

Holiday Garden International Ltd. and subsidiaries
Consolidated Financial Report and Independent Accountant's
Report
2018 and 2017
(Stock code: 2702)

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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.

Holiday Garden International Ltd. and Subsidiaries
Consolidated Financial Report and Independent Accountant's Report of 2018 and 2017
Contents

<u>Item</u>	<u>Page</u>
1. Cover	1
2. Contents	2-3
3. Representation Letter	4
4. Independent Auditors' Report	5-11
5. Consolidated Balance Sheets	12-14
6. Consolidated Statements of Comprehensive Income	15
7. Consolidated Statements of Changes in Equity	16~17
8. Consolidated Statements of Cash Flows	18~19
9. Notes to the Consolidated Financial Statements	20-78
(1) Company milestones and scope of business	20
(2) Date and procedure of approval of the financial report	20
(3) Applicability of newly issued and revised standards and interpretations	20-23
(4) Summary of significant accounting policies	24-34
(5) Critical accounting judgments, estimates and key sources of assumption uncertainty	35
(6) Details of significant accounts	35~58
(7) Transactions with related parties	58

<u>Item</u>	<u>Page</u>
(8) Collateralized assets	58
(9) Significant contingent liabilities and unrecognized contractual commitments	59~61
(10) Significant casualty losses	61
(11) Major events after the reporting period	61
(12) Others	61~75
(13) Additional disclosure	75~76
(14) Segment information	76~78

Holiday Garden International Ltd. and subsidiaries

Declaration of Consolidated Financial Statements of Affiliated Enterprises

According to Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises, enterprises to be included in the Company's consolidated financial statements for affiliated enterprises are also the enterprises to be included into the consolidated financial statements of parent and subsidiary companies in accordance with IFRS 10. Moreover, because information disclosed in the consolidated financial statements of affiliated enterprises has already been disclosed in the previous consolidated financial statements of parent and subsidiary, the Company does not need to prepare the consolidated financial statements for the affiliated enterprises separately.

Holiday Garden International Ltd.

Chen Hai-ni

March 20, 2019

Independent Accountants' Report

(2019) Tsai Shen Pao Tzu No. 18004571

Holiday Garden Hotel Co., Ltd.

Opinion

We have audited the following financial statements of Holiday Garden International Ltd. and the subsidiaries (the "Group"): the consolidated balance sheets of December 31, 2018 and 2017, the consolidated statements of comprehensive income of January 1 to December 31 of 2018 and 2017, the consolidated statements of changes in equity, the consolidated statements of cash flows, and the notes to 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 period from January 1 to December 31 of 2018 and 2017 of the Group in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Standards (IFRSs), the international Accounting Standards (IASs), and the related interpretations and interpretative bulletins endorsed by the Financial Supervisory Commission of the Republic of China.

Basis for opinion

We conducted the audit in accordance with the Rules Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the generally accepted auditing standards in the Republic of China. Our responsibilities under those rules and standards are described in the section of the responsibilities of accountants auditing consolidated financial statements. Personnel of our accounting firm subject to the independent requirements have complied with the code of professional ethics of certified public accountants of the Republic of China

, stayed fully independent of the Group and fulfilled other responsibilities in accordance with

the code. We believe that we have obtained adequate and appropriate audit evidence to form the basis of our audit opinion.

Key audit matters

Key audit matters refer to the most significant matters, according to our professional judgment, in the 2018 consolidated financial statements of the Group. These matters were addressed during the audit of the overall consolidated financial statements and in the formation of our opinion. We do not express our opinion on these matters separately.

We determine the following key audit matters of the consolidated financial statements of 2018 of the Group:

Intangible assets impairment evaluation

Description

For accounting policies of intangible asset impairment, please refer to Note 4(17) of the consolidated financial statements. For accounting estimation and assumption uncertainty of evaluation of intangible investment impairment, please refer to Note 5(2) of the consolidated financial statements. For intangible assets, please refer to Note 6(6) of the consolidated financial statements.

The carrying amount of intangible assets as of December 31, 2018 of the Group is NT\$403,004,000, accounting for 7% of the total amount of the total consolidated assets. The booming of a wide variety of hotels and accommodations and the fierce competition in the hospitality industry in recent years have prompted management to treat each subsidiary as an independent and the smallest cash generating unit in the impairment evaluation of intangible assets and to use the estimated future cash flows of each subsidiary and an appropriate discount rate for discounting to measure the recoverable amount of each cash generating unit and to use this information for evaluating the impairment of intangible assets.

The aforementioned use of future cash flow estimation for measuring the recoverable amount of a cash generating unit may exert a significant impact on the measurement of the

recoverable amount because the estimation is based on numerous assumptions, including the discount rate and the financial forecast for the next five years, which may lead to subjective judgment and a high level of uncertainty. Therefore, intangible asset impairment evaluation is chosen to be a key audit matter of this year.

Corresponding audit program

We have implemented the following audit program corresponding to the aforementioned audit matter.

1. We have learned to understand and evaluate management's operating procedure for estimating the subsidiaries' future cash flows and verified that their cash flows for the next five years are consistent with the business plan approved by the Board of Directors.
2. We discussed specific actions in the business plan with management and evaluated management's intent and ability for implementing the business plan by acquiring information related to the actual implementation of the management's business plan in the past.
3. We evaluated the reasonableness of the various parameters and material assumptions adopted, including the discount rates, by the following procedures:
 - We evaluated the reasonableness by comparing the expected growth rate used with the historical results and the economic environment forecast.
 - We also evaluated the reasonableness by comparing the discount rate used with the assumption of the financing cost of the cash generating unit and similar returns on assets in the market.

Other matters: Parent company only financial report

The Group has prepared the 2018 and 2017 parent company only financial statements, and we have issued an audit report with unmodified opinion. That report is available for reference.

Responsibilities of management and those charged with governance for the consolidated financial statements

The responsibilities of management is to prepare appropriately stated consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Standards (IFRs), the international Accounting Standards (IASs), and the related interpretations and interpretative bulletins endorsed by the Financial Supervisory Commission of the Republic of China. Management is also responsible for maintaining necessary internal control relevant to the preparation of the consolidated financial statements to ensure that the consolidated financial statements are free from material misstatement by fraud or error.

Management when preparing consolidated financial statements is also responsible for evaluating the Group's ability to continue as a going concern, disclosing relevant matters, and using the going concern basis of accounting unless management intends to liquidate the Group, to cease the operations, or to liquidate or to have no feasible alternatives but to do so.

Those charged with governance (including the supervisors) of Group are responsible for supervising the Group's financial reporting procedure.

Account's responsibilities for the audit of consolidated financial statements

The objectives of the accountants for auditing the consolidated financial statements are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from any material misstatement due to fraud or errors and to issue an accountant's report accordingly. Reasonable assurance refers to a high level of assurance, but there is no guarantee that an audit performed in accordance with the generally accepted auditing standards of the Republic of China can detect any material misstatement from the consolidated financial statements. Misstatements may arise from fraud or errors. A misstated dollar amount, individually or in the aggregate, that could be reasonable predicted to influence the economic decision of the user of the consolidated financial statements can be viewed as material.

In accordance with the generally accepted auditing standards of the Republic of China, we exercised professional judgment and maintained professional skepticism throughout the audit. We also performed the following tasks:

1. We identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or errors, designed and performed audit procedures according to those risks, and obtained audit evidence that can sufficiently and appropriately form the 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. We obtained an understanding of internal control relevant to the audit in order to design audit procedures suitable for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. We evaluated the appropriateness of accounting policies adopted and the reasonableness of accounting estimates and related disclosures made by management.
4. We concluded on the appropriateness of management's use of the going concern basis of accounting and 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 based on the audit evidence we have obtained. If we conclude that a material uncertainty exists, we will need to draw attention in our accountant's report to the related disclosures in the consolidated financial statements or to modify our opinion if such disclosures are inadequate. Our conclusions are based on the audit evidence obtained up to the date of this accountant's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. We evaluated the overall presentation, structure and content of the consolidated financial statements, including the attached notes, and whether the consolidated financial statements represent the underlying transactions and events in a fair manner.

6. We obtained sufficient and appropriate audit evidence regarding the financial information of entities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of group audits and are responsible for our audit opinion.

We have communicated with those charged with governance regarding the planned scope and the timing of the audit as well as material audit findings (including significant internal control shortcomings identified in the audit).

We have also provided those charged with governance the statement that the personnel of our accounting firm subject to the requirements of independence have complied with the requirements of independence of the code of professional ethics of certified public accountants of the Republic of China and communicate with those charged with governance relationships and other matters that may influence our independence (including related preventive measures).

We determined the key audit matters of the consolidated financial statements of 2018 of the Group according to matters communicated with those charged with governance. We described these matters in the accountant's report, unless the laws and regulations prohibit such disclosure or under rare condition that we decide not to communicate a given matter because the negative impact from such communication may override its public benefits under reasonable assumption.

