	Investment income (losses) recognized	Book value	Remittance of investment income as at current period
					Remittance amount	Recoverable amount						
Jia Xing Hong Pu Prosperity Land properties	Real estate development service	746,955	Note(1) b	450,345	-	222,060	228,285	84,536	30.30%	25,595	253,256	-

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

(2) Upper limit on investment in Mainland China：

Aggregate investment amount remitted form Taiwan to Mainland China at the end of the period	Approved investment (amount) by Ministry of Economic Affairs Investment Commission	Limitation on investment in Mainland China accordance with the regulations of Ministry of Economic Affairs Investment Commission
228,285	460,725	6,989,318

(3) Significant transactions：None.

14. Segment information：None.

E. Consolidated Financial Statements and Independent Auditor’s Report in the recent years 2018 :

Representation Letter

The entities that are required to be included in the consolidated financial statements of Hong Pu Real Estate Development Co., Ltd. as of and for the year ended, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 27 endorsed by the Financial Supervisory Commission. In addition, the information required to be disclosed in the consolidated financial statements is included in the consolidated financial statements. Consequently, Hong Pu Real Estate Development Co., Ltd. and Subsidiaries do not prepare a separate set of consolidated financial statements.

Company name: Hong Pu Real Estate Development Co., Ltd.
Chairman: J. H. Tuan
Date: March 20, 2019

Independent Auditors' Report

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

Opinion

We have audited the consolidated financial statements of Hong Pu Real Estate Development Co., Ltd. and its subsidiaries ("the Group"), which comprise the consolidated balance sheets as of December 31, 2018 and 2017, the consolidated statement of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), Interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Other Matter

Hong Pu Real Estate Development Co., Ltd. has prepared its parent-company only financial statements as of and for the years ended December 31, 2018 and 2017, on which we have issued an unmodified opinion.

Key Audit Matters

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

1. Recognition of Revenue

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

   Description of key audit matter:

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

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

How the matter was addressed in our audit:

Our principal audit procedures included:

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

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

2. Valuation of Inventories

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

Description of key audit matter:

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

How the matter was addressed in our audit:

Our Principal audit procedures included:

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

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial

statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

KPMG

Taipei, Taiwan (Republic of China)
March 20, 2019

Notes to Readers

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

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

(English Translation of consolidated financial statements Originally Issued in Chinese)
HONG PU REAL ESTATE DEVELOPMENT CO., LTD. AND SUBSIDIARIES
Consolidated Balance Sheets
December 31, 2018 and 2017

(expressed in thousands of New Taiwan dollars)

	Assets	December 31, 2018 Amount	%	December 31, 2017 Amount	%
	Current assets:				
1100	Cash and cash equivalents (note 6(a))	$ 659,935	4	243,950	2
1110	Financial assets at fair value through profit and loss (note 6(b))	18,851	-	6,337	-
1150	Notes receivable, net (note 6(e))	32,180	-	54,857	-
1170	Accounts receivable, net (note 6(e))	38,261	-	26,514	-
1320	Inventories (notes 6(f) 8 and 9)	14,541,229	91	15,918,689	90
1410	Prepayments	183,870	1	187,520	1
1460	Non-current assets held for sale (note 6(g))	253,256	2	-	-
1476	Other financial assets－current (note 6(l) and 9)	2,230	-	173,138	1
1479	Other current assets (note 9)	10,424	-	396,851	2
1480	Incremental costs of obtaining a contract	11,504	-	-	-
	Total current assets	15,751,740	98	17,007,856	96
	Non-current assets:				
1523	Available-for-sale financial assets－non-current (note 6(c))	-	-	30,409	-
1543	Financial assets carried at cost－non-current (note 6(d))	-	-	1,214	-
1550	Investments accounted for using equity method (note 6(h))	-	-	447,369	3
1600	Property, plant and equipment (note 6(i) and 8)	86,238	1	4,272	-
1760	Investment property, net (notes 6(j) and 8)	-	-	72,931	-
1920	Refundable deposits (note 9)	232,125	1	178,580	1
1990	Other assets	29,383	-	36,602	-
	Total non-current assets	347,746	2	771,377	4
	Total assets	$ 16,099,486	100	17,779,233	100

	Liabilities and Stockholders' Equity	December 31, 2018 Amount	%	December 31, 2017 Amount	%
	Current liabilities:				
2100	Short-term loans (note 6(k))	$ 1,887,000	12	2,167,000	12
2110	Short-term notes and bills payable (note 6(k))	1,843,088	12	2,285,568	13
2130	Current contract liabilities (note 6(l) and 9)	200,969	1	-	-
2150	Notes payable	85,793	1	63,994	-
2170	Accounts payable	222,344	1	469,211	3
2200	Other payable	142,705	1	58,929	-
2230	Current tax liabilities	20,433	-	26,229	-
2312	Advance real estate receipts (notes 6(l) and 9)	-	-	1,003,112	6
2399	Other current liabilities	41,038	-	35,842	-
	Total current liabilities	4,443,370	28	6,109,885	34
	Non-current liabilities:				
2600	Other non-current liabilities	7,252	-	2,085	-
	Total liabilities	4,450,622	28	6,111,970	34
	Equity :				
3110	Common stock(note 6(p))	3,328,087	20	3,328,087	19
3200	Capital surplus (note 6(p))	2,041,583	13	2,041,583	11
	Retained earnings:				
3310	Appropriated as legal capital reserve (note 6(p))	1,812,417	11	1,734,163	10
3350	Unappropriated earnings(note 6(p))	4,476,306	28	4,552,967	26
		6,288,723	39	6,287,130	36
	Other equity:				
3410	Foreign exchange differences arising from foreign operation (note 6(p))	(9,529)	-	(11,880)	-
3425	Unrealized gain on available-for-sale financial assets (note 6(p))	-	-	22,343	-
	Total other equity	(9,529)	-	10,463	-
	Total equity	11,648,864	72	11,667,263	66
	Total equity and liabilities	$ 16,099,486	100	17,779,233	100

(English Translation of consolidated financial statements Originally Issued in Chinese)
HONG PU REAL ESTATE DEVELOPMENT CO., LTD. AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income
For the years ended December 31, 2018 and 2017
(expressed in thousands of New Taiwan dollars Except Earnings per Share)

		2018		2017	
		Amount	%	Amount	%
	Operating revenue:				
4300	Rental revenue (notes 6(m) (r) and (s))	$ 20,175	-	20,368	1
4511	Construction contract revenue (notes 6(r) and (s))	3,977,559	102	2,688,499	100
4519	Less: Construction contract revenue returns and discount	79,729	2	23,539	1
	Net operating revenue	3,918,005	100	2,685,328	100
	Operating cost:				
5300	Rental Cost (note 6(m))	915	-	1,446	-
5510	Construction contract cost	3,266,201	83	1,840,824	69
	Net operating cost	3,267,116	83	1,842,270	69
	Gross profit	650,889	17	843,058	31
	Operating expenses:				
6100	Selling expenses	170,789	5	88,700	3
6200	Administrative expenses	47,225	1	44,054	2
6450	Impairment loss determined in accordance with IFRS 9 (note 6(e))	250	-	-	-
	Total operating expenses	218,264	6	132,754	5
	Operating income	432,625	11	710,304	26
	Non-operating income and expenses:				
7010	Other income (note 6(u))	101,244	2	105,252	4
7020	Other gains and losses (note 6(u))	(4,034)	-	5,554	-
7050	Finance costs (note 6(u))	(34,588)	(1)	(29,747)	(1)
7060	Share of profit of investment in associates accounted for using equity method (note 6(g))	25,595	1	100,360	4
	Total non-operating income and expenses	88,217	2	181,419	7
7900	**Profit before tax**	520,842	13	891,723	33
7951	**Less: income tax expenses (note 6(o))**	76,138	2	109,188	4
8200	**Profit**	444,704	11	782,535	29
	Other comprehensive income (loss) (note 6(p)):				
8360	**Items that may be reclassified subsequently to profit or loss:**				
8361	Financial statements translation differences for foreign operations (note 6(h))	2,351	-	(5,660)	-
8362	Unrealized loss on valuation of available-for-sale financial assets	-	-	(2,467)	-
8399	Income tax expense relating to components of other comprehensive income (loss)	-	-	-	-
8300	**Other comprehensive income (after tax)**	2,351	-	(8,127)	-
8500	**Total comprehensive income**	**$ 447,055**	**11**	**774,408**	**29**
	Earnings per share (in dollars), after tax (note 6(q)):				
	Basic earnings per share	**$**	**1.34**		**2.35**
	Diluted earnings per share	**$**	**1.33**		**2.35**

(English Translation of consolidated financial statements Originally Issued in Chinese)
HONG PU REAL ESTATE DEVELOPMENT CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2018 and 2017

(Expressed in thousands of New Taiwan dollars)

	Equity attributable to owners of parent							
			Retained earnings			Other equity adjustments		
	Common stock	Capital surplus	Legal reserve	Unappropriated earnings	Total	Financial statements translation differences for foreign operations	Unrealized gain (loss) on valuation of available-for-sale financial assets	Total equity
Balance at January 1, 2017	$ 3,328,087	2,041,583	1,627,327	4,576,166	6,203,493	(6,220)	24,810	11,591,753
Net income	-	-	-	782,535	782,535	-	-	782,535
Other comprehensive income (loss)	-	-	-	-	-	(5,660)	(2,467)	(8,127)
Total comprehensive income (loss)	-	-	-	782,535	782,535	(5,660)	(2,467)	774,408
Appropriations and distributions:								
Legal reserve	-	-	106,836	(106,836)	-	-	-	-
Cash dividends	-	-	-	(698,898)	(698,898)	-	-	(698,898)
Balance at December 31, 2017	3,328,087	2,041,583	1,734,163	4,552,967	6,287,130	(11,880)	22,343	11,667,263
Effects of retrospective application	-	-	-	56,102	56,102	-	(22,343)	33,759
Balance on January 1, 2018 after adjustments	3,328,087	2,041,583	1,734,163	4,609,069	6,343,232	(11,880)	-	11,701,022
Net income	-	-	-	444,704	444,704	-	-	444,704
Other comprehensive income (loss)	-	-	-	-	-	2,351	-	2,351
Total comprehensive income (loss)	-	-	-	444,704	444,704	2,351	-	447,055
Appropriations and distributions:								
Legal reserve	-	-	78,254	(78,254)	-	-	-	-
Cash dividends	-	-	-	(499,213)	(499,213)	-	-	(499,213)
Balance at December 31, 2018	$ 3,328,087	2,041,583	1,812,417	4,476,306	6,288,723	(9,529)	-	11,648,864