PwC Taiwan

Independent accountants

Wu Chien-chih

Liao A-shen

Financial Supervisory Commission

Approval certificate No.: Chin Kuan Cheng Shen Tzu No.
1030027246

Former Financial Supervisory Commission of Executive
Yuan

Approval certificate No.: Chin Kuan Cheng Shen Tzu No.
1010015969

March 20, 2019

Holiday Garden International Ltd. and Subsidiaries
Consolidated Balance Sheet
December 31 of 2018 and 2017

Unit: NT\$, 000

Assets	Notes	December 31, 2018		December 31, 2017		
		Amount	%	Amount	%	
Current assets						
1100	Cash and cash equivalents	6(1)(7)	\$ 1,801,148	30	\$ 729,863	14
1125	Financial assets available-for-sale	12(4)				
	- current		-	-	50,271	1
1150	Net notes receivable	6(3)	800	-	1,283	-
1170	Net accounts receivable	6(3)(7)	33,552	-	32,674	1
1200	Other accounts receivable	6(25)	52,043	1	3,193	-
1220	Tax assets		54,697	1	-	-
130X	Inventories	6(4)	344	-	839	-
1410	Advance payments	6(7)	8,000	-	8,640	-
1460	Prepare to Sale - noncurrent	6(7)				
	assets		-	-	443,567	8
1476	Other financial assets - current	6(7) and 8	589,226	10	561,441	11
1479	Other current assets - others		298	-	66	-
11XX	Total current assets		<u>2,540,108</u>	<u>42</u>	<u>1,831,837</u>	<u>35</u>
Non-current assets						
1600	Property, plants, and equipment	6(5)(7) and 8	2,929,346	49	2,900,500	54
1780	Intangible assets	6(6)(7)	403,004	7	423,033	8
1840	Deferred tax assets	6(7)(22)	120,314	2	143,065	3
1920	Guarantee deposits paid	6(7)	7,054	-	7,671	-
1990	Other non-current assets - others	6(7)	207	-	201	-
15XX	Total non-current assets		<u>3,459,925</u>	<u>58</u>	<u>3,474,470</u>	<u>65</u>
1XXX	Total assets		<u>\$ 6,000,033</u>	<u>100</u>	<u>\$ 5,306,307</u>	<u>100</u>

Holiday Garden International Ltd. and Subsidiaries
Consolidated Balance Sheet
December 31 of 2018 and 2017

Unit: NT\$, 000

Liabilities and equity		Notes	December 31, 2018		December 31, 2017	
			Amount	%	Amount	%
Current liabilities						
2100	Short-term borrowings	6(8) and 8	\$ 1,204,500	20	\$ 1,059,977	20
2110	Short-term notes and bills payable	6(9)	130,000	2	130,000	3
2130	Contractual liabilities - current	6(16)	10,371	-	-	-
2150	Notes payable		1,472	-	5,063	-
2170	Accounts payable		5,892	-	5,283	-
2200	Other accounts payable	6(7)	92,631	2	88,807	2
2230	Current income tax liabilities		-	-	16,365	-
2260	Liabilities directly related to non-current assets available-for-sale	6(7)	-	-	366,560	7
2310	Unearned receipts	6(7)(16)	-	-	14,106	-
2320	Long-term liabilities - current portion	6(7)(10) and 8	198,832	4	156,478	3
2399	Other current liabilities: others	6(7)	1,777	-	1,723	-
21XX	Total current liabilities		<u>1,645,475</u>	<u>28</u>	<u>1,844,362</u>	<u>35</u>
Non-current liabilities						
2540	Long-term borrowings	6(7)(10) and 8	2,594,454	43	2,043,803	38
2570	Deferred income tax liabilities	6(7)(22)	282,304	5	201,875	4
2610	Long-term notes and accounts payable	6(5)	127,577	2	127,577	2
2645	Guarantee deposits received		1,155	-	755	-
25XX	Total non-current liabilities		<u>3,005,490</u>	<u>50</u>	<u>2,374,010</u>	<u>44</u>
2XXX	Total liabilities		<u>4,650,965</u>	<u>78</u>	<u>4,218,372</u>	<u>79</u>
Equity						
Consolidated net income attributable to owners of the parent company						
Capital stock						
3110	Common share capital	6(12)	1,023,015	17	1,023,015	19
Capital surplus						
3200	Capital surplus	6(13)	2,169	-	2,169	-
Retained earnings						
3310	Legal reserve	6(12)(14)	61,295	1	61,295	1
3320	Special reserve		71,161	1	71,161	2
3350	Retained earnings		215,768	4	806	-
Other equity						
3400	Other equity	6(15) and 12(4)	(24,340)	(1)	(70,511)	(1)
31XX	Total income attributable to the owners of the parent company		<u>1,349,068</u>	<u>22</u>	<u>1,087,935</u>	<u>21</u>
3XXX	Total equity		<u>1,349,068</u>	<u>22</u>	<u>1,087,935</u>	<u>21</u>

Please refer to notes of consolidated financial statements provided at the end, which is part of this consolidated financial report.

Chairperson of the Board: Chen Hai-ni Manager: Chen Hai-ni

Accounting Director: Wu Jen-cheng

Holiday Garden International Ltd. and Subsidiaries
Consolidated Balance Sheet
December 31 of 2018 and 2017

Unit: NT\$1,000

	Significant contingent liabilities and unrecognized contractual commitments	9					
	Major events after the reporting period	11					
3X2X	Total liabilities and equity		<u>\$</u>	<u>6,000,033</u>	<u>100</u>	<u>\$</u>	<u>5,306,307</u> <u>100</u>

Please refer to notes of consolidated financial statements provided at the end, which is part of this consolidated financial report.

Chairperson of the Board: Chen Hai-ni Manager: Chen Hai-ni

Accounting Director: Wu Jen-cheng

Holiday Garden International Ltd. and Subsidiaries
Consolidated Statements of Comprehensive Income
January 1 to December 31 of 2018 and 2017

Unit: NT\$1,000

(Except earnings (loss) per share, which is in NT\$1.00)

Item	Notes	2018		2017	
		Amount	%	Amount	%
4000 Operating revenue	6(15) and 12(5)	\$ 1,169,715	100	\$ 1,365,015	100
5000 Operating cost	6(4)(20)(21)	(227,903)	(19)	(329,667)	(24)
5900 Operating gross profit		941,812	81	1,035,348	76
Operating expenses	6(6)(11)(20)(21)				
6200 Management expense		(859,772)	(74)	(897,872)	(66)
6900 Operating profit		82,040	7	137,476	10
Non-operating income and expenses					
7010 Other income	6(17)	29,753	3	7,903	1
7020 Other gains and losses	6(2)(18)	426,326	36	(7,006)	(1)
7050 Financial cost	6(19)	(139,636)	(12)	(98,571)	(7)
7000 Total non-operating income and expenses		316,443	27	(97,674)	(7)
7900 Net profit before tax		398,483	34	39,802	3
7950 Income tax expense	6(22)	(185,821)	(16)	(42,110)	(3)
8200 Net profit (losses) for this year		\$ 212,662	18	(\$ 2,308)	-
Other comprehensive income					
Components may be subsequently reclassified to profit/loss					
8361 Exchange differences on translation of foreign financial statements	6(15)	\$ 55,805	5	(\$ 158,662)	(11)
8362 Unrealized valuation profit of financial assets available-for-sale	12(4)	-	-	4,851	-
8399 Income tax of components that may be reclassified	6(22)	(7,334)	(1)	26,973	2
8300 Net amount other comprehensive income (loss) after tax		\$ 48,471	4	(\$ 126,838)	(9)
8500 Total comprehensive income (loss)		\$ 261,133	22	(\$ 129,146)	(9)
Net income attributable to					
8610 Owners of the parent company		\$ 212,662	18	(\$ 2,308)	-
Total comprehensive income (loss) attributable to:					
8710 Owners of the parent company		\$ 261,133	22	(\$ 129,146)	(9)
Earnings (loss) per share	6(23)				
9750 Basic		\$ 2.08		(\$ 0.02)	

Please refer to notes of consolidated financial statements provided at the end, which is part of the consolidated financial statements.

Chairperson of the Board: Chen Hai-ni Manager: Chen Hai-ni

Accounting Director: Wu Jen-cheng

Holiday Garden International Ltd. and Subsidiaries
Consolidated Statements of Changes in Equity
January 1 to December 31 of 2018 and 2017

Unit: NT\$1,000

Consolidated net income attributable to stockholders of the company

	N o t e s	R e t a i n e d e a r n i n g s			O t h e r e q u i t y			T o t a l	
		Ordinary share capital	Capital surplus-Additional paid-in capital in excess	Legal reserve	Special reserve	Retained earnings	Exchange differences Unrealized gain or loss translation of financial assets on available-for-sale		
<u>2017</u>									
Balance on January 1, 2017		\$ 983,668	\$ 2,169	\$ 55,152	\$ 71,161	\$ 63,359	\$ 58,878	(\$ 2,551)	\$ 1,231,836
Net loss		-	-	-	-	(2,308)	-	-	(2,308)
Other comprehensive income	6(15) and 12(4)	-	-	-	-	-	(131,689)	4,851	(126,838)
Total current comprehensive income		-	-	-	-	(2,308)	(131,689)	4,851	(129,146)
2016 Appropriation and distribution of retained earnings:									
Legal reserve		-	-	6,143	-	(6,143)	-	-	-
Stock dividends	6(12)(14)	39,347	-	-	-	(39,347)	-	-	-
Cash dividends	6(14)	-	-	-	-	(14,755)	-	-	(14,755)
Balance on December 31, 2017		\$ 1,023,015	\$ 2,169	\$ 61,295	\$ 71,161	\$ 806	(\$ 72,811)	\$ 2,300	\$ 1,087,935
<u>2018</u>									
Balance, January 1, 2018		\$ 1,023,015	\$ 2,169	\$ 61,295	\$ 71,161	\$ 806	(\$ 72,811)	\$ 2,300	\$ 1,087,935
Adjustments of retrospective application and retrospective restatement	6(15) and 12(4)	-	-	-	-	2,300	-	(2,300)	-

Please refer to notes of consolidated financial statements provided at the end, which is part of the consolidated financial statements.

Chairperson of the Board: Chen Hai-ni

Manager: Chen Hai-ni

Accounting Director: Wu Jen-cheng

Holiday Garden International Ltd. and Subsidiaries
Consolidated Statements of Changes in Equity
January 1 to December 31 of 2018 and 2017

Unit: NT\$1,000

	<u>Consolidated net income attributable to stockholders of the company</u>							<u>T o t a l</u>
	<u>Ordinary</u>	<u>Capital</u>	<u>R e t a i n e d e a r n i n g s</u>			<u>O t h e r e q u i t y</u>		
<u>N o t e s</u>	<u>share capital</u>	<u>surplus- Additional paid-in capital in e x c e s s</u>	<u>Legal reserve</u>	<u>S p e c i a l r e s e r v e</u>	<u>R e t a i n e d e a r n i n g s</u>	<u>Exchange differences Unrealized o n g a i n o r l o s s translation of financial of foreign assets on financial available-for- statements</u>	<u>s a l e</u>	
Balance after restatement, January 1, 2018	<u>1,023,015</u>	<u>2,169</u>	<u>61,295</u>	<u>71,161</u>	<u>3,106</u>	<u>(72,811)</u>	<u>-</u>	<u>1,087,935</u>
Current net profit	-	-	-	-	212,662	-	-	212,662
Other comprehensive income for this year 6(15)	-	-	-	-	-	48,471	-	48,471
Total current comprehensive income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>212,662</u>	<u>48,471</u>	<u>-</u>	<u>261,133</u>
Balance, December 31, 2018	<u>\$ 1,023,015</u>	<u>\$ 2,169</u>	<u>\$ 61,295</u>	<u>\$ 71,161</u>	<u>\$ 215,768</u>	<u>(\$ 24,340)</u>	<u>\$</u>	<u>\$ 1,349,068</u>

Please refer to notes of consolidated financial statements provided at the end, which is part of the consolidated financial statements.

Chairperson of the Board: Chen Hai-ni

Manager: Chen Hai-ni

Accounting Director: Wu
Jen-cheng

Holiday Garden International Ltd. and Subsidiaries
Consolidated Cash Flow Statements
January 1 to December 31 of 2018 and 2017

Unit: NT\$1,000

	<u>Notes</u>	<u>2018</u>	<u>2017</u>
<u>Cash flows from operating activities</u>			
Net profit before tax		\$ 398,483	\$ 39,802
Adjustments:			
Revenue/expenses not affecting the cash flows			
Provision for bad debt expense	12(4)	-	170
Depreciation	6(5)(20)	203,296	305,300
Amortization cost	6(6)(20)	33,051	38,448
Financial asset loss measured at fair value through profit or loss	6(2)(18)	3,145	-
Interest expense	6(19)	139,636	98,571
Interest income	6(17)	(27,288)	(4,585)
Gain on disposal of available-for-sale group	6(18)	(414,794)	-
Loss on disposal and write-off of property, plants, and equipment	6(18)	127	138
Loss on disposal of investment property	6(18) and 12(4)	-	1,565
Changes in assets/liabilities related to operating activities			
Net changes in assets related to operating activities			
Notes receivable		483	357
Accounts receivable		(1)	(592)
Inventories		495	65
Advance payments		816	(1,701)
Other current assets - others		(232)	(58)
Net changes in liabilities related to operating activities			
Contractual liabilities - current		(4,007)	-
Notes payable		(3,591)	2,924
Accounts payable		609	(653)
Other accounts payable		(1,570)	(4,898)
Unearned receipts		-	5,080
Other current liabilities: others		(8,736)	8,747
Operating cash inflows		319,922	488,680
Interests received		27,127	1,392
Interests paid		(136,214)	(98,386)
Income taxes paid		(157,621)	(84,903)
Net cash inflows from operating activities		<u>53,214</u>	<u>306,783</u>
<u>Cash flows from investment activities</u>			
Acquisition of financial assets available-for-sale		-	(49,051)
Proceeds from disposal of financial assets available-for-sale		-	49,051
Decrease (increase) in other financial assets - current		4,280	(548,772)
Acquisition of property, plants, and equipment	6(25)	(163,616)	(134,212)
Disposal of property, plants, and equipment		-	53
Cash and cash equivalents classified to the group available for sale	6(7)	-	(117,401)
Proceeds from disposal of group available-for-sale		477,882	-
Decrease (increase) in guarantee deposits paid		868	(2,039)
Decrease in other non-current assets - others		184	-
Net cash inflows (outflows) from investment activities		<u>319,598</u>	<u>(802,371)</u>
<u>Cash flows from fundraising activities</u>			
Increase in short-term borrowings	6(26)	1,517,500	1,209,977
Decrease in short-term borrowings	6(26)	(1,372,977)	(1,129,977)
Increase in short-term notes and bills payable	6(26)	-	25,000
Proceeds from long-term borrowings	6(26)	663,300	553,826
Payments of long-term borrowings	6(26)	(145,905)	(123,573)
Increase in guarantee deposits received		400	33
Distribution of cash dividends	6(14)	-	(14,755)
Net cash inflows from fundraising activities		<u>662,318</u>	<u>520,531</u>
Effect of exchange rate changes		<u>36,155</u>	<u>(65,546)</u>

Holiday Garden International Ltd. and Subsidiaries
Consolidated Cash Flow Statements
January 1 to December 31 of 2018 and 2017

Unit: NT\$1,000

	Notes	2018		2017
Increase (decrease) in cash and cash equivalents of the current period		1,071,285	(40,603)
Cash and cash equivalents at beginning of period	6(1)	729,863		770,466
Cash and cash equivalents at end of period	6(1)	\$ 1,801,148		\$ 729,863

Holiday Garden International Ltd. and subsidiaries
Notes for Consolidated Financial Statements
2018 and 2017

Unit: NT\$1,000
(Unless otherwise noted)

1. Company milestones

- (1) Holiday Garden International Ltd. (the “Company”) was established in July 1959, and the primary scope of business operation includes tourism hotels and attached restaurants and swimming pools. The Company has been a Taiwan Stock Exchange Corporation (TSEC) listed company since February, 1965.
- (2) For information of the primary business operations activities of the Company and the subsidiaries (the Group), please refer to Note 4(3).

2. Date and procedure of approval of the financial report

This consolidated financial report has been approved and issued by the Board of Directors on March 20, 2019.

3. Applicability of newly issued and revised standards and interpretations

(一) Impacts from adopting the latest, ammended and revised International Financial Reporting Standards (IFRS) approved by the Financial Supervisory Commission (ROC)

The following table summarizes the latest, amended and revised IFRS standards and interpretations applicable for 2018 approved by the Financial Supervisory Commission:

<u>Newly issued/revised/amended standards and interpretations</u>	<u>Effective date of issuance by International Accounting Standards Board</u>
Amendments to IFRS 2 “Share-based Payments in relation to measurement and classification”	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
IFRS15 “Revenue from Contracts with Customers”	January 1, 2018
Amendments to clarifications to IRFS 15 “Revenue from Contracts with Customers”	January 1, 2018
Amendments to IAS 7 “Disclosure Initiative”	January 1, 2017

Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”	January 1, 2017
Amendments to IAS 40 “Transfers of Investment Property”	January 1, 2018
Interpretations to IRFS 22 Foreign Currency Transactions and Advance Consideration	January 1, 2018
Annual Improvements to IFRS 2014-2016 Cycle: IFRS 1 “First-time Adoption of International Financial Reporting Standards”	January 1, 2018

	<u>Effective date of issuance by International Accounting Standards Board</u>
<u>Newly issued/revised/amended standards and interpretations</u>	
Annual Improvements to IFRS 2014-2016 Cycle: IFRS12 “Disclosure of Interests in Other Entities”	January 1, 2017
Annual Improvements to IFRS 2014-2016 Cycle: IFRS 28 “Investments in Associates and Joint Venture”	January 1, 2018

Except the following matters, the Group has determined that the standards and interpretations above have no material effect on the Group’s financial conditions and performance.

IFRS 9 “Financial Instruments”

1. According to corporate operating model and characteristics of contractual cash flows, financial asset liability instruments can be classified into financial assets measured at fair value through profit or loss, financial assets measured at fair value through other comprehensive income, and financial assets measured at amortized cost. In terms of financial asset equity instruments, they are classified into financial assets measured at fair value through profits and loss, unless a company chose to irrevocably recognize the fair value of equity instruments for non-trading purposes in other comprehensive income.
2. The expected credit loss model should be used for the impairment evaluation of financial asset liability instruments. On each balance sheet date, evaluate if the credit risk of said instrument increases significantly for applying the 12-month expected credit loss or the lifetime expected credit loss (interest income occurred before impairment should be estimated by the total book value of the asset). If impairment has already occurred, then the interest income after the occurrence of impairment should be estimated based on the

net book value after the recognition of the allowance for doubtful accounts. Accounts receivable (excluding material financial components) should have the loss allowance prepared according to the lifetime expected credit loss.

3. The Group adopted no restatement of previous financial years (the modified retrospective approach) in accordance with IFRS 9. For material impacts on January 1, 2018, please refer to No. 2 of Note 12(4).

(2) Impacts from not yet adopting the latest, amended and revised International Financial Reporting Standards (IFRS) approved by the Financial Supervisory Commission (ROC)

The following table summarizes the latest, amended and revised IFRS standards and interpretations applicable for 2019 approved by the Financial Supervisory Commission:

<u>Newly issued/revised/amended standards and interpretations</u>	<u>Effective date of issuance by International Accounting Standards Board</u>
Amendments to IFRS 9 “Prepayment Features with Negative Compensation”	– January 1, 2019
IFRS 16 “Leases”	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
Interpretations to IFRS 23 “Uncertainty over Income Tax Treatments”	January 1, 2019
Annual Improvements to 2015 - 2017 Cycle	January 1, 2019

Except the following matters, the Group has determined that the standards and interpretations above has no material impact on the Group’s financial conditions and performance.

IFRS 16 “Leases”

Replacing IAS 17 “Lease and the related interpretations and interpretative bulletins” by IFRS 16 “Leases” This standard requires the lessee to recognize the right-of-use asset and lease liabilities (except short-term leases of no more than 12 months or leases of underlying assets of low value. For the leaser, except more disclosure is required, the accounting treatment remains the same, i.e., according to whether it is an operating lease or a finance lease.

The Company treats the lease contract of the lessee in accordance with IFRS 16. Because the restatement of financial statements of the prior period (“modified retrospective”) is not used, the right of use assets and lease liabilities are both increased to \$2,731 on January 1, 2019.

(3) Impacts from International Financial Reporting Standards (IFRS) issued by International Accounting Standards Board (IASB) but not yet approved by the Financial Supervisory Commission (ROC)

The following table summarizes the latest, amended and revised IFRS standards and interpretations but not yet approved and included by the Financial Supervisory Commission:

<u>Newly issued/revised/amended standards and interpretations</u>	<u>Effective date of issuance by International Accounting Standards Board</u>
Amendments to IAS 1 and IAS 8 “Disclosure Initiative - Definition of Material”	January 1, 2020
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”	To be determined by IAS Board
IFRS 17 “Insurance Contracts”	January 1, 2021

The Group has determined that the standards and interpretations above has no material impact on the Group’s financial conditions and performance.

4. Summary of significant accounting policies

The major accounting policies adopted for preparing these consolidated financial report are described below. Unless otherwise specified, these policies are consistently applied in the entire period reported.

(1) Statement of compliance

This consolidated financial report is prepared in accordance with IFRS and IAS approved by the Financial Supervisory Commission and the related interpretations, and interpretative bulletins (IFRSs).