(English Translation of consolidated financial statements Originally Issued in Chinese)
HONG PU REAL ESTATE DEVELOPMENT CO., LTD. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
For the years ended December 31, 2018 and 2017
(expressed in thousands of New Taiwan dollars)

	2018	2017
Cash flows from (used in) operating activities:		
Profit before income tax	$ 520,842	891,723
Adjustments:		
Adjustments to reconcile profit and loss:		
Expected credit loss for bad debt expense	250	-
Depreciation expense	3,452	1,913
Amortization expense	126	240
Net profit on financial assets at fair value through profit or loss	(263)	(1,586)
Interest expenses	34,588	29,747
Gain on disposal of property, plant and equipment, net	-	(135)
Interest income	(993)	(369)
Dividend income	(996)	-
Gain on disposal of financial assets	-	(10,600)
Recognized share of profit of investment in associates accounted for using equity method	(25,595)	(100,360)
Total adjustments to reconcile profit and loss	10,569	(81,150)
Net changes in operating assets and liabilities:		
Financial asset at fair value through profit or loss	19,372	-
Notes receivable	22,677	(2,073)
Accounts receivable	(11,997)	3,139
Inventories	1,416,840	27,789
Prepayments	3,650	(23,162)
Other current assets	4,273	(2,240)
Incremental costs of obtaining a contract	22,255	-
Other financial assets	170,908	88,482
Notes payable	21,799	(21,481)
Accounts payable	(246,867)	104,353
Accounts payable－related parties	-	(16,686)
Other payable	85,033	13,173
Advance receipts	-	(47,161)
Current contract liabilities	(802,143)	-
Other current liabilities	5,196	27,856
Total changes in operating assets / liabilities, net	710,996	151,989
Total adjustments	721,565	70,839
Cash generated from operations	1,242,407	962,562
Interest received	993	369
Interest paid	(75,225)	(89,337)
Income tax paid	(78,190)	(128,337)
Net cash flows from operating activities	1,089,985	745,257
Cash flows from (used in) investing activities:		
Return of capital of investments accounted for using equity method due to capital reduction	222,059	-
Acquisition of property, plant and equipment	(12,487)	-
Proceeds from sale of property, plant and equipment	-	135
Proceeds from disposal of available-for-sale financial assets	-	16,754
Increase in refundable deposits	(87,431)	(492,643)
Decrease in refundable deposits	412,296	88,280
Decrease (increase) in other assets	7,093	(11,974)
Dividends received	996	19,077
Net cash flows from (used in) investing activities	542,526	(380,371)
Cash flows from (used in) financing activities:		
Increase in short-term borrowings	2,577,000	2,643,000
Decrease in short-term borrowings	(2,857,000)	(2,573,000)
Increase in short-term commercial paper payable	9,973,186	12,475,435
Decrease in short-term commercial paper payable	(10,415,666)	(12,136,750)
Decrease in other non-liabilities	5,167	(428)
Cash dividends paid	(499,213)	(698,898)
Net cash flows used in financing activities	(1,216,526)	(290,641)
Net increase in cash and cash equivalents	415,985	74,245
Cash and cash equivalents, at beginning of period	243,950	169,705
Cash and cash equivalents, at end of period	$ 659,935	243,950

(English Translation of consolidated financial statements Originally Issued in Chinese)

HONG PU REAL ESTATE DEVELOPMENT CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

For the years ended December 31 2018 and 2017

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

1. ORGANIZATION AND BUSINESS SCOPE

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

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

2. THE AUTHORIZATION OF FINANCIAL STATEMENTS

The financial statements were approved and authorized for issue by the Board of Directors on March 20, 2019.

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

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2018.

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendment to IFRS 2 "Clarifications of Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendment to IAS 7 "Statement of Cash Flows -Disclosure Initiative"	January 1, 2017
Amendment to IAS 12 "Income Taxes- Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IAS 40 "Transfers of Investment Property"	January 1, 2018
Annual Improvements to IFRS Standards 2014 – 2016 Cycle:	
Amendments to IFRS 12	January 1, 2017
Amendments to IFRS 1 and Amendments to IAS 28	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

Except for the following items, the Group believes that the adoption of the above IFRSs would not have any material impact on its consolidated financial statements. The extent and impact of signification changes are as follows:

(i) IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces the existing revenue recognition guidance, including IAS 18 "Revenue" and IAS 11 "Construction Contracts". The Group applies this standard retrospectively with the cumulative effect, it need not restate those contracts, but instead, continues to apply IAS 11, IAS 18 and the related Interpretations for comparative reporting period. The Group recognizes the cumulative effect upon the initially application of this Standard as an adjustment to the opening balance of retained earnings on January 1, 2018.

The Group uses the practical expedients for completed contracts, which means it need not restate those contracts that have been completed on January 1, 2018.

The following are the nature and impacts on changing of accounting policies:

1) Sales of properties and land

For the sales contract of properties and land, revenue was recognized when the construction and the handover was completed. Revenue was recognized at this point provided that the revenue and costs could be measured reliably, the recovery of the consideration was probable and there was no continuing management involvement with the goods. Under IFRS 15, the Group shall assess whether the performance obligation is satisfied over time or at a point in time. The Group assesses that the contract is fulfilled at a point in time and that the timing of the transfer of significant risk and rewards of ownership is similar with the timing of the transfer of control. As a result there is no material impact on the consolidated financial statements.

For certain contracts that permit a customer to return an item, revenue was recognized when a reasonable estimate of the returns can be made, provided that all other criteria for revenue recognition were met. Otherwise, a revenue recognition was deferred until the return period lapses or a reasonable estimate of returns could be made. Under IFRS 15, revenue is recognized for these contracts to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur. A refund liability and an asset for recovery will be recognized for these contracts and presented separately in the consolidated statement of financial position.

2) Significant financing components－advance real estate receipts

Because the imputation of interest was not required by previous standards, the Group did not adjust any of the transaction prices for advance receipts. Under IFRS 15, the Group shall assess whether the advance receipts contain significant financing components to determine whether to adjust the amount of commitment consideration to reflect the impact of time value.

By individual contract, the Group assesses that there is a difference between commitment consideration and cash price and that the above advance receipts include financing agreements. However, the advance receipts do not include any significant financing component in individual contract, therefore, the adoption does not have any material impact on its consolidated financial statements.

3) Incremental costs of obtaining a contract

The sales commission paid to the real estate agency and the related expenditure from sales department were expensed when occurred. Under IFRS15, if the relevant cost of obtaining a contract with a customer is expected to be recovered through sale of the real estate, it should be recognized as an asset and be amortized on a systematic basis which reflecting the pattern of the transfer of the presold real estate. As a consequence, incremental costs of obtaining a contract meeting the above requirement will be amortized when the revenue is recognized.

4) Impacts on consolidated financial statements

The following tables summarize the impacts of adopting IFRS15 on the Group's consolidated financial statements:

	December 31, 2018			January 1, 2018		
Impacted line items on the consolidated balance sheet	**Balances prior to the adoption of IFRS 15**	**Impact of changes in accounting policies**	**Balance upon adoption of IFRS 15**	**Balances prior to the adoption of IFRS 15**	**Impact of changes in accounting policies**	**Balance upon adoption of IFRS 15**
Incremental costs of obtaining a contract	$ -	11,504	11,504	-	33,759	33,759
Impact on assets		**$ 11,504**			**33,759**	
Current contract liabilities	$ -	200,969	200,969	-	1,003,112	1,003,112
Advance real estate receipts	200,969	(200,969)	-	1,003,112	(1,003,112)	-
Impact on liabilities		**$ -**			**-**	
Retained earnings	$ 4,464,802	11,504	4,476,306	4,552,967	33,759	4,586,726
Impact on equity		**$ 11,504**			**33,759**	

Impacted line items on the consolidated income statement		For the year ended December 31, 2018 Before adjustments	Impact of changes in accounting polices	After adjustments
Selling expenses	$	148,534	22,255	170,789
Impact on profit before income tax			(22,255)	
Income tax expenses		-	-	-
Impact on Profit			**(22,255)**	
Basic earnings per share	**$**	**1.41**	**(0.07)**	**1.34**
Diluted earnings per share	**$**	**1.40**	**(0.07)**	**1.33**

Impacted line items on the consolidated statement of cash flows		For the year ended December 31, 2018 Before adjustments	Impact of changes in accounting polices	After adjustments
Cash flows from (used in) operating activities:				
Profit before tax	$	543,097	(22,255)	520,842
Adjustments:				
Incremental costs of obtaining a contract		-	22,255	22,255
Current contract liabilities		-	(802,143)	(802,143)
Advance real estate receipts		(802,143)	802,143	-
Impact on net cash flows from operating activities			$ -	

(ii) IFRS 9 "Financial Instruments"

IFRS 9 replaces IAS 39 "Financial Instruments: Recognition and Measurement" which contains classification and measurement of financial instruments, impairment and hedge accounting.

As a result of the adoption of IFRS 9, the Group adopted the consequential amendments to IAS 1 "Presentation of Financial Statements" which requires impairment of financial assets to be presented in a separate line item in the statement of profit or loss and OCI. Previously, the Group's approach was to include the impairment of trade receivables in administrative expenses. Additionally, the Group adopted the consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to disclosures about 2018 but generally have not been applied to comparative information.

The detail of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below:

1) Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification. For an explanation of how the Group classifies and measures financial assets and accounts for related gains and losses under IFRS 9, please see note 4(g).

The adoption of IFRS 9 did not have any a significant impact on its accounting policies on financial liabilities.

2) Impairment of financial assets

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with the ‘expected credit loss’ (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than they are under IAS 39 – please see note 4(g).

3) Transition

The adoption of IFRS 9 have been applied retrospectively, except as described below,

- Comparative periods have been restated only for retrospective application of the cost of hedging approach for forward points. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized in retained earnings and reserves as on January 1, 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.

- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.

  — The determination of the business model within which a financial asset is held.

  — The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.

  — The designation of certain investments in equity instruments not held for trading as at FVOCI.

4) Classification of financial assets on the date of initial application of IFRS 9

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets as of January 1, 2018.

	IAS39		IFRS9	
	Measurement categories	**Carrying Amount**	**Measurement categories**	**Carrying Amount**
Financial Assets				
Cash and equivalents	Loans and receivables	243,950	Amortized cost	243,950
Equity instruments	Financial assets at fair value through profit and loss	6,337	Financial assets at fair value through profit and loss	6,337
	Available-for-sale (note)	30,409	Financial assets at fair value through profit and loss	30,409
	Financial assets carried at cost (note)	1,214	Financial assets at fair value through profit and loss	1,214
Trade and other receivables	Loans and receivables	81,371	Amortized cost	81,371

Note: The Group does not intend to hold these equity securities investments for the long term for strategic purposes. As permitted by IFRS 9, the Group has designated these investments at the date of initial application as measured at FVTPL. Accordingly, a decrease of $22,343 thousand in other equity and an increase of $22,434 thousand in retained earnings were recognized on January 1, 2018.

The following table reconciles the carrying amounts of financial assets under IAS 39 to the carrying amounts under IFRS 9 upon transition to IFRS 9 on 1 January, 2018.

	2017.12.31 IAS 39 Carrying Amount	**Reclassifications**	**2018.1.1 IFRS 9 Carrying Amount**	**2018.1.1 Retained earnings**	**2018.1.1 Other equity**
Fair value through profit or loss					
Beginning balance of FVTPL (IAS 39)	$ 6,337	-		-	-
Additions – equity instruments:					
From available-for-sale	-	30,409		22,343	(22,343)
From financial assets measured at cost	-	1,214		-	-
Total	$ 6,337	31,623	37,960	22,343	(22,343)
Fair value through other comprehensive income					
Beginning balance of available-for-sale (including measured at cost) (IAS 39)	$ 31,623	-		-	-
Available for sale to FVOCI	-	-		-	-
Subtraction – equity instruments:					
To FVTPL – required reclassification based on classification criteria	-	(31,623)		-	-
Total	$ 31,623	(31,623)	-	-	-

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2019 in accordance with Ruling No. 1070324857 issued by the FSC on July 17, 2018:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
IFRS 16 "Leases"	January 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019
Amendments to IFRS 9 "Prepayment features with negative compensation"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019
Amendments to IAS 28 "Long-term interests in associates and joint ventures"	January 1, 2019
Annual Improvements to IFRS Standards 2015 – 2017 Cycle	January 1, 2019

Except for the following items, the Group believes that the adoption of the above IFRSs would not have any material impact on its consolidated financial statements. The extent and impact of signification changes are as follows:

(i) IFRIC 23 Uncertainty over Income Tax Treatments

In assessing whether and how an uncertain tax treatment affects the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, as well as tax rates, an entity shall assume that a taxation authority will examine the amounts it has the right to examine and have a full knowledge on all related information when making those examinations.

If an entity concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the entity shall determine the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, as well as tax rates consistently with the tax treatment used or planned to be used in its income tax filings. Otherwise, an entity shall reflect the effect of uncertainty for each uncertain tax treatment by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty.

So far, the Group estimated the application of the amendments may not have significant impact.

The actual impacts of adopting the standards may change depending on the economic conditions and events which may occur in the future.

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

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

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

(a) Statement of compliance

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

(b) Basis of preparation

(1) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following significant accounts in the consolidated balance sheet:

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

ii Fair value through other comprehensive income (Available-for-sale financial assets) are measured at fair value.

(2) Functional and presentation currency

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

(c) Basis of consolidation

(i) Principle of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and its subsidiaries. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests, even if doing so causes the non-controlling interests to have a deficit balance.

Intragroup balances and transactions, and any unrealized income and expenses arising from intragroup transactions are eliminated in preparing the consolidated financial statements.

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

(ii) List of subsidiaries in the consolidated financial statements

			Shareholding		
Name of investor	Name of subsidiary	Principal activity	December 31, 2018	December 31, 2017	Remarks
The Company	Chuan Yue Real Estate Development Co., Ltd.	Real estate Development	100%	-	The Company acquired 100% ownership in September 2018.

(d) Foreign currencies

(1) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Group at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the end of the period (hereinafter referred to as the reporting date) are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between the amortized cost in the functional currency at the beginning of the period adjusted for the effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the reporting date.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of transaction.

Foreign currency differences arising on retranslation are recognized in profit or loss, except for the following differences which are recognized in other comprehensive income:

- Fair value through other comprehensive income (Available-for-sale) equity investment;
- A financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- Qualifying cash flow hedges to the extent that the hedge is effective.

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

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

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

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

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

(4) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

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

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

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

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

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

(f) Cash and cash equivalents

Cash consists of cash on hand and cash in banks. Cash equivalents comprise short-term and highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes should be recognized as cash and cash equivalents.

Bank overdrafts that are repayable on demand and form an integral part of the Group' s cash management are included as a component of cash and cash equivalents.

(g) Financial instruments

(i) Financial assets (policy applicable from January 1, 2018)

Financial assets are classified into the following categories: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

The Group shall reclassify all affected financial assets only when it changes its business model for managing its financial assets.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses, and impairment loss, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

2) Fair value through other comprehensive income (FVOCI)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL

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

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

A financial asset measured at FVOCI is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses, and impairment losses, deriving from debt investments are recognized in profit or loss; whereas dividends deriving from equity investments are recognized as income in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses of financial assets measured at FVOCI are recognized in OCI. On derecognition, gains and losses accumulated in OCI of debt investments are reclassified to profit or loss. However, gains and losses accumulated in OCI of equity investments are reclassified to retain earnings instead of profit or loss.

Dividend income derived from equity investments is recognized on the date that the Group's right to receive payment is established, which in the case of quoted securities is normally the exdividend date. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Subsequent changes that are measured at fair value, which take into account any dividend and interest income, are recognized in profit or loss. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

4) Business model assessment

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

5) Impairment of financial assets

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

The Group measures loss allowances at an amount equal to lifetime expected credit loss (ECL), except for the following which are measured as 12-month ECL

- debt securities that are determined to have low credit risk at the reporting date; and
- bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for accounts receivables are always measured at an amount equal to lifetime ECL.

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

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

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

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group’s historical experience and informed credit assessment as well as forward-looking information.

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

ECLs are probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

For debt securities at FVOCI, loss allowances are recognized in other comprehensive income instead of reducing the carrying amount of the asset. The Group recognizes the amount of expected credit losses (or reversal) in profit or loss, as an impairment gain or loss.

The gross carrying amount of a financial asset is written off, either partially or in full, to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group’s procedures for recovery of amounts due.

6) Derecognition of financial assets

Financial assets are derecognized when the contractual rights to the cash flows from the assets expire, or when the Group transfers substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a debt instrument in its entirety, the Group recognizes the difference between its carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income and presented in “other equity – unrealized gains or losses on fair value through other comprehensive income”, in profit or loss, and presents it in the line item of non-operating income and expenses.

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss, and presented in the line item of non-operating income and expenses. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

(ii) Financial assets (policy applicable before January 1, 2018)

The Group classifies financial assets into the following categories: financial assets at fair value through profit or loss, available-for-sale financial assets and loans and receivables.

1) Financial assets at fair value through profit or loss

A financial asset is classified in this category if it is classified as held-for-trading or is designated as such on initial recognition.

Financial assets are classified as held-for-trading if they are acquired principally for the purpose of selling in the short term. The Group designates financial assets, other than the ones classified as held-for-trading, as at fair value through profit or loss at initial recognition under one of the following situations:

- Designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;
- Performance of the financial asset is evaluated on a fair value basis;
- A hybrid instrument contains one or more embedded derivatives.

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein, which take into account any dividend and interest income, are recognized in profit or loss, and are included in non-operating income and expenses. A regular way purchase or sale of financial assets shall be recognized and derecognized, as applicable, using trade-date accounting.

Investments in equity instruments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured, are measured at amortized cost, and are included in the financial assets measured at cost.

2) Available-for sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the other categories of financial assets. Available-for-sale financial assets are recognized initially at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, interest income calculated using the effective interest method, dividend income, and foreign currency differences on available-for-sale debt instruments, are recognized in other comprehensive income and are presented in the fair value reserve in equity. When an investment is derecognized, the cumulative gain or loss in equity is reclassified to profit or loss, and included in non-operating income and expenses.

Investments in equity instruments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured, are measured at amortized cost less any identified impairment loss, and are included in financial assets measured at cost.

Dividend income is recognized in profit or loss on the date that the Group’s right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date. Such dividend income is included in non-operating income and expenses.

Interest income from investment in bond security is recognized in profit or loss, and included in non-operating income and expenses.

3) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables comprise trade receivables and other receivables. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses, other than insignificant interest on short-term receivables. A regular way purchase or sale of financial assets shall be recognized and derecognized, as applicable, using trade-date accounting.

Interest income is recognized in profit or loss, and it is included in non-operating income and expenses.

4) Impairment of financial assets

Except for financial assets at fair value through profit or loss, financial assets are assessed for impairment at each reporting date. A financial asset is impaired if, and only if, there is any objective evidence of impairment as a result of one or more events (a loss event) that occurred subsequent to the initial recognition of the asset and that a loss event (or events) has an impact on the future cash flows of the financial assets that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is accounted for as objective evidence of impairment.