(2) Basis of preparation

1. Aside from the following important items, this consolidated financial report is prepared based on the historical cost:
 - (1) Fair value measurement is used for financial assets measured at fair value through profit or loss.
 - (2) Financial assets available for sale are measured at fair value.
2. To prepare for financial reports in accordance with IFRSs, some important accounting estimations are required. When applying the Group's accounting policies, management also needs to make judgment, which involves accounts of a high level of decision-making and complexity or accounts associated with material assumption and estimation. Please refer to Not 5 attached.
3. The Group became first-time applicable to IFRS 9 and IFRS 15 on January 1, 2018 and used the modified retrospective approach to recognize the translation differences in retained earnings or other equity of January 1, 2018. The financial statements and attached notes of 2017 are not restated. For significant accounting policies and items adopted in 2017 in accordance with IAS 39, IAS 18, and related interpretations and bulletins, please refer to Note 12(4) and (5).

(3) Basis of consolidation

1. Principles for consolidated financial report preparation

(1) The Group incorporates all subsidiaries into the the entities this consolidated financial report is prepared for. Subsidiaries refer to entities controlled by the Group (including structure entities). When the Group is exposed to variable rewards from participating in that entity or entitled to rights to said variable rewards and the Company has the power and ability to affect said rewards of that entity, the Group controls said entity. The subsidiaries are included into the consolidated financial report since the day the Group acquire their control and the consolidation ends on the day their control is lost.

(2) The transactions, balance, and unrealized profit or loss generated between the subsidiaries of the Group had been eliminated. Necessary adjustment of accounting policies of the subsidiaries has been made to be consistent with policies of the Group.

(3) Profit or loss and other comprehensive income components are attributable to owners of the parent company and non-controlling interests. Comprehensive income is also attributable to owners of the parent company and non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

(4) If changes in the shareholding of a subsidiary do not lead to losing the control (transactions with non-controlling interests), they will be treated as equity transactions, i.e., transactions between shareholders. The difference between adjustment of non-controlling interests and the fair value of the consideration paid or received is directly recognized in equity.

(5) When the Group loses its control over a subsidiary, the remaining investment of the previous subsidiary should be re-measured at the fair value and be treated as the fair value of the initially recognized financial asset or the cost of initially recognized invested associates or joint ventures. The difference between the fair value and the carrying amount is recognized in profit or loss. For all amounts of a subsidiary previously recognized in other comprehensive income, the accounting treatment is based on the same principle as if the Group directly disposes the related assets or liabilities. That is, if the amount is previously recognized as a profit or loss of other comprehensive income, it should be reclassified as income when the related assets or liabilities are disposed. Moreover, when the Company loses the control over the subsidiary, such profit or loss shall be reclassified into income from equity.

2. Subsidiaries included in the consolidated financial report:

<u>Investor</u>	<u>Subsidiary</u>	<u>Business scope</u>	<u>% shareholding</u>		<u>Description</u>
			<u>December 31, 2018</u>	<u>December 31, 2017</u>	
Holiday Garden Hotel Co., Ltd.	HOLIDAY GARDEN INTERNATIONAL LTD.	Investment business	100	100	
	Holiday Garden Development Co., Ltd.	Hotel operations	100	100	
HOLIDAY GARDEN INTERNATIONAL LTD.	HOLIDAY GARDEN U.S.	Investment business	100	100	
HOLIDAY GARDEN U.S.	HOLIDAY GARDEN SF CORP.	Hotel operations	100	100	
	HOLIDAY GARDEN SN CORP.	Hotel operations	100	100	
	HOLIDAY GARDEN NW CORP.	Hotel operations	100	100	
	HOLIDAY GARDEN VC CORP.	Hotel operations	100	100	
	HOLIDAY GARDEN WC CORP.	Hotel operations	100	100	

3. Subsidiaries not included in the consolidated financial report: None

4. Adjustment and treatment of different accounting period of subsidiaries: None

5. Significant restriction: None

6. Subsidiaries of non-controlling interests significant to the Group: None

(4) Foreign currency translation

Accounts listed in the financial report of each entity of the Group are based on the money (i.e., functional currency) of the primary economic environment where the entity operates. This consolidated financial report is presented in New Taiwanese Dollars (NT\$), which is the Company's functional and presentation currency.

1. Foreign currency transaction and balance

(1) For foreign currency transactions, spot rate of exchange on the trading day or the measurement date is used for functional currency translation, and the resulting exchange differences are recognized in current profit or loss.

(2) Foreign currency monetary assets and liabilities balance is adjusted based on the spot exchange rate on the balance sheet date, and the resulting exchange differences are recognized in profit or loss.

(3) Foreign currency monetary assets and liabilities balance is measured at fair value through profit or loss and adjusted using the spot exchange rate on the balance sheet. The resulting exchange differences are recognized in profit or loss. For foreign currency monetary assets and

liabilities balance that is measured at fair value through other comprehensive income, it is adjusted using the the spot exchange rate on the balance sheet day. The resulting exchange differences are recognized in the account of other comprehensive income. As for those not measured at fair value, they are measured at the historical exchange rate on the initial transaction day.

- (4) All exchange gains or losses are recognized in “other gains and losses” in the statement of comprehensive income.

2. Translation of foreign financial statements

All the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- A. The assets and liabilities of each balance sheet presented are translated at the closing rate of that balance;
 - B. The income and expense of each statement of comprehensive income are translated using the current average exchange rate, and
 - C. Exchange differences generated from translation are recognized in other comprehensive income.
- (2) When a foreign operation is partially disposed of or sold, it will be recognized in the accumulated exchange differences of other comprehensive income and reclassified to the non-controlling interests of that specific foreign operation. However, when the Company loses the control of a foreign operation subsidiary, even if the Company still keeps partial equity of the former subsidiary, it is treated as disposing all equity of the foreign operation.

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

1. Assets that meet one of the following criteria are classified as current assets:
 - (1) Assets expected to be realized in the normal operating cycle or intended to be sold or consumed,
 - (2) Liabilities held primarily for transaction purposes;
 - (3) Assets expected to be realized within 12 months after the balance sheet date;
 - (4) Cash and cash equivalents, excluding those to be exchanged or used to

pay off liabilities more than twelve months after the balance sheet date.

The Group classifies all assets not meeting the above asset criteria as non-current assets.

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

(1) Liabilities expected to be paid off in the normal operating cycle;

(2) Liabilities held primarily for transaction purposes;

(3) Liabilities that are to be paid off within 12 months after the balance sheet date.

(4) Liabilities for which the repayment date cannot be extended unconditionally to more than 12 months after the balance sheet date. Classification of liabilities for which, at the option of the counterparty, repayment is required for the issue of equity instruments is not affected.

The Group classifies all liabilities that do not meet the above criteria as non-current.

(6) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments, which can be readily converted to fixed cash and has an insignificant risk of value change. Time deposits meet the above definition, and their holding satisfies short-term cash commitments for operation. Therefore they are classified as cash equivalents.

(7) Financial assets measured at fair value through profit or loss

2018 applicable

1. It refers to financial assets measured at amortized cost or at the fair value through other comprehensive income.

2. The Group uses trade day accounting for financial assets measured at fair value through profit or loss and satisfying the accounting practice.

3. The Group at initial recognition uses fair value measurement. Related transaction cost is recognized in profit or loss and subsequently measured at fair value. The gain or loss is recognized in profit or loss.

(8) Accounts and notes receivable

1. This term refers to accounts and notes granting an unconditional right to receive consideration in exchange for transferred goods or rendered services

in accordance with the contract.

2. For short-term accounts receivable without interest payment, they are measured at the original invoice amount because of insignificant effect of discounting.

(9) Impairment loss on financial assets

The Group assesses the amortized financial assets carried out at cost based on all reasonable and evidence-supported information (including those on a prospective basis) on each balance sheet date. For financial assets exposed to significantly increasing credit risk after the initial recognition, the Company measures the loss allowance for 12-month expected credit losses. For financial assets exposed to significantly increasing credit risk since the initial recognition, the Company measures the loss allowance for the financial assets at an amount equal to the lifetime expected credit losses. For accounts receivable that do not contain a significant financing component, the Group measures the loss allowance at an amount equal to lifetime expected credit losses for trade receivable.

(10) Derecognition of financial assets

The Company will derecognize a financial asset if one of the following conditions is met:

1. The contractual rights to receive cash flows from the financial asset expire.
2. The contractual rights to receive cash flows from the financial asset are transferred, and almost all risks and rewards of the ownership of the financial asset has been transferred.
3. The contractual rights to receive cash flows from the financial asset are transferred, and the control over the financial asset is not retained.

(11) Operating lease (lessor)

Payments received under operating leases, net of any incentives given to the lessees, are recognized in profit or loss on a straight-line basis over the term of the lease.

(12) Inventories

Inventories are stated at the lower of cost and net realizable value, and the cost is determined by the weighted average method. The item by item method is adopted to compare between the cost and the net realizable value to decide which one is lower. The net realizable value refers to the estimated sale price in the normal course of business, less relevant variable selling

expenses.

(13) Non-current assets available for sale (or disposal groups)

When the carrying amount of a non-current asset (disposal group) is mainly recovered through sale transactions instead of continuous use and is highly likely to be classified as assets available for sale upon sale and measured at either the carrying amount net of the cost to sell or fair value net of the cost to sell whichever is lower.

(14) Property, plants, and equipment

1. Property, plants, and equipment are carried at acquisition cost, and the related interests during the construction period are capitalized.
2. Subsequent cost may become a carrying amount of the assets or be recognized as a single asset only if future economic benefits associated with this item may flow into the Group and moreover, the cost of this item can be reliably measured. The carrying amount of the replaced part should be derecognized. All other repair and maintenance expenses are recognized in profit or loss when they are incurred.
3. Property, plants, and equipment are measured subsequently using the cost model. Except land, which does not depreciate, all others are depreciated by the straight-line method according to the estimated useful lives. Significant components of property, plants, and equipment should be depreciated separately.
4. The Group reviews each asset's residual value, useful life, and depreciation method at the end of each fiscal year, and if the expected residual value and useful lives are different from the previous estimation or if the expected consumption type of future economic benefits of a given asset has any material change, the stipulation on changes in accounting estimates from IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" will adopted for treatment. The useful lives of assets are listed below:

Land improvements	2 to 39 years
Buildings and structures	5 to 55 years
Utility equipment	5 to 15 years
Business facilities/equipment	2 to 25 years
Other facilities	5 to 8 years

(15) Operating lease (lessor)

Payments given under operating leases, net of any incentives from the lessor, are recognized in profit or loss on a straight-line basis over the term of the lease.