All individually significant receivables are assessed for specific impairment. Receivables that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics. In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries, and the amount of loss incurred, adjusted for management’s judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or lesser than those suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset’s original effective interest rate.

An impairment loss in respect of a financial asset measured at cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversible in subsequent periods.

For all financial assets, an impairment loss is deducted from the carrying amount, except for trade receivables, for which an impairment loss is reflected in an allowance account against the receivables. When it is determined a receivable is uncollectible, it is written off from the allowance account. Any subsequent recovery of receivable written off is recorded in the allowance account. Changes in the amount of the allowance account are recognized in profit or loss.

Impairment losses on available-for-sale financial assets are recognized by reclassifying the gain or losses accumulated in the fair value reserve in equity to profit or loss.

If, in a subsequent period, the amount of the impairment loss of a financial asset measured at amortized cost decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the decrease in impairment loss is reversed through profit or loss to the extent that the carrying value of the asset does not exceed its amortized cost before an impairment is recognized at the reversal date.

Impairment losses recognized on an available-for-sale equity security are not reversed through profit or loss. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income, and accumulated in other equity.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed, with the amount of the reversal recognized in profit or loss.

Impairment losses and recoveries of accounts receivable are recognized in "Administrative expenses". Impairment losses and recoveries of other financial assets are recognized in “Impairment loss” and “Reversal of impairment loss recognized in profit or loss”, included in non-operating income and expenses.

5) Derecognition of financial assets

The Group derecognizes financial assets only when the contractual rights of the cash inflow from the asset are terminated, or when the Group transfers substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income and presented in other equity – unrealized gains or losses on available-for-sale financial assets is recognized in profit or loss, and is included in non-operating income and expenses.

The Group separates the part that continues to be recognized and the part that is derecognized, based on the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part derecognized and the sum of the consideration received for the part derecognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income shall be recognized in profit or loss, and is included in non-operating income and expenses.

A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is derecognized, based on the relative fair values of those parts.

(iii) Financial liabilities and equity instruments

1) Other financial liabilities

Financial liabilities not classified as held-for-trading or designated as at fair value through profit or loss, which comprise loans and borrowings, accounts payable and other payables, are measured at fair value, plus any directly attributable transaction cost at the time of initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method. Interest expense not capitalized as capital cost is recognized in “Finance cost”, and is included in non-operating income and expenses.

2) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligation has been discharged or cancelled, or expires. The difference between the carrying amount of a financial liability removed and the consideration paid or payable (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss, and is included in non-operating income and expenses.

3) Offsetting of financial assets and liabilities

The Group presents the financial assets and liabilities on a net basis only when the Group has the legally enforceable rights to offset, and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

(h) Inventories

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

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

(i) Non-current assets held for sale

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

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

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

When the assets classified as held for sale or held for distribution to owners are intangible assets or property, plant and equipment, they are no longer amortized or depreciated, and any equity-accounted investee is no longer equity accounted.

(j) Investment in associates

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

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

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

Unrealized profits resulting from the transactions between the Group and an associate are eliminated to the extent of the Group' s interest in the associate. Unrealized losses on transactions with associates are eliminated in the same way, except to the extent that the underlying asset is impaired.

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

(k) Investment property

Investment property is the property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, for use in the production or supply of goods or services, or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at cost less accumulated depreciation. Depreciation expense is calculated based on the depreciation method, useful life and residual value which are the same as those adopted for property, plant and equipment. Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of raw materials and direct labor, and any other costs directly attributable to bringing the investment property to a working condition for its intended use and capitalized borrowing costs.

When the use of an investment property changes, such that it is reclassified as property, plant and equipment, its carrying amount at the date of reclassification becomes its cost for subsequent accounting.

(l) Property, plant and equipment

(1) Recognition and measurement

Items of property, plant and equipment are measured at cost, less, accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset. The cost of a self-constructed asset comprises material, labor, any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, and any borrowing cost that is eligible for capitalization. Cost also includes transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. The cost of the software is capitalized as part of the property, plant and equipment if the purchase of the software is necessary for the property, plant and equipment to be capable of operating.

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 shall be depreciated separately, unless, the useful life and the depreciation method of a significant part of an item of property, plant and equipment are the same as the useful life and depreciation method of another significant part of that same item.

The gain or loss arising from the derecognition of an item of property, plant and equipment shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and it shall be recognized as other gains and losses.

(2) Reclassify to investment property

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

(3) Subsequent cost

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Group and the amount can be reliably measured. The carrying amount of those parts that are replaced is derecognized. Ongoing repairs and maintenance are expensed as incurred.

(4) Depreciation

Depreciation is calculated on the cost of an asset less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, land and equipment. Items of property, plant and equipment with the same useful life may be grouped in determining the depreciation charge.

Leased assets are depreciated by the straight-line method during the period of expected use, consistent with the depreciation policy the lessee adopts for depreciable assets that are owned. If there is reasonable certainty that the lessee will obtain ownership by the end of the lease term, the period of expected use is the useful life of the asset; otherwise, the asset is depreciated over the shorter of the lease term and its useful life.

Land has an unlimited useful life, and therefore, is not depreciated.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

(i) Buildings 3~55 years

(ii) Other equipment 4~8 years

Depreciation methods, useful lives, and residual values are reviewed at each reporting date. If expectations differ from the previous estimates, the change(s) is accounted for as a change in an accounting estimate.

(m) Leases

(1) Lessor

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

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

(2) Lessee

Payments made under operating lease (excluding insurance and maintenance expenses) are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

Contingent rents are recognized as expenses in the periods in which it is incurred.

At inception of an arrangement not in the legal form of a lease, the Group determines whether such an arrangement is or contains a lease. This will be the case if the following two criteria are met:

●The fulfillment of the arrangement is dependent on the use of a specific asset or assets; and

●The arrangement contains a right to use the asset(s).

The Group classifies an arrangement as a finance lease or an operating lease according to the above at inception or revaluation of an arrangement. The Group separates the payment and other consideration required by such arrangement into the part of lease and other elements based on the relative fair values. If the Group finds it impracticable to separate the payment reliably, under a finance lease, the Group shall recognize assets and liabilities at amounts equal to the fair value of the leased properties. Afterwards, the Group reduces the liability at actual payment and imputes the finance cost on the liability based on the Group's incremental borrowing rate. In the case of an operating lease, the payment shall be recognized as an expense and be included in disclosures.

(n) Impairment－non-financial assets

Non-financial assets other than inventories and non-current assets held for sale are reviewed for impairment at each reporting date to determine whether there is any indication of impairment. When there exists an indication of impairment for an asset, the recoverable amount of the asset is estimated. If the recoverable amount of an individual asset cannot be determined, the Group estimates the recoverable amount of the cash-generating unit (CGU) to which the asset has been allocated.

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

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

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

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

(o) Revenue

(i) Revenue from contracts with customers (policy applicable from January 1, 2018)

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

1) Land development and sales of real estate

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

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

2) Financing components

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

(ii) Revenue recognition (policy applicable before January 1, 2018)

1) Profit or loss on sales of land and buildings

The profit or loss from the business of selling land and building is recognized when the construction is completed and the title is transferred.

Regarding the timing of revenue recognition, in principal, the Group recognizes revenue when the property handover is completed or the transfer of property right is first registered (whichever happens later)- i.e., when significant risks and rewards of ownership have been transferred to the buyer.

2) Lease income

Lease income from the investment property is recognized in income on a straight-line basis over the lease term. Incentives granted to the Group to enter into the operating lease are spread over the lease term on a straight-line basis so that the lease income received is reduced accordingly. Income from subletting property is recognized as “Rent income”, and is included in non-operating income and expenses.

(iii) Contract costs (policy applicable from January 1, 2018)

1) Incremental costs of obtaining a contract

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

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

(p) Employee benefits

(1) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees

(q) Income tax

Income tax expenses include both current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using the statutory tax rate on the reporting date or the actual legislative tax rate, as well as the tax adjustments related to prior years.

(r) Earnings per share (EPS)

The Group discloses its basic and diluted earnings per share attributable to ordinary equity holders of the Company. The calculation of basic earnings per share is based on the profit attributable to the ordinary shareholder of the Company divided by weighted average number of ordinary shares outstanding. The calculation of diluted earnings per share is based on the profit attributable to ordinary shareholders of the Company, divided by weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, such as accrued employee bonus.

(s) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group' s chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance. Each operating segment consists of standalone financial information.

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

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

Management continues to monitor the accounting assumptions, estimates and judgments. Management recognizes the changes in the accounting estimates during the period and the impact of the changes in the accounting estimates in the following period.

With regard to the estimation and uncertainty, the following that exists significant risk would cause any considerable adjustment in the next period.

1. Valuation of Inventory

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

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

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

● Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.

● Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3: input for the asset or liability is not based on the observable market information. (i.e. non-observable parameter.)

6. SIGNIFICANT ACCOUNTING DISCLOSURE

(a) Cash and cash equivalents

		December 31, 2018	December 31, 2017
Cash on hand	$	203	204
Cash in bank		569,755	243,746
Cash equivalents		89,977	-
Cash and cash equivalents in the statement of cash flows	$	659,935	243,950

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

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

		December 31, 2018	December 31, 2017
Mandatorily measured at fair value through profit or loss:			
Non-derivative financial assets			
Stocks listed on domestic markets	$	18,851	-
Financial assets held-for-trading			
Stocks listed on domestic markets		-	6,337
Total	$	18,851	6,337

Please refer to note 6(v) for the credit, currency, interest and market price risk of the financial instruments of the Group. As of December 31, 2018 and 2017, the financial assets were not pledged.

(c) Available-for-sale financial assets

	December 31, 2017
Investments in listed securities	
Stocks listed on domestic markets	$ 30,409

(d) Financial assets measured at cost

	December 31, 2017
Domestic unlisted common shares	$ 1,214

(e) Note and trade receivables

	December 31, 2018	December 31, 2017
Notes receivable	$ 32,180	54,857
Trade receivables－measured as amortized cost	38,261	26,514
Total	$ 70,441	81,371

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables on December 31, 2018. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information, including macroeconomic and relevant industry information. The loss allowance provision of note and account and overdue receivables as of December 31, 2018 was determined as follows:

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

As of December 31, 2017, the Group applied the incurred loss model to consider the loss allowance provision of notes and accounts receivable. The aging analysis of notes and accounts receivable which were past due but not impaired was as follows:

	December 31, 2017
Note due	$ 81,371

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

	2018	2017
Balance on January 1	$ -	-
Impairment losses recognized	250	-
Amounts written off	(250)	-
Balance on December 31	$ -	-

(f) Inventories

Please refer to note 8 for inventories pledged as collateral as of December 31, 2018 and 2017.

	December 31, 2018	December 31, 2017
Properties and land held for sale	$ 4,436,058	4,391,656
Construction-in-progress－land	5,203,075	6,821,248
Construction-in-progress－projects	2,132,101	3,228,950
Land held for development	3,025,075	1,923,215
Less: allowance for loss on decline in market value and obsolescence	(255,080)	(446,380)
	$ 14,541,229	15,918,689

(i) Properties and land held for sale

Construction project	December 31, 2018 Properties held for sale	Land held for sale	Total	December 31, 2017 Properties held for sale	Land held for sale	Total
031110162	$ -	9,837	9,837	-	9,837	9,837
041160235	785	74	859	785	74	859
032310218	14,246	4,571	18,817	15,177	4,672	19,849
021140132	48,978	58,109	107,087	51,222	58,257	109,479
011149104	273,288	249,193	522,481	387,758	356,297	744,055
092420289	950,559	1,157,134	2,107,693	1,206,956	1,428,031	2,634,987
121040760	37,827	59,300	97,127	108,750	144,449	253,199
151100406	37,220	81,406	118,626	37,220	81,406	118,626
031460589	78,215	49,738	127,953	180,144	113,088	293,232
061060137	22,413	51,533	73,946	-	-	-
073200141	-	-	-	3,587	4,230	7,817
083200081	35,691	40,851	76,542	94,805	104,911	199,716
012510135	665,848	509,242	1,175,090	-	-	-
Total	$ 2,165,070	2,270,988	4,436,058	2,086,404	2,305,252	4,391,656

(ii) Construction-in-progress

Details of construction-in-progress are as follows:

Construction project	December 31, 2018 Estimated year of completion	Construction in progress -land	Construction in progress - project	Total
011040249	2021	$ 3,142,338	954,905	4,097,243
041060434	2020	1,113,744	413,648	1,527,392
031110634	2019	946,993	727,634	1,674,627
Others		-	35,914	35,914
		$ 5,203,075	2,132,101	7,335,176

Construction project	December 31, 2017 Estimated year of completion	Construction in progress-land	Construction in progress - project	Total
011040249	2021	$ 3,142,338	959,198	4,101,536
041060434	2020	1,113,744	221,603	1,335,347
012510135	2018	1,018,199	1,231,523	2,249,722
061060137	2018	599,973	324,600	924,573
031110634	2019	946,994	476,889	1,423,883
Others		-	15,137	15,137
		$ 6,821,248	3,228,950	10,050,198

(iii) Details of Land held for development are as follows:

	December 31, 2018	December 31, 2017
032420418	$ 164,715	164,715
031145412	829,556	829,556
012310247	38,905	38,905
011120075	79,060	79,060
021120022	807,526	807,526
011046961	849,676	-
032310150	252,184	-
Others	3,453	3,453
	$ 3,025,075	1,923,215

(iv) The capitalized interests of land held for development and construction in progress were $39,380 thousand and $58,917 thousand in the year of 2018 and 2017, respectively.

(v) In 2018, and 2017 the reversal of write-downs amounted to $191,300 thousand and $1,980 thousand, respectively, due to the increase in market demand.

(g) Non-current assets held for sale

On December 26, 2018, a resolution was passed by the Board of Directors to dispose the investment in associates. The efforts to sell the investment have commenced, and accordingly the investment was presented as non-current assets held for sale.

As of December 31, 2018, non-current assets held for sale are as follows:

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

(h) Investments accounted for using equity method

(i) The Group's financial information for investments accounted for using equity method that are individually insignificant was as follows:

	December 31, 2018	December 31, 2017
Carrying amount of individually insignificant associates' equity	$ -	447,369

In 2018 and 2017, the Group's share of the net income of associates was as follows:

		2018	2017
Attributable to the Group:			
Profit from continuing operations	$	25,595	100,360
Other comprehensive (loss) income		2,351	(5,660)
Comprehensive income	$	27,946	94,700

(ii) Collateral

As of December 31, 2018 and 2017 the investments accounted for using equity method were not pledged as collateral.

(i) Property, plant and equipment

(i) The cost, depreciation, and impairment of the property, plant and equipment of the Group for the years ended December 31, 2018 and 2017 are as follows:

		Land	Buildings	Other Facilities	Total
Cost or deemed cost:					
Balance at January 1, 2018	$	-	-	14,006	14,006
Transfer from investment properties		54,131	56,212	-	110,343
Addition		-	9,776	2,711	12,487
Balance at December 31, 2018	$	54,131	65,988	16,717	136,836
Balance at January 1, 2017	$	-	-	14,809	14,809
Disposal		-	-	(803)	(803)
Balance at December 31, 2017	$	-	-	14,006	14,006
Depreciation and impairment loss:					
Balance at January 1, 2018	$	-	-	9,734	9,734
Depreciation for the year		-	2,021	1,431	3,452
Transfer from Investment Property		7,869	29,543	-	37,412
Balance at December 31, 2018	$	7,869	31,564	11,165	50,598
Balance at January 1, 2017	$	-	-	9,324	9,324
Depreciation for the year		-	-	1,213	1,213
Disposal		-	-	(803)	(803)
Balance at December 31, 2017	$	-	-	9,734	9,734
Carrying value:					
Balance at December 31, 2018	$	46,262	34,424	5,552	86,238
Balance at December 31, 2017	$	-	-	4,272	4,272
Balance at January 1, 2017	$	-	-	5,485	5,485

(ii) Collateral

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

As of December 31, 2017, the property, plant and equipment of the Group had not been pledged as collateral.

(j) Investment Properties

		Land and improvements	Buildings	Total
Cost:				
Balance as at December 31, 2018	$	54,131	56,212	110,343
Transfer to Property, Plant and Equipment		(54,131)	(56,212)	(110,343)
Balance as at December 31, 2018	$	-	-	-
Balance as at January 1, 2017	$	54,131	56,212	110,343
Balance as at December 31, 2017	$	54,131	56,212	110,343
Depreciation and impairment losses:				
Balance as at December 31, 2018	$	7,869	29,543	37,412
Transfer to Property, Plant and Equipment		(7,869)	(29,543)	(37,412)
Balance as at December 31, 2018	$	-	-	-
Balance as at January 1, 2017	$	7,869	28,843	36,712
Depreciation for the year		-	700	700
Balance as at December 31, 2017	$	7,869	29,543	37,412
Carrying amount：				
Balance as at December 31, 2018	$	-	-	-
Balance as at December 31, 2017	$	46,262	26,669	72,931
Balance as at January 1, 2017	$	46,262	27,369	73,631
Fair value：				
Balance as at December 31, 2018				$ -
Balance as at December 31, 2017				$ 73,088
Balance as at January 1, 2017				$ 73,088

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

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

As of December 31, 2017, the investments property had been pledged as collateral, please refer to note 8 for details.

(k) Short-term notes and bills payable

Details of short-term notes and bills payable as of December 31, 2018 and 2017 are summarized as follows:

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

	December 31, 2017			
	Currency	Interest rate collars	Expiration	Amount
Secured bank loans	TWD	2.01%~2.10%	2021	$ 1,517,000
Unsecured bank loans	TWD	1.85%	2018	650,000
Commercial paper payables	TWD	0.50%~1.30%	2018	2,285,568
Total				$ 4,452,568
Current				$ 4,452,568
Non-current				-
Total				$ 4,452,568

For information on the Group’ s interest risk, currency risk, and liquidity risk, see note 6(v).

Please refer to note 8 for the pledge for borrowings.

(l) Contract liabilities and Advance Real Estate Receipts

	December 31, 2018	December 31, 2017
012510135	$ 46,630	234,208
021140132	-	1,260
011149104	9,720	-
092420289	96,053	344,066
121040760	8,738	76,149
061060137	8,596	297,749
031460589	21,212	42,900
073200141	-	920
083200081	10,020	5,860
Total	$ 200,969	1,003,112

(i) Unearned revenues from sales and pre-sales of properties and land held for sale are registered and transferred into trusts. This trust amount is recorded as other financial assets- current.

	December 31, 2018	December 31, 2017
Other financial assets- current	$ -	173,138

As of December 31, 2018, in accordance with the Trust agreements, the Group consigned the trustees to manage the capital received from the pre-sale of properties. The trust will be terminated when the project is completed, when the permit to use the building is issued, and when the ownership of the building is first registered.

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

(m) Operating lease

(i) Leases as lessee

Non-cancellable operating lease rentals payable are follows:

	December 31, 2018	December 31, 2017
Less than one year	$ -	1,286
Between one and five years	-	-
	$ -	1,286

The operating lease expenses for the years ended December 31, 2018 and 2017 were $1,722 thousand and $5,142 thousand, respectively.

(ii) Leases as lessor

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

	December 31, 2018	December 31, 2017
Less than one year	$ 19,981	16,232
Between one and five years	49,334	23,179
More than five years	16,238	3,861
	$ 85,553	43,272

The operating lease revenues from investment properties for the years ended December 31, 2018 and 2017 were $0 thousand and $3,320 thousand, respectively.

Stated below are the maintenance expenses of the investment properties that were expensed under rental cost:

	2018	2017
Those creating leasing revenues	$ -	933

(n) Employee benefits

(i) Defined contribution plans

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

The pension cost incurred from the contributions to the Bureau of Labor Insurance amounted to $1,178 thousand and $1,350 thousand for the years ended December 31, 2018 and 2017, respectively.