(16) Intangible assets

1. Trademark and franchising

Trademark and franchising obtained separately are recognized by the acquisition cost. As for trademarks and franchising acquired from corporate merger, they are recognized using the fair value on the acquisition day. Trademarks and franchising are assets with finite useful lives and amortization is calculated using the straight-line method over the 15 years of useful lives.

2. Other intangible assets

For other intangible assets, they are recorded using the acquisition cost, and amortization is calculated using the straight-line method over 5 to 15 years.

(17) Non-financial asset impairments

The Group estimates the recoverable amount for assets showing impairments at the balance sheet date, and when the recoverable amount of an asset is lower than the book value, it will be recognized in impairment loss. The recoverable amount refers to the higher of fair value less costs to sell and value in use. Aside from goodwill, when an asset impairment loss recognized the year before disappears or decreases, reverse the impairment loss, but the increase to the carrying amount of the asset due to the reversal cannot exceed the said asset's book value without impairment recognized and net of amortization or depreciation.

(18) Borrowings

It refers to proceeds from long-term and short-term bank borrowings. The Group recognizes borrowings initially at fair value, net of transaction costs incurred, and subsequently any difference between the proceeds (net of transaction costs) and the redemption value is measured at amortized cost using the effective interest method and recognized as interest expense in profit or loss during the circulating period.

(19) Accounts and notes payable

1. Accounts and notes payable are liabilities for purchases of raw materials, goods or services resulting from operating and non-operating activities.
2. For short-term, non-interest-bearing accounts and notes payable, they are measured at the original invoice amount because of insignificant discounting effect.

(20) Derecognition of financial liabilities

The Group will derecognize a financial liability when the contracted obligations are fulfilled, canceled, or expired.

(12) Offset of financial assets and liabilities

Financial assets and liabilities can be offset only if there is the legally enforceable right to do so and the intent is to settle on a net basis or to realize the asset and settle the liability simultaneously, and the net amount has to be stated in the balance sheet.

(22) Employee benefits

1. Short-term employee benefits

Short-term employee benefits are measured at undiscounted amount of prospective payment and are recognized as expenses when related services are rendered.

2. Pensions

Defined contribution plans (DCP)

For defined contribution plans, the contribution amounts for pension are recognized in the current pension expense when they are due on the accrual basis. Prepaid contributions are recognized as assets to the extent of refundable cash or reduction in future payment.

3. Employees' compensation and directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are legal or constructive obligations and are recognized in expenses and liabilities when the amount can be reasonably estimated. Deviation between estimated and actual distribution amount shall be treated in accordance with changes in accounting estimates. For stock distribution as employee remunerations, the closing price of the day prior to the resolution of the Board of Directors shall be the basis for calculating the number of shares.

(23) Income tax

1. Income tax expense includes current and deferred income tax. Income tax is recognized either in the income statement or in equity if it relates to items that are recognized in other comprehensive income or directly in equity.
2. The Group calculates the current income tax using tax rates enacted or substantively enacted by the balance sheet date of the country generating the taxable income from operations. Management periodically evaluates the condition of income tax filing in accordance with appropriate income tax related laws and regulations and if applicable shall make tax payment to the tax authorities based on the estimated income tax liabilities. There is an additional tax of unappropriated earnings according to the Income Tax Act, and after the earning distribution is approved at the shareholders' meeting held in the year following the year the earnings are generated, the tax expense of undistributed earnings shall be recognized based on the actual condition of earning distribution.
3. For deferred income tax, the balance sheet liability method is adopted, and it is recognized on temporary differences between the tax base of assets and liabilities and their carrying amounts in the balance sheet. Deferred income tax liabilities generated from the initial recognition of goodwill are not recognized. Moreover, deferred income tax is not recognized if it is originated from the initial recognition of assets or liabilities in transactions (business merger excluded) and neither accounting profits nor taxable income (or tax losses) is affected at the time of the transaction. For temporary differences generated from investments in subsidiaries, they are not recognized if the Group is capable of controlling the time point of reversal of the temporary differences, and the temporary differences may not be reversed in the foreseeable future. Deferred tax is determined using tax rates (and tax laws) enacted or substantively enacted by the balance sheet date, and the tax rates (and tax laws) used are the ones expected to be applicable when realizing related deferred tax assets or repaying related deferred tax liabilities.
4. Deferred tax assets are recognized to the extent when they are highly likely to be used to offset future taxable income, and unrecognized and

already recognized deferred income tax assets should be re-evaluated on each balance sheet date.

5. Recognized current income tax assets and liabilities are offset only if there is the legally enforceable right to do so and the intent is to settle on a net basis or to realize the asset and settle the liability simultaneously and the net amount has to be stated in the balance sheet. Deferred income tax assets and liabilities are offset only if there is the legally enforceable right to do so and the deferred income tax assets and liabilities related to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities, but each entity intend to either settle on a net basis or to realize the assets and settle the liabilities simultaneously.

(24) Dividend distribution

Dividends distribution among the Company's shareholders are recognized in the financial report when the Company's shareholders' meeting resolved that dividends are to be paid; cash dividend distribution is recognized as liabilities, while share dividend distribution is recognized as stock dividend to be distributed and be converted to common stock on the base day of issuance of new stock.

(25) Revenue recognition

1. The Group provides accommodations and foodservice related products, and the sales revenue is recognized at the time the services are rendered or products are delivered to customers.
- 2 Sales revenue is recognized as the contractual price net of the estimated price.
3. Accounts receivable is recognized at the time services are rendered or products are delivered to customers. Because at that time point the Group has the unconditional right to the contractual price, the consideration can be collected from customers after the time point.

(26) Operations department

Information from the Group's operations department and internal management reports provided to major operations decision makers are reported by a consistent approach. Major operations decision makers are responsible for distributing resources to operations department and evaluating their performance.

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

When preparing this consolidated financial report, the Group's management has applied its judgment on determining the accounting policies used and made accounting estimations and assumptions based on reasonable expectation of future events according to the conditions on the balance sheet date. Accounting estimations and assumptions may be significantly different from the actual results, and therefore, experiences and other factors are continuously evaluated and adjusted. These estimations and assumptions expose the carrying amounts of assets and liabilities to the risk of material adjustment in the next fiscal year. Uncertainty of material accounting judgments, estimates, and assumptions are described below:

(1) Material judgments adopted by accounting policies

The Group has made no critical judgments adopted by accounting policies.

(2) Material accounting estimates and assumptions

Intangible assets (excluding goodwill) impairment evaluation

In asset impairment evaluation, the Group relies on subjective judgment to determine the independent cash flows of a given asset group, service life of the asset, and possible revenue and expenses in future based on the asset use model and the characteristics of the industry. Moreover, estimated changes in economic conditions and group 's strategies may also lead to significant impairment in future.

6. Details of significant accounts

(1) Cash and cash equivalents

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Cash:		
Cash in treasury and working funds	\$ 1,175	\$ 1,233
Checking deposits and demand deposits	<u>791,852</u>	<u>836,031</u>
	793,027	837,264
Cash equivalents:		
Time deposits	<u>1,008,121</u>	<u>10,000</u>
	1,801,148	847,264
Less: Transfer non-current assets available for sale	<u>-</u>	<u>(117,401)</u>
	<u>\$ 1,801,148</u>	<u>\$ 729,863</u>

1. The Group places cash and deposits with multiple reputable banks and financial institutions to disperse the credit

risk, and therefore, the probability of occurrence of default is very low.

2. The Group does not pledge its cash and cash equivalents to others.

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

2018 applicable

<u>Item</u>	<u>December 31, 2018</u>
Current items:	
Enforced to have financial assets measured at fair value through profit or loss	
Beneficiary certificates	\$ <u> -</u>
Non-current items: None	

1. For the Group's financial assets measured at fair value through profit or loss, a net loss of NT\$3,145 was recognized for 2018.
2. For credit risk information of financial assets measured at fair value through profit or loss, please refer to Note 12(2).
3. For information of December 31, 2017, please refer to Note 12(4).

(3) Net amount of accounts and notes receivable

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Notes receivable	\$ 800	\$ 1,283
Less: Allowance for doubtful accounts	<u> -</u>	<u> -</u>
	<u>\$ 800</u>	<u>\$ 1,283</u>
Accounts receivable	\$ 33,552	\$ 38,361
Less: Allowance for doubtful accounts	<u> -</u>	<u> -</u>
	33,552	38,361
Less: Transfer non-current assets available for sale	<u> -</u>	<u> (5,687)</u>
	<u>\$ 33,552</u>	<u>\$ 32,674</u>

1. Aging analysis of accounts and notes receivable (including non-current assets available for sale):

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Not past due and past due for 1 to 30 days	\$ 28,431	\$ 39,247
Past due for 31 to 90 days	4,763	397
Past due for more than 91 days	<u>1,158</u>	<u>-</u>
	<u>\$ 34,352</u>	<u>\$ 39,644</u>

The above is the aging analysis based on past due days.

2. The Group does not hold any collateral as security.
3. Without considering the collaterals held or other credit enhancement, the Group's maximum amount of credit risk exposure of the most representing notes receivable for December 31, 2018 and 2017 was NT\$800 and NT\$1,283 respectively. The Group's maximum amount of credit risk exposure of the most representing accounts receivable for December 31, 2018 and 2017 was NT\$33,552 and NT\$38,361 respectively.
4. For information related to credit risk of accounts and notes receivable, please refer to 12(2).

(4) Inventories

	<u>December 31, 2018</u>		
	<u>Cost</u>	<u>Allowance for price decline in inventories</u>	<u>Carrying amount</u>
Foods and non-alcoholic and alcoholic beverages	<u>\$ 344</u>	<u>\$ -</u>	<u>\$ 344</u>
	<u>December 31, 2017</u>		
	<u>Cost</u>	<u>Allowance for price decline in inventories</u>	<u>Carrying amount</u>
Foods and non-alcoholic and alcoholic beverages	<u>\$ 839</u>	<u>\$ -</u>	<u>\$ 839</u>

The inventory cost that the Group recognized as expenses for 2018 and 2017 was \$20,707 and \$20,117 respectively.