(o) Income tax

According to the amendments to the "Income Tax Act" enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018, an increase in the corporate income tax rate from 17% to 20% is applicable upon filing the corporate income tax return commencing FY 2018.

(i) Income tax expense

The components of income tax in the years of 2018 and 2017 were as follows:

		2018	2017
Income tax expenses －current	$	76,138	109,188
Income tax expenses－deferred		-	-
Income tax expenses from continuing operations	$	76,138	109,188

The reconciliation of income tax expense and profit before tax for the years ended December 31, 2018 and 2017 were as follows:

		2018	2017
Income before tax	$	520,842	891,723
Estimated income tax calculated based on financial income before tax at domestic tax rate	$	104,168	151,593
Tax-exempt income		(100,222)	(100,462)
Land Value Increment Tax		55,631	82,925
Surtax on undistributed earnings		20,507	26,263
Others		(3,946)	(51,131)
Total	$	76,138	109,188

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets

The details of unrecognized deferred tax assets were as follows:

		December 31, 2018	December 31, 2017
Deductible temporary differences	$	102,137	154,830
The carryforward of unused tax losses		123,535	90,026
	$	225,672	244,856

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

As of December 31, 2018, the information of the Group's unutilized business losses for which no deferred tax assets were recognized was as follows:

Year of loss		Unused amount	Expiration year
2010	$	153,862	2020
2015		34,844	2025
2016		555	2026
2017		14,354	2027

(3) The ROC income tax authorities have examined the Company's income tax returns for all years through 2016 except for 2015.

(p) Capital and Other Equities

As of December 31, 2018 and 2017, the total value of authorized ordinary shares amounted to $4,300,000 thousand. Face value of each share is $10, which means in total, there were 430,000 thousand ordinary shares, of which 332,809 thousand were issued.
As of December 31, 2018 and 2017, the number of shares outstanding were both 332,809 thousand.

(i) Capital surplus

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

		December 31, 2018	December 31, 2017
Share capital	$	1,769,869	1,769,869
Treasury share transactions		26,353	26,353
Capital surplus－premium from merger		217,538	217,538
Conversion right of convertible bonds		16,588	16,588
Interest payable refund from bond conversion		11,235	11,235
Total	$	2,041,583	2,041,583

According to the amendment of the ROC Company Act in January 2012, capital surplus needs to be offset with losses. This realized capital surplus can then be reclassified as capital or cash dividends. The aforementioned realized capital surplus includes income from treasury shares selling above the book value and income from gifts received. In accordance to the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, the Company can increase its capital surplus; however, the annual increase in capital surplus cannot exceed 10% of the realized capital surplus.

(ii) Unappropriated earnings

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

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

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

1) Legal reserve

According to the ROC Company Act, the Company must retain 10% of its after-tax annual earnings as legal reserve until such retention equals the amount of the total capital. When a company incurs no loss, it may, in pursuant to a resolution by a shareholders’ meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of the legal reserve which exceeds 25% of the capital may be distribute.

2) Special reserve

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

3) Earnings Distribution

Based on the resolutions approved by the stockholders' meetings on June 11, 2018, and June 15, 2017, the earnings for year 2017 and 2016 were distributed as follows:

	2017		2016	
	Attribution per share	Amount	Attribution per share	Amount
Cash Dividend	$ 1.50	499,213	2.10	698,898

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

(iii) Other equity

	Foreign exchange differences arising from foreign operation	Available-for-sale investments
Balance at January 1, 2018	$ (11,880)	22,343
Effects of retrospective application	-	(22,343)
Balance at January 1, 2018 after adjustments	(11,880)	
Foreign exchange differences (net of tax):		
Associates	2,351	-
Unrealized gains and losses from available-for-sale investment：		
The Company	-	-
Balance at December 31, 2018	$ (9,529)	-
Balance at January 1, 2017	$ (6,220)	24,810
Foreign exchange differences (net of tax):		
Associates	(5,660)	-
Unrealized gains and losses from available-for-sale investment:		
The Company	-	8,133
Cumulative gain reclassified to profit or loss upon disposal of available-for-sale financial assets：		
The Company	-	(10,600)
Balance at December 31, 2017	$ (11,880)	22,343

(q) Earnings per share

(i) Basic Earnings per share

The calculation of basic earnings per share at December 31, 2018 that was based on the profit attributable to ordinary shareholders of the Company amounting to $444,704 thousand (2017: $782,535 thousand) and both the weighted average number of ordinary shares outstanding amounting to 332,809 thousand was calculated as follows:

1) Profit attributable to ordinary shareholders

	2018	2017
Profit (loss) attributable to ordinary shareholders of the Company	$ 444,704	782,535

(ii) Diluted earnings per share

The calculation of diluted earnings per share at December 31, 2018 that was based on profit attributable to ordinary shareholders of the Company amounting to $444,704 thousand (2017: $782,535 thousand) and the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares amounting to 333,401 thousand (2017: 333,685 thousand) was calculated as follows.

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

	2018	2017
Profit (loss) attributable to ordinary shareholders of the Company (basic)	$ 444,704	782,535
Profit (loss) attributable to ordinary shareholders of the Company (diluted)	$ 444,704	782,535

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

	2018	2017
Weighted-average number of ordinary shares (basic)	$ 332,809	332,809
Effect of employee stock bonus	592	876
Weighted-average number of ordinary shares (diluted) at 31 December	$ 333,401	333,685

(r) Revenue from contracts with customers

(i) Disaggregation of revenue

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

	2018
Primary geographical markets	
Taiwan	$ 3,918,005

	2018
Major products/services lines	
Sale of land	$ 2,535,843
Sale of buildings	1,361,987
Lease of real estate	20,175
	$ 3,918,005

For details on revenue for the year ended December 31, 2017, please refer to note 6(s).

(ii) Contract balances

	December 31, 2018	December 31, 2017
Accounts receivable	$ 38,261	54,857
Notes receivable	32,180	26,514
Total	$ 70,441	81,371
Contract liabilities－sale of real estate	$ 200,969	1,003,112
Total	$ 200,969	1,003,112

(s) Revenues

The details of revenue for the years ended December 31, 2017 were as follows:

	2017
Land revenue	$ 1,850,212
Building Revenue	838,287
Rental Revenue	20,368
Construction contract revenue returns and discount	(23,539)
Total	$ 2,685,328

(t) Directors' and supervisor's remuneration

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

The employee bonuses and directors' and supervisors' remuneration were recognized as cost of sales or operating expenses on specific percentage of net income. These amounts are calculated using the Company's profit before tax without the employee bonuses and directors' and supervisors' remuneration for each period. The Company recognized its employee bonuses of $9,000 thousand in 2018 and $12,000 thousand in 2017 respectively, as well as directors' and supervisors' remuneration of $2,200 thousand in 2018 and $2,200 thousand in 2017 respectively. Related information is available on the Market Observation Post System website of the Taiwan Stock Exchange. The differences between the amounts approved in the shareholders' meeting and those recognized in the financial statements, if any, are accounted for as changes in accounting estimates and recognized as profit or loss in the distribution year.

(u) Non-operating income and expenses

(i) Other income

The details of non-operating income and expenses for the years ended December 31, 2018 and 2017 were as follows:

	2018	2017
Interest income	$ 993	369
Dividend income	996	1,970
Fee Revenue	10	126
Breach Revenue	88,921	101,592
Others	10,324	1,195
Total	$ 101,244	105,252

(ii) Other gains and losses

The details of other gains and losses for the years ended December 31, 2018 and 2017 were as follows:

	2018	2017
Gains on financial assets at fair value through profit or loss	$ 263	1,586
Gain on disposal of financial assets at fair value through profit loss	-	10,600
Others	(4,297)	(6,632)
Total	$ (4,034)	5,554

(iii) Finance costs

The details of finance costs for the years ended December 31, 2018 and 2017 were as follows:

	2018	2017
Interest expenses	$ 73,968	88,664
Less: Capitalized Interest	(39,380)	(58,917)
Total	$ 34,588	29,747
Capitalized Interest Rate	1.02%~1.40%	1.26%~1.42%

(v) Financial Instrument

(i) Credit risk

1) Credit risk exposure

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

2) The concentration of credit risk

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

(ii) Liquidity risk

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

	Carrying amount	Contractual cash flow	Within 6 months	Within 6-12months	1-2 years	2-5 years	More than 5 years
As of December 31, 2018							
Non-derivative financial liabilities							
Secured bank loans	$ 1,437,000	1,491,816	13,249	13,395	26,571	1,438,601	-
Unsecured Secured bank loans	450,000	455,333	3,994	451,339	-	-	-
Commercial notes	1,843,088	1,853,000	1,103,000	750,000	-	-	-
Notes and accounts payables	308,137	308,137	308,137	-	-	-	-
	$ 4,038,225	4,108,286	1,428,380	1,214,734	26,571	1,438,601	-
As of December 31, 2017							
Non-derivative financial liabilities							
Secured bank loans	$ 1,517,000	1,597,660	15,573	15,744	687,636	878,707	-
Unsecured bank loan	650,000	658,137	5,996	652,141	-	-	-
Commercial notes	2,285,568	2,287,000	2,287,000	-	-	-	-
Notes and accounts payables	533,205	533,205	533,205	-	-	-	-
	$ 4,985,773	5,076,002	2,841,774	667,885	687,636	878,707	-

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

(iii) Currency risk

1) Exposure to currency risk

	December 31, 2018			December 31, 2017		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
Financial assets						
USD	$ 8,376	30.715	257,275	15,000	29.76	446,400

2) Sensitivity analysis

The Group' s exposure to foreign currency risk arises from cash and cash equivalents that are determined in foreign currency and the investment accounted for using equity method, resulting in exchange differences on translation of financial statements. A Strengthening (weakening) 10 % of appreciation (depreciation) of the TWD against the USD as of December 31, 2018 and 2017, would have increased (decreased) profit of 2018 by $25,727 thousand and other equity of 2017 by $44,640 thousand. The analysis assumes that all other variables remain constant.

(iv) Interest risk

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

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

If the interest rate increases / decreases by 50 basis points, the Group’s net profit after tax would have increased (decreased) by $20,485 thousand and $21,255 thousand for the years ended December 31, 2018 and 2017 with all other variable factors that remain constant. This is mainly due to the Group’s borrowings in floating variable rate.

(v) Other market price risk

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

	2018		2017	
Equity price at reporting date	**After-tax other Comprehensive income**	**After-tax profit (loss)**	**After-tax other Comprehensive income**	**After-tax profit (loss)**
Increase 3%	$ -	566	912	190
Decrease 3%	$ -	(566)	(912)	(190)

(vi) Fair value

1) Categories of financial instruments and fair value

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

	December 31, 2018				
	Carrying amount	Fair value Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Non-derivative financial assets mandatorily measured at fair value through profit or loss	$ 18,851	18,851	-	-	18,851
Financial assets measured at amortized cost					
Cash and cash equivalents	659,935	-	-	-	-
Notes receivable and account receivable	70,441	-	-	-	-
Other financial assets - current	2,230	-	-	-	-
Subtotal	732,606	-	-	-	-
Total	$ 751,457	18,851			18,851

(Continued)

	December 31, 2018				
	Carrying	Fair value			
	amount	Level 1	Level 2	Level 3	Total
Financial liabilities at amortized cost					
Bank Loans	$ 1,887,000	-	-	-	-
Short-term notes and bills payable	1,843,088	-	-	-	-
Notes payable and account payable	308,137	-	-	-	-
Other payable	142,705	-	-	-	-
Subtotal	$ 4,180,930	-	-	-	-
Total	$ 4,180,930	-	-	-	-

	December 31, 2017				
	Carrying	Fair value			
	amount	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Held-for-trading non-derivative financial assets	$ 6,337	6,337	-	-	6,337
Available-for-sale financial assets					
Stocks in listed companies	30,409	30,409	-	-	30,409
Financial assets at cost	1,214	-	-	-	-
Loans and account receivable					
Cash and cash equivalents	243,950	-	-	-	-
Notes receivable and account receivable	81,371	-	-	-	-
Other financial assets - current	173,138	-	-	-	-
Subtotal	498,459	-	-	-	-
Total	$ 536,419	36,746	-	-	36,746
Financial liabilities at amortized cost					
Bank Loans	$ 2,167,000	-	-	-	-
Short-term notes and bills payable	2,285,568	-	-	-	-
Notes payable and account payable	533,205	-	-	-	-
Other payable	58,929	-	-	-	-
Subtotal	5,044,702	-	-	-	-
Total	$ 5,044,702	-	-	-	-

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

Non-derivative financial liabilities

Financial instruments traded in active markets are based on quoted market prices. The quoted price of a financial instrument obtained from main exchanges and on-the-run bonds from Taipei Exchange can be used as a basis to determine the fair value of the listed companies' equity instrument and debt instrument in an active market.

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

(w) Management of financial risk

Overview

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

- Credit risk
- Liquidity risk
- Market risk

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

(ii) Risk management framework

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

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

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

(iii) Credit risk

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

1) Investment

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

2) Guarantees

As of December 31, 2018 and 2017, there is no guarantee outstanding.

(iv) Liquidity risk

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

The loans and borrowings from the bank form an important source of liquidity for the Group. The Group has unused short-term bank facilities of $4,168,000 thousand and $3,200,000 thousand as at 31 December 31, 2018 and 2017.

(v) Market risk

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

1) Currency risk

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

2) Interest rate risk

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

(x) Capital management

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

		December 31, 2018	December 31, 2017
Total liabilities	$	4,450,622	6,111,970
Less: cash and cash equivalents		(659,935)	(243,950)
Net debt	$	3,790,687	5,868,020
Total equity	$	11,648,864	11,667,263
Debt to equity ratio		32.54%	50.29%

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

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

There was no investing and financing activity not affecting cash flow as of December 31, 2018 and 2017.

7. Related-party transactions

(a) Parent Company and ultimate controlling company

The Company is the ultimate controlling party of the Group.

(b) Names and relationship with related parties

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

Name related party	Relationship with the Company
J.H. Tuan	The chairman of the Company
Hsin Pei Real Estate Development Co., Ltd.	An associate

(c) Related party transactions

(i) Endorsements and guarantees

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

(ii) Others

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

(d) Key management personnel compensation

		2018	2017
Short-term employee benefits	$	9,899	9,711
Retirement benefits		234	230
Other long-term benefits		-	-
Resignation benefits		-	-
Share-based payment		-	-
Total	$	10,133	9,941

8. Pledged assets

As of December 31, 2018 and 2017, the carrying values of pledged assets were as follows:

Pledged assets	Pledged to secure		December 31, 2018	December 31, 2017
Construction-in-progress － land	Short-term bills payable, short-term loans	$	5,203,075	5,803,049
Land held for development	Short-term bills payable, short-term loans		1,679,232	829,556
Properties and land held for sale	Short-term bills payable, short-term loans		522,480	853,534
Property, Plant and Equipment	Short-term bills payable		80,686	-
Investment properties	Short-term bills payable		-	72,931
		$	7,485,473	7,559,070

9. Commitments and contingencies

As of December 31, 2018, the Group had issued promissory notes of $5,437,000 thousand to financial institutions for their provision of repayment guarantees.

As of December 31, 2018, the total contract amount of the Group’s construction projects was $1,370,962 thousand, of which $752,394 thous1and had been paid and recorded as “inventory.”

As of December 31, 2018, the total contract amount of the Group’s advanced-sell projects was $1,429,142 thousand of which $200,969 thousand had been received and recorded as “current contract liabilities.”

The Group has signed project “061120014” joint construction agreement with ten non-related parties, Mrs. Yang and five others, on June 2010; and Mr. Pan and three others on September 2011. As of December 31, 2018, in accordance with the joint construction agreement, the Group has paid a promissory amount of $11,390 thousand to the land owners and recorded it as refundable deposits.

The Group has signed project “012310247” joint construction agreement with nine non-related parties, Mrs. Lin and eight others, on May 2014 and on July 2015. As of December 31, 2018, in accordance with the joint construction agreement, the Group has paid a promissory amount of $80,822 thousand to the land owners and recorded it as refundable deposit

The Group has signed project “061060137” joint construction agreement with four non-related parties, Mrs. Lo and three others, from April 2013 to April 2014. As of December 31, 2017, in accordance with the joint construction agreement, the Group has paid a promissory amount of $1,050 thousand to the land owners and recorded it as other current assets.

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

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

10. Losses due to major disasters：None.

11. Subsequent events：None.

12. Other

(a) Total personnel, depreciation and amortization expenses categorized by function for the years ended December 31, 2018 and 2017, were as follows:

	2018			2017		
	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Personnel expenses						
Salaries	12,684	25,774	38,458	15,886	26,014	41,900
Labor and health insurance	847	1,729	2,576	1,097	1,745	2,842
Pension	537	673	1,210	692	691	1,383
Remuneration of directors	-	2,024	2,024	-	2,024	2,024
Others	292	550	842	405	565	970
Depreciation	-	3,452	3,452	700	1,214	1,914
Amortization	-	126	126	-	240	240

In the year of 2018 and 2017, the Group employed 32 and 36 employees on average, respectively.

(b) In 2015, the Group and Taiwan Trump Construction Group Limited signed a contract concerning a joint-constructing investment in project “061060137”, wherein the Group owns 70% of the shares.

13. Other disclosures

(a) Information on significant transactions

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

(1) Fund financing to other parties：None.

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

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

Name of holder	Category of security	Category and name of security	Account	Balance at December 31, 2017				Note
				Number of shares	Book value	Percentage of share	Market value(or net value)	
The Company	C Sun Mfg. Ltd.	-	Mandatorily measured at fair value through profit－current	228,045	5,963	-	5,963	
The Company	CPT	-	〃	23,599	15	-	15	
The Company	NEOMAGIC(NMGC)	-	〃	10,659	-	-	-	
The Company	Trade-Van	-	〃	393,655	12,873	0.26%	12,873	
The Company	HORIZON VENTURE FUND I.L.P.	-	〃	-	-	1.21%	-	
The Company	PROSPERITY LAND PROPERTIES LIMITED	-	Non-current assets held for sale	7,575,758	253,256	30.30%	253,256	

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

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

(Expressed in thousands of TWD)

Name of company	Name of property	Transaction date	Transaction amount	Status of payment	Counter party	Relationship with the Company	If the counter-party is a related party, disclose the previous transfer information: Owner	Relationship with the Company	Date of transfer	Amount	References for determining price	Purpose of acquisition and current condition	Others
The Company	Construction-in-progress-land	2018.03.01	849,676	819,676	Hung-Yi Co., Ltd. Yong-Fu Co., Ltd. Mr. Chen	Non-related parties	-	-	-	-	Appraising	Construction	none

(6) Disposal of real estate with an amount exceeding the lower of $300,000 thousand or 20% of the Company' s paid-in capital：None.

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

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

(9) Derivative financial instruments：None.