(5) Property, plants, and equipment

1. The book value of property, plants, and equipment is presented below:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Land	\$ 1,104,221	\$ 1,158,414
Land improvements	58,288	56,292
Buildings and structures	1,534,556	1,737,479
Utility equipment	10,537	11,773
Business facilities/equipment	208,919	176,049
Other facilities	2,576	1,731
Unfinished construction and to be inspected equipment	<u>10,249</u>	<u>-</u>
	2,929,346	3,141,738
Less: Transfer non-current assets available for sale	<u>-</u>	<u>(241,238)</u>
	<u>\$ 2,929,346</u>	<u>\$ 2,900,500</u>

2018

Cost	Opening balance	Current addition	Current reduction	Current reclassification	Exchange rate affected amount	Transfer to available for sale	
						Non-current assets	Closing balance
Land	\$ 1,098,894	\$	\$	(\$ 14,318)	\$ 19,645	\$	\$ 1,104,221
Land improvements	63,870	5,855	-	14,318	2,440	-	86,483
Buildings and structures	2,508,176	14,171	-	-	60,997	-	2,583,344
Utility equipment	31,320	1,358	-	-	-	-	32,678
Business facilities/equipment	646,431	130,194	(254)	-	21,834	-	798,205
Other facilities	3,808	1,471	-	-	-	-	5,279
Unfinished construction and to be inspected equipment	-	10,249	-	-	-	-	10,249
	<u>\$ 4,352,499</u>	<u>\$ 163,298</u>	<u>(\$ 254)</u>	<u>\$</u>	<u>\$ 104,916</u>	<u>\$</u>	<u>\$ 4,620,459</u>

2017

Cost	Opening balance	Current addition	Current reduction	Current reclassification	Exchange rate affected amount	Non-current assets	Closing balance
Land improvements	90,835	-	-	-	(7,013)	(19,952)	63,870
Buildings and structures	2,878,367	-	-	(886)	(174,559)	(194,746)	2,508,176
Utility equipment	31,091	229	-	-	-	-	31,320
Business facilities/equipment	640,829	134,727	(6,667)	886	(49,166)	(74,178)	646,431
Other facilities	3,637	171	-	-	-	-	3,808
	<u>\$ 4,859,811</u>	<u>\$ 135,127</u>	<u>(\$ 6,667)</u>	<u>\$</u>	<u>(\$ 287,376)</u>	<u>(\$ 348,396)</u>	<u>\$ 4,352,499</u>

2. Changes in property, plants, and equipment in this period are as follows:

2018						
<u>Accumulated depreciation and impairment</u>	<u>Opening balance</u>	<u>Current addition</u>	<u>Current reduction</u>	<u>Exchange rate affected Amount</u>	Transfer to available for sale <u>Non-current assets</u>	<u>Closing balance</u>
Land improvements	\$ 20,547	\$ 6,856	\$ -	\$ 792	\$ -	\$ 28,195
Buildings and structures	939,119	90,719	-	18,950	-	1,048,788
Utility equipment	19,547	2,594	-	-	-	22,141
Business facilities/equipment	470,709	102,501	(127)	16,203	-	589,286
Other facilities	<u>2,077</u>	<u>626</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,703</u>
	<u>\$ 1,451,999</u>	<u>\$ 203,296</u>	<u>(\$ 127)</u>	<u>\$ 35,945</u>	<u>\$ -</u>	<u>\$ 1,691,113</u>

2017						
<u>Accumulated depreciation and impairment</u>	<u>Opening balance</u>	<u>Current addition</u>	<u>Current reduction</u>	<u>Exchange rate affected amount</u>	Transfer to available for sale <u>Non-current assets</u>	<u>Closing balance</u>
Land improvements	\$ 18,086	\$ 11,084	\$ -	(\$ 1,640)	(\$ 6,983)	\$ 20,547
Buildings and structures	885,540	122,116	-	(42,213)	(26,324)	939,119
Utility equipment	16,666	2,881	-	-	-	19,547
Business facilities/equipment	415,776	168,672	(6,476)	(33,412)	(73,851)	470,709
Other facilities	<u>1,530</u>	<u>547</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,077</u>
	<u>\$ 1,337,598</u>	<u>\$ 305,300</u>	<u>(\$ 6,476)</u>	<u>(\$ 77,265)</u>	<u>(\$ 107,158)</u>	<u>\$ 1,451,999</u>

3. In accordance with Kaohsiung Urban Development Kuei Tzu No. 10234984600 correspondence on October 28, 2013, the Group applied for making payment by installments for converting governmental land to commercial land in the land conversion urban plan, and the total amount to be paid is NT\$212,628. The Group made the first installment payment of NT\$85,051, and the remaining amount paid by the second and third installment payments was \$63,788 and \$63,789 respectively. These payments, which should be made before the applied construction permit or the new use permit is issued, were recognized in 2013 (The balance at December 31, 2018 and 2017 was stated as long-term notes and accounts payable of \$127,577).

4. There was no borrowing cost capitalization of the Company's property, plants, and equipment in 2018 and 2017.

5. For information on using property, plants, and equipment for guarantees, please refer to Note 8.

(6) Intangible assets

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Trademark and franchising	\$ 398,504	\$ 464,685
Other intangible assets	<u>4,500</u>	<u>7,041</u>
	403,004	471,726
Less: Transfer non-current assets available for sale	<u>-</u>	<u>(48,693)</u>
	<u>\$ 403,004</u>	<u>\$ 423,033</u>

	<u>2018</u>	<u>2017</u>
January 1	\$ 423,033	\$ 551,943
Current amortization	(33,051)	(38,448)
Exchange rate affected amount	<u>13,022</u>	<u>(41,769)</u>
	403,004	471,726
Less: Transfer non-current assets available for sale	<u>-</u>	<u>(48,693)</u>
December 31	<u>\$ 403,004</u>	<u>\$ 423,033</u>

Detailed list of intangible asset amortization:

	<u>2018</u>	<u>2017</u>
Operating expenses	<u>\$ 33,051</u>	<u>\$ 38,448</u>

(7) Non-current assets available for sale

1. The Board of Directors on June 13, 2018 resolved to sell the subsidiary Holiday Garden SF CORP.'s Residence Inn Anaheim in California, USA, and the related assets and liabilities were transferred to the available for sale group. Because the no agreement is reached on the transaction price with the buyer, the Board of Directors resolved canceling the selling of the subsidiary Holiday Garden SF CORP.'s Residence Inn Anaheim in California, USA, and the transfer of the related assets and liabilities to the available for sale group was stopped.
2. The Board of Directors on November 7, 2017 resolved to sell the subsidiary Holiday Garden SN CORP.'s Residence Inn Sacramento Airport Natomas in California, USA, and the related assets and liabilities were transferred to the available for sale group. The transaction settlement was completed on February 9, 2018.

(1) Assets in the available for sale group

	<u>December 31, 2017</u>
Cash and cash equivalents	\$ 117,401
Accounts receivable	5,687
Advance payments	81
Other financial assets - current	30,098
Property, plants, and equipment	241,238
Intangible assets	48,693
Deferred tax assets	48
Guarantee deposits paid	127
Other non-current assets - others	194
	<u>\$ 443,567</u>

(2) Liabilities directly related to non-current assets available-for-sale

	<u>December 31, 2017</u>
Other accounts payable	\$ 8,803
Unearned receipts	276
Long-term liabilities - current portion	10,892
Other current liabilities - others	8,928
Long-term borrowings	337,657
Deferred income tax liabilities	4
	<u>\$ 366,560</u>

- (3) Said disposal group held for sale was remeasured by either the carrying amount or fair value, net of the cost to sell, whichever is lower, and there was no impairment loss.

(8) Short-term borrowings

<u>Types of borrowings</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Unsecured loans from banks	\$ 145,500	\$ 130,000
Secured loans from banks	<u>1,059,000</u>	<u>929,977</u>
	<u>\$ 1,204,500</u>	<u>\$ 1,059,977</u>
Range of interest rates	1.10% to 1.30%	1.00% to 1.36%

1. The Group's bank loans are recognized in the interest expense of income. Please see Note 6(19).
2. For collaterals of the above-mentioned short-term borrowings, please refer to Note 8.

(9) Short-term notes and bills payable

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Commercial paper payable	<u>\$ 130,000</u>	<u>\$ 130,000</u>
Range of interest rates	0.58% to 0.76%	0.48% to 0.74%

Bills finance companies and other financial institutions provide guarantees for the above-mentioned short-term notes and bills payable.