(b) Information on investees：

The followings are the information on investees:

(Expressed in thousands of TWD)

Investor company	Investee company	Location	Main businesses and products	Original investment amount: December 31, 2018	Original investment amount: December 31, 2017	December 31, 2018: Shares (in thousands)	December 31, 2018: Percentage of ownership	December 31, 2018: Carrying value	Net income (losses) of the investee	Investment income (losses) recognized	Note
The Company	Prosperity Land Properties Limited	Hong Kong	Investing business	228,285	450,345	7,575,758	30.30%	253,256	84,463	25,595	
Prosperity Land Properties Limited	Jia Xing Hong Pu Prosperity Land properties	Mainland China	Real estate development service	746,955	1,479,750	-	100.00%	836,784	84,536	84,536	
The Company	Chuan Yue Real Estate Development Co., Ltd.	Taipei	Real estate development service	64,200	-	6,000,000	100.00%	63,634	(566)	(566)	

(c) Information on investment in Mainland China：

(1) Information on investment in Mainland China：

(Expressed in thousands of TWD)

Name of the investee in Mainland China	Major operations	Issued capital	method of investment	Beginning remittance balance - Cumulative investment (amount) from Taiwan	Current remittance/recoverable investment (amount): Remittance amount	Current remittance/recoverable investment (amount): Recoverable amount	Ending remittance balance - Cumulative investment (amount) from Taiwan	Current investment gains and losses	Direct/indirect shareholdings investments (%) in the Company	Investment income (losses) recognized	Book value	Remittance of investment income as at current period
Jia Xing Hong Pu Prosperity Land properties	Real estate development service	746,955	Note(1) b	450,345	-	222,060	228,285	84,536	30.30%	25,595	253,256	-

Note (1): a. The Group directly invested in the China company

b. The Group invested in the company through third region finance, and then the company invested in the China company.

c. Other way

(2) Upper limit on investment in Mainland China：

	Aggregate investment amount remitted form Taiwan to Mainland China at the end of the period	Approved investment (amount) by Ministry of Economic Affairs Investment Commission	Limitation on investment in Mainland China accordance with the regulations of Ministry of Economic Affairs Investment Commission
-	228,285	460,725	6,989,318

(3) Significant transactions：None.

14. Segment information：None.

F. The Company Should Disclose The Financial Impact To The Company If The Company And Its Affiliated Companies Have Incurred Any Financial Or Cash Flow Difficulties in recent years until the Annual Report Published Data:None

VII、Review of Financial Conditions, Operating Results, and Risk Management

A. Analysis of Financial Status

(Unit: NT$ thousands)

Item \ year	2018	2017	Difference	
			Amount	%
Current Assets	$15,751,740	$17,007,856	(1,256,116)	(7.38)
Fixed Assets	86,238	77,203	9,035	(11.70)
Instangible assets	-	-	-	-
Other Assets	261,508	694,174	(432,666)	(62.33) (註 1)
Total Assets	16,099,486	17,779,233	(1,679,747)	(9.45)
Current liabilities	4,443,370	6,109,885	(1,666,515)	(27.28) (註 2)
Non-current liabilities	7,252	2,085	5,167	2.48
Total Liabilities	4,450,622	6,111,970	(1,661,348)	(27.18) (註 2)
Capital Stock	3,328,087	3,328,087	-	-
Capital Surplus	2,041,583	2,041,583	-	-
Retained Earnings	6,288,723	6,287,130	1,593	0.03
Other equity	(9,529)	10,463	(19,992)	-
Total Stockholder's Equity	11,648,864	11,667,263	18,399	(0.16)

Explanation :

When change ratio and amount on assets, liabilities and shareholder equities is more than 20% and NT10 million of dollars, it shall state the reason, effect and treatment in the future:

Note 1: Mainly due to the equity method of the return of reduced capital and the transfer as the assets held for sale.

Note2: Mainly due to the decrease in short-term borrowings and the reverse of advance real estate receipts resulting from delivered.

B. Analysis of Operation Results：

a. Analysis of Operation Results：

(Unit: NT$ thousands)

Item \ Year	2018	2017	Difference	Percent Change
Operating Revenues	3,918,005	2,685,328	1,232,677	45.90 (Note 1)
Operating Costs	(3,267,116)	(1,842,270)	1,424,846	77.34 (Note 1)
Gross Profit	650,889	843,058	(192,169)	(22.79) (Note 1)
Operating Expenses	(218,264)	(132,754)	85,510	64.41 (Note 1)
Total Operating Income	432,625	710,304	(277,679)	(39.09) (Note 1)
Non-Operating Income	88,217	181,419	(93,202)	(51.37) (Note 2)
Income Before Income Tax	520,842	891,723	(370,881)	(41.59) (Note 1)
Income Tax expense	(76,138)	(109,188)	(33,050)	(30.27) (Note 3)
Cumulative Effect of Changes in Accounting Policies	-	-	-	-
Loss (Profit) for Continuing Operations	$444,704	$782,535	(337,831)	(43.17)

(Note 1)：Due to revenue increased in 2018 than 2017number, however, operating cost and advertisement expense increased substantially, gross profit, operating income and earnings before tax decreased.

(Note 2)：Because the share of profits and losses of associates recognized by the equity method decreased, non-operating income decreased in 2018.

(Note 3)：Due to payment of Land Value Increment Tax in 2018 was less than 2017.

b.Analysis of Gross Profit:

1.Analysis of Change of Gross Profit:

(NT$ thousands)

Year \ Item	Net Operating Revenues	Operating Costs	Gross Profit	Percent Gross profit
2017	2,685,328	1,842,270	843,058	31.39 (Note 1)
2018	3,918,005	3,267,116	650,889	16.61 (Note 1)
Explanation : Note 1: Due to more revenue booked in 2018 than 2017, operating cost increased substantially, therefore, gross profit decreased.				

2.Due to character of industry, the size of launched projects are different; thus there is no quantity analysis of difference. And, due to market discrimination, location of projects, price of sales, thus there is no basis of price analysis of difference.

C. Analysis of Cash Flow：

a.Analysis of Cash Flow

Item \ Year	2018 (%)	2017 (%)	Percent Change
Cash Flow Ratio(%)	24.53	12.19	101.23 (註 1)
Cash Flow Adequacy Ratio (%)	306.29	103.62	195.59
Cash Re-Investment Ratio (%)	5.04	0.39	1,192.37 (註 1)

Analysis of deviation：

Note 1: Due to "Hong Pu Park" and "Leisurely Days" were completed and delivered, in addition, other projects were delivered and book revenue, net cash inflow increased in 2018

b.Cash Flow Projection for Next Year

NT$ thousands)

Cash Balance 12/31/2018 ①	Net Cash Provided by Operating Activities In 2019 ②	Net Cash Outflows from Investing & Financing Activities in 2019 ③	Cash Balance 12/31/2019 ①+②-③	Remedy for Cash Shortfall	
				Investment Plan	Financing Plan
659,935	4,650,986	(4,286,571)	1,024,350	-	-

D. The effect on finance and operation from important capital expenditure for the latest year: None

E. Policy, reason of profit or loss, improvement plan and investment in the next year of reinvestment: None

F. Necessary analysis and evaluation of risk events in the latest year and before date annual report printed are as follows:

a. Effect and treatment on net income due to change of interest rate, exchange rate and inflation rate:

i. Interest risk

The company’s borrowings bear floating interest rate. The company reduces the interest risks through market mechanism and negotiating the loan rates frequently with banks.

The risk exposure to interest rates is based on derivative and non-derivative financial instruments on the reporting date. For the floating rate debts, the analysis assumes that the amounts of floating rate liabilities are outstanding for the whole year. The range of interest report to the management is increases / decreases by 50 basis points, and the range is reasonable evaluation of interest risk.

If the interest rate increases / decreases by 50 basis points, the Company’s netprofit after tax would have increased (decreased) by $20,485 and $21,255 for the years ended December 31, 2018 and 2017 with all other variable factors that remain constant. This is mainly due to the Company’s borrowins in floating variable rate.

ii. currency volatility：

(i) exposure of currency risk

financial assets and liabilities exposed to currency risk are showed as follows:

Financial assets USD	107.12.31			106.12.31		
	USD	Exchange rate	NTD	USD	Exchange rate	NTD
	$8,376	30.715	257,275	$15,000	29.76	446,400

(ii) sensitivity analysis

The Company’s exposure to foreign currency risk arises fromthe investment accounted under equity method, resulting in exchange differences on translation of financial statements. A Strengthening (weakening) 10 % of appreciation (depreciation) of the TWD against the USD as of December 31, 2018 and 2017, would have increased (decreased) “Other Equity” by 25,727 thousand and $ 44,640 thousand. The analysis assumes that all other variables remain constant.

iii. Inflation: There is no effect from inflation.

b. Policy, reason of profit or loss and improvement in the future of high risk, highinvestment, lending, endorsement, and derivatives transaction: None

c. Plan and expense of R&D in the future: The company and subsidiary invest in development of residential projects, therefore no R&D division is set up and no R&D expense occurs.

d. Looking back to FY17, although the United States President Trump took office, the United Kingdom launched the Brexit program, and the Middle East and Northeast Asia raised geopolitical tensions. However, the central government no further released control policies on housing market and introduced “Statute for Expediting Reconstruction of Urban Unsafe and Old Buildings”, the local government announced lower “Assessed Land Value”, and the central bank’s monetary policy continued to maintain a dynamic stability. Rigid demand is still main stream in the real estate market.

e. Effect and treatment from change of technology and industry on company's finance and operation: None

f. Effect and treatment from change image of company on risk management: None

g. Expectative effect, potential risk and treatment of merge: None

h. Expectative effect, potential risk and treatment of factory expansion: None

i. Risk and treatment of concentralization of purchase or sale: None

j. Effect, risk and treatment on mass transfer or change of director, supervisor and major shareholder who has more than 10% ownership: None

k. Effect, risk and treatment on change of management: None

l. Lawsuit event:

i. Major events of lawsuit: None

ii. Lawsuit event which director, supervisor and major shareholder who has more than 10% ownership involved: None

m.Other risk and treatment: None

G. Other important event: None

VIII.、Special Disclosure

A. Affiliate Information: ChuanYue Development Co., Ltd. is a 100% subsidiary 100% held by the Company.

B. Private Placement Securities: None

a.Information of private offered securities: None

b.State of execution of private offered securities in the latest year and before date annual report printed: None

C. Status of Hong-Pu Common Shares Acquired, Disposed of and Held by Subsidiaries: None

D. Other Necessary Supplement: None

E. Any event which has a material impact on shareholders' equity or securities prices in the “Securities and Exchange Act” 36.3.2 in the latest year and before date annual report printed: None

HONG PU REAL ESTATE DEVELOPMENT

Chairman:J.H.Tuan