(10) Long-term borrowings

<u>Types of borrowings</u>	<u>Period of borrowing and repayment method</u>	<u>Range of interest rates</u>	<u>Collaterals</u>	<u>December 31, 2018</u>
Long-term borrowings from banks				
Unsecured loans	The term of borrowing is from September 18, 2012 to September 18, 2022. The interest has been paid on a monthly basis. Starting from December 2015, the loan has been repaid quarterly for 28 installments.	1.75%	None	\$ 31,378
Secured loans	The term of borrowing is from June 4, 2014 to June 4, 2021. The interest has been paid on a monthly base. Starting from June 4, 2015, the loan has been repaid quarterly for 25 installments.	1.90%	Note 1	64,825

Secured loans	The term of borrowing is from June 1, 2015 to June 1, 2022. The interest has been paid on a monthly base. Starting from June 1, 2016, the loan has been repaid quarterly for 25 installments.	1.69%	Note 1	39,200
Unsecured loans	The term of borrowing was from July 5, 2016 to July 5, 2019. The interest and principal were paid on a monthly basis.	1.38%	None	3,889
Secured loans	Notes 2 and 4	4.87%	Note 1	468,173
Secured loans	Notes 2 and 5	5.12%	Note 1	374,882
Secured loans	Notes 2 and 6	5.02%	Note 1	598,168
Secured loans	Notes 2 and 7	4.99%	Note 1	396,288
Secured loans	Notes 2 and 8	5.12%	Note 1	117,572
Secured loans	Notes 2 and 9	5.12%	Note 1	38,819
Secured loans	Notes 2 and 10	5.12%	Note 1	<u>660,092</u>
				2,793,286
Less: Current portion of long-term loans payable				<u>(198,832)</u>
				<u>\$ 2,594,454</u>

<u>Types of borrowings</u>	<u>Period of borrowing and repayment method</u>	<u>Range of interest rates</u>	<u>Collaterals</u>	<u>December 31, 2017</u>
Long-term borrowings from banks				
Unsecured loans	The term of borrowing is from September 18, 2012 to September 18, 2022. The interest has been paid on a monthly basis. Starting from December 2015, the loan has been repaid quarterly for 28 installments.	1.75%	None	\$ 39,778
Secured loans	The term of borrowing is from June 4, 2014 to June 4, 2021. The interest has been paid on a monthly base. Starting from June 4, 2015, the loan has been repaid quarterly for 25 installments.	1.90%	Note 1	90,754
Secured loans	The term of borrowing is from June 1, 2015 to June 1, 2022. The interest has been paid on a monthly base. Starting from June 1, 2016, the loan has been repaid quarterly for 25 installments.	1.69%	Note 1	47,200

Unsecured loans	The term of borrowing was from July 5, 2016 to July 5, 2019. The interest and principal were paid on a monthly basis.	1.38%	None	10,556
Secured loans	Notes 2 and 3	3.99%	Note 1	348,549
Secured loans	Notes 2 and 4	3.67%	Note 1	499,968
Secured loans	Notes 2 and 5	4.30%	Note 1	374,438
Secured loans	Notes 2 and 6	4.20%	Note 1	597,669
Secured loans	Notes 2 and 7	3.73%	Note 1	383,904
Secured loans	Notes 2 and 8	4.30%	Note 1	117,326
Secured loans	Notes 2 and 9	4.30%	Note 1	<u>38,688</u>
				2,548,830
Less: Current portion of long-term loans payable				(156,478)
Transfer liabilities directly related to non-current assets available-for-sale				(<u>348,549</u>)
				<u>\$ 2,043,803</u>

Note 1: For collaterals of the above-mentioned long-term borrowings, please refer to Note 8.

Note 2: For commitment to maintaining financial ratios for loans, please refer to Note 9(2).

Note 3: The term of borrowing of said loan is 4.75 years and the interest rate is a floating interest rate. Since September 2016, the subsidiary has been making a fixed repayment for the principal of US\$30,500 on a monthly basis, and when the term of borrowing ends in June 2020, a lump sum repayment will be made for returning the remaining amount of the borrowing. The Group made an early repayment of said loan in February 2018.

Note 4: The term of borrowing of said loan is 5 years and the interest rate is a floating interest rate. Since March 2017, the subsidiary has been making a fixed repayment for the principal of US\$130,000 on a monthly basis, and when the term of borrowing ends in February 2021, the remaining amount of the borrowing will be returned in a lump sum.

Note 5: The term of borrowing of said loan is 4.5 years and the interest rate is

a floating interest rate. Since July 2016, the subsidiary has been making a fixed repayment for the principal of US\$31,560 on a monthly basis, and when the term of borrowing ends in December 2020, the remaining amount of the borrowing will be returned in lump sum.

Note 6: The term of borrowing of said loan is 4.25 years and the interest rate is a floating interest rate. Since July 2016, the subsidiary has been making a fixed repayment for the principal of US\$50,946 on a monthly basis, and when the term of borrowing ends in December 2020, a lump sum repayment will be made for returning the remaining amount of the borrowing.

Note 7: The term of borrowing of said loan is 3.7 years and the interest rate is a floating interest rate. When the term of borrowing ends in February 2021, the remaining amount of the borrowing will be returned in lump sum.

Note 8: The term of borrowing of said loan is 3.5 years and the interest rate is a floating interest rate. Since July 2017, the subsidiary has been making a fixed repayment for the principal of US\$9,600 on a monthly basis, and when the term of borrowing ends in December 2020, the remaining amount of the borrowing will be returned in lump sum.

Note 9: The term of borrowing of said loan is 3.67 years and the interest rate is a floating interest rate. Since January 2018, the subsidiary has been making a fixed repayment for the principal of US\$3,029 on a monthly basis, and when the term of borrowing ends in August 2021, the remaining amount of the borrowing will be returned in a lump sum.

Note 10: The term of borrowing of said loan is 5 years and the interest rate is a floating interest rate. Since March 2018, the subsidiary has been making a fixed repayment for the principal of US\$51,260 on a monthly basis, and when the term of borrowing ends in February 2023, the remaining amount of the borrowing will be returned in a lump sum.

The Group's bank loans are recognized in the interest expense of income. Please see Note 6(19).

(11) Pensions

(1) Starting from July 1, 2005, the Company and its domestic subsidiaries, in accordance with the Labor Pension Act, set up the defined contribution plan for retirement, which is applicable for employees

who are the citizens of ROC. According to employee's option for the labor pension system stipulated by the Labor Pension Act, the Group and domestic subsidiaries each month contribute to the Labor Pension Fund at the rate of 6% of employees' monthly wages. Payments of employees pension are made to each employee's personal pension account and employees can choose to receive the principal and the accumulated income by monthly pension payment or a lump sum pension payment.

(2) In accordance with the above-mentioned pension plan, the Group and domestic subsidiaries recognized a pension cost of NT\$2,431 and NT\$2,325 in 2018 and 2017 respectively.

2. The subsidiaries adopt the defined contribution plan, i.e., making monthly pension contributions in accordance with local government's regulations and recognizing the contributions in expenses. In accordance with related pension plans, the subsidiaries recognized a pension cost of NT\$943 and NT\$878 in 2018 and 2017 respectively.

(12) Capital stock

1. As of December 31, 2018, the Company's authorized capital was NT\$1,500,000, and the paid-in capital was NT\$1,023,015, which was divided into 102,302, 000 shares, with a par value of NT\$10 per share. The Company's issued shares are fully paid-up.

Adjustments of the Company's common stock outstanding during at the beginning and the ending of the reporting period are as follows:

Unit: 1,000 shares

	<u>2018</u>	<u>2017</u>
January 1	102,302	98,367
Capital increase by earnings recapitalization	-	3,935
December 31	<u>102,302</u>	<u>102,302</u>

2. The Company's capital increase out of earnings was approved at the shareholders' meeting on June 20, 2017 and a total of 3,935,000 new shares were issued from the earning of \$39,347. This capital increase has been approved by the Financial Supervisory Commission on July 26, 2017 and the change has been registered.

(13) Capital surplus

In accordance with the Company Act, the capital surplus from shares issued in excess of par and donations may be used to offset a deficit, or when the company has no deficit,

the capital surplus can then be distributed as cash dividends or new stock among shareholders in proportion to their original shareholdings. Moreover, according to the Securities and Exchange Act, for the above-mentioned capital increase by capital surplus, the total amount each year cannot exceed 10% of the paid-in capital. The Company cannot use capital surplus for capital increase unless the reserve is not enough to cover the capital losses.

(14) Retained earnings

1. In accordance with the Company's Articles of Incorporation, if there are earnings upon the Company's final account at the end of the year, the Company shall first pay profit-seeking enterprise income tax, make up the deficits for the preceding years and then set aside a legal reserve of 10% of the remainder (not applicable if the legal reserve has reached the total capital amount of the Company). After appropriating or reversing a special reserve in accordance with laws, the balance and the unallocated accumulated earnings from the previous years are the accumulated, distributable earnings for shareholders, for which the Board of Directors shall propose an earning distribution plan to be resolved at the shareholders' meeting. More than 10% of the aforementioned allocable earnings are provided for dividends and shareholders' bonuses, and the cash dividends should be no less than 10% of the total amount of shareholders' dividends and bonuses.
2. The legal reserve cannot be used for purposes other than offsetting the company's deficits or providing new stock or cash to shareholders in proportion to their original shareholding. If the reserve is used for distributing new stock or cash, it has to be more than 25% of the Company's paid-in capital.
3. (1) The Company shall first set aside a special reserve from the debit balance on the "other equity" item at the balance sheet date before distributing earnings, and later when this debit balance on the "other equity" item is reversed, the reversed amount can be included in distributable earnings.

- (2) In accordance with Order 1010012865 issued by the Financial Supervisory Commission on April 6, 2012, for an entity adopting IFRSs the first time should set aside a special reserve. Later on, when the Company uses, disposes, or reclassifies related assets, the special reserve can be used for reversal by the proportion of the special reserve that has been set aside. If the aforementioned asset is investment property, the land part shall be reversed when it is disposed or reclassified, and for the non-land part, it shall be reversed progressively throughout the term of use.
4. The Company recognized dividends for owners of NT\$0 and NT\$54,102 (NT\$0.55 per share) for 2018 and 2017 respectively. On March 20, 2019, the board of directors proposed to distribute cash dividends of NT\$20,460 (NT\$0.2 per share) and stock dividends of NT\$81,841 (NT\$0.8 per share) out of earnings of 2018. The total dividends are \$102,301.

(15) Other equity items

	<u>2018</u>		
	<u>Unrealized gain/loss on valuation</u>	<u>Foreign currency translation</u>	<u>Total</u>
January 1	\$ 2,300	(\$ 72,811)	(\$ 70,511)
IFRS 9 applicable affected amounts	(2,300)	-	(2,300)
Foreign currency translation differences			
- Group	-	48,471	48,471
December 31	<u>\$</u>	<u>(\$ 24,340)</u>	<u>(\$ 24,340)</u>

	<u>2017</u>		
	<u>Unrealized gain/loss on valuation</u>	<u>Foreign currency translation</u>	<u>Total</u>
January 1	(\$ 2,551)	\$ 58,878	\$ 56,327
Adjustments on valuation	4,851	-	4,851
Foreign currency translation differences			
- Group	-	(131,689)	(131,689)
December 31	<u>\$ 2,300</u>	<u>(\$ 72,811)</u>	<u>(\$ 70,511)</u>

(16) Operating revenue

	<u>2018</u>
Revenue from contracts with customers	<u>\$ 1,169,715</u>

Details of revenue from contracts with customers

The Group's revenue is mainly from the following lines of products and regions:

	<u>Taiwan</u>			<u>USA</u>	
<u>2018</u>	<u>Guest room</u>	<u>Foodservice</u>	<u>Others</u>	<u>Guest room</u>	<u>Total</u>
	<u>revenue</u>	<u>revenue</u>		<u>revenue</u>	
Revenue from contracts with external customers	<u>\$ 56,914</u>	<u>\$ 46,043</u>	<u>\$ 4,736</u>	<u>\$ 1,062,022</u>	<u>\$1,169,715</u>

2. Contractual liabilities

The Group recognized the following contractual liabilities related to revenue from contracts with customers:

	<u>December 31, 2018</u>
Contractual liabilities:	
Contractual liabilities - Room service contracts	\$ 7,030
Contractual liabilities - Foodservice contracts	<u>3,341</u>
	<u>\$ 10,371</u>

Contractual liabilities at beginning of the period recognized in revenue:

	<u>2018</u>
Opening balance of contractual liabilities recognized in revenue:	
Room service contracts	\$ 9,754
Foodservice contracts	<u>4,352</u>
	<u>\$ 14,106</u>

3. Please refer to Note 12(5)2 for 2017 operating revenue related disclosures.

(17) Other income

	<u>2018</u>	<u>2017</u>
Interest income:		
Bank deposits interest	\$ 27,288	\$ 4,585
Rental income	2,072	2,072
Other income - others	393	1,246
	<u>\$ 29,753</u>	<u>\$ 7,903</u>

(18) Other gains and losses

	<u>2018</u>	<u>2017</u>
Disposal of property, plants, and equipment loss (\$	127)	(\$ 138)
Gain on disposal of available-for-sale group	414,794	-
Loss on disposal of investment	-	(1,565)
Net gain (loss) on foreign currency exchange	14,783	(4,947)
Financial asset loss measured at fair value through profit and loss	(3,145)	-
Other gains (losses), net	21	(356)
	<u>\$ 426,326</u>	<u>(\$ 7,006)</u>

(19) Financial cost

	<u>2018</u>	<u>2017</u>
Interest expense:		
Long-term borrowings from banks	<u>\$ 139,636</u>	<u>\$ 98,571</u>

(20) Addition information on expenses

	<u>2018</u>	<u>2017</u>
Employee benefit expense	\$ 291,289	\$ 312,653
Property, plants, and equipment Depreciation	203,296	305,300
Intangible asset amortization cost	33,051	38,448

(21) Employee benefit expense

	<u>2018</u>	<u>2017</u>
Wages and salaries	\$ 250,072	\$ 267,430
Health and labor insurance	36,778	39,880

Pension expense	3,374	3,203
Other employee benefit expense	<u>1,065</u>	<u>2,140</u>
	<u>\$ 291,289</u>	<u>\$ 312,653</u>

1. In accordance with the Company's Article of Incorporation, 0.1% to 1% of the earnings of the year should be appropriated for employee compensation and no more than 1% for directors and supervisors remuneration. However, if the Corporation has accumulated deficit, the priority is to offset the deficit first.
2. The Company estimated NT\$ 0 for employees compensation and directors and supervisors remuneration for both 2018 and 2017.

The 2017 employee compensation and directors and supervisors remuneration resolved by the Board of Directors are consistent with the amount recognized in the 2017 financial report.

Information on employee compensation and directors and supervisors remuneration approved by the Company's Board of Directors is posted on the Market Observation Post System.

(22) Income tax

1. Income tax expense (benefit)

(1) Components of income tax expense:

	<u>2018</u>	<u>2017</u>
Current income tax:		
Income tax generated from current income:	\$ 87,480	\$ 22,572
Tax on unappropriated earnings	-	118
Underestimation (overestimation) of prior year income tax	<u>(139)</u>	<u>56,539</u>
Total current tax	<u>87,341</u>	<u>79,229</u>
Deferred income tax:		
Origination and reversal of temporary differences	83,813	(76,840)
Effect of tax rate changes	<u>14,667</u>	<u>39,721</u>
Total of deferred tax income	<u>98,480</u>	<u>(37,119)</u>
Income tax expense	<u>\$ 185,821</u>	<u>\$ 42,110</u>

(2) Amount of income tax related to other comprehensive income:

	<u>2018</u>	<u>2017</u>
Exchange differences on translation of foreign financial statements	\$ 11,161	(\$ 26,973)
Effect of tax rate changes	(3,827)	-
	<u>\$ 7,334</u>	<u>(\$ 26,973)</u>

2. Reconciliation between income tax expense and accounting profit:

	<u>2018</u>	<u>2017</u>
Income tax calculated using net profit (loss) before tax based on statutory tax rate (Note)	\$ 151,008	(\$ 18,735)
Income tax effects of adjustments based on income tax laws and regulations	20,285	(35,533)
Underestimation (overestimation) of prior year income tax	(139)	56,539
Effect of tax rate changes	14,667	39,721
Tax on unappropriated earnings	-	118
Income tax expense	<u>\$ 185,821</u>	<u>\$ 42,110</u>

Note: The basis of applicable tax rates is calculated using the income tax rate of the related country.

	2018						
	<u>January 1</u>	<u>Recognized in Gain or loss</u>	<u>Recognized in others Comprehensive income</u>	<u>Exchange rate Effects</u>	<u>Current Reclassification</u>	<u>Disposal of available-for-sale Groups</u>	<u>December 31</u>
Deferred income tax assets:							
Temporary differences:							
Exchange differences on translation of foreign financial statements	\$ 16,927	(\$ 2,702)	(\$ 7,334)	-	-	-	6,891
Unrealized exchange loss	720	(720)	-	-	-	-	-
Bonus for not taking leave	184	28	-	-	-	-	212
Depreciation expense recognized as book-tax difference	46,910	(29,629)	-	951	-	(75)	18,157
Amortization of book-tax difference for intangible assets	50	(125)	-	3	-	123	51
Tax losses	<u>78,274</u>	<u>14,952</u>	<u>-</u>	<u>1,777</u>	<u>-</u>	<u>-</u>	<u>95,003</u>
	<u>143,065</u>	<u>(18,196)</u>	<u>(7,334)</u>	<u>2,731</u>	<u>-</u>	<u>48</u>	<u>120,314</u>
Deferred income tax liabilities:							
Temporary differences:							
Unrealized exchange gain:	-	(2,110)	-	-	-	-	(2,110)
Investment income recognized under foreign equity method	(100,758)	(83,881)	-	-	-	-	(184,639)
Unrealized reserve for land revaluation increment tax	(93,467)	-	-	-	-	-	(93,467)

US state tax effects	(7,650)	5,707	-	(141)	-	(4)	(2,088)
	(201,875)	(80,284)	-	(141)	-	(4)	(282,304)
	<u>(\$ 58,810)</u>	<u>\$ 98,480</u>	<u>(\$ 7,334)</u>	<u>\$ 2,590</u>	<u>\$</u>	<u>\$ 44</u>	<u>(\$ 161,990)</u>

3. The deferred income tax assets or liabilities generated from temporary differences and tax losses are as follows:

	2017						
	January 1	Recognized in Gain or loss	Recognized in others Comprehensive income	Exchange rate Effects	Current Reclassification	Transfer to available-for-sale Disposal groups	December 31
Deferred income tax assets:							
Temporary differences:							
Exchange differences on translation of foreign financial statements	\$	(\$ 4,759)	\$ 21,686	\$	\$	\$	- 16,927
Unrealized exchange loss	-	720	-	-	-	-	720
Bonus for not taking leave	180	4	-	-	-	-	184
Depreciation expense recognized as book-tax difference	13,242	35,395	-	(1,802)	-	75	46,910
Amortization of book-tax difference for intangible assets	271	(79)	-	(19)	-	(123)	50
Interests payable	57,055	(53,835)	-	(3,220)	-	-	-
Tax losses	<u>11,610</u>	<u>68,078</u>	<u>-</u>	<u>(1,414)</u>	<u>-</u>	<u>-</u>	<u>78,274</u>
	<u>82,358</u>	<u>45,524</u>	<u>21,686</u>	<u>(6,455)</u>	<u>-</u>	<u>(48)</u>	<u>143,065</u>
Deferred income tax liabilities:							
Temporary differences:							
Exchange differences on translation of foreign financial statements	(5,287)	-	5,287	-	-	-	-
Investment income recognized under the equity method	(92,669)	(8,089)	-	-	-	-	(100,758)
Unrealized reserve for land revaluation increment tax	(93,467)	-	-	-	-	-	(93,467)
US state tax effects	(5,890)	(2,268)	-	504	-	4	(7,650)
Interests receivable	(39,954)	-	-	2,254	37,700	-	-
Other	(2,069)	1,952	-	117	-	-	-
	<u>(239,336)</u>	<u>(8,405)</u>	<u>5,287</u>	<u>2,875</u>	<u>37,700</u>	<u>4</u>	<u>(201,875)</u>
	<u>\$ 156,978)</u>	<u>\$ 37,119</u>	<u>\$ 26,973</u>	<u>(\$ 3,580)</u>	<u>\$ 37,700</u>	<u>(\$ 44)</u>	<u>(\$ 58,810)</u>

4. The validity period of tax losses which the Company has not used and the amounts of unrecognized deferred income tax assets are provided below:

December 31, 2018					
<u>Year of occurrence</u>	<u>Amount filed/amount approved</u>	<u>Deductible amount</u>	<u>Undeducted amount</u>	<u>Unrecognized deferred income tax assets portion</u>	<u>Year for last deduction</u>
2013	Reassessed and reapproved amount	\$ 14,300	\$ 14,300	\$	2023
2014	Reassessed and reapproved	3,003	3,003	-	2024

	amount				
2015	Approved amount	9,018	9,018	-	2025
2016	Approved amount	26,590	26,590	-	2026
2017	Amount filed	72,817	72,817	-	2027
2018	Amount to be filed	<u>57,481</u>	<u>57,481</u>	-	2028
		<u>\$ 183,209</u>	<u>\$ 183,209</u>	<u>\$ -</u>	

December 31, 2017

<u>Year of occurrence</u>	<u>Amount filed/amount approved</u>	<u>Deductible amount</u>	<u>Undeducted amount</u>	<u>Unrecognized deferred income tax assets portion</u>	<u>Year for last deduction</u>
2013	Approved amount	\$ 14,490	\$ 14,490	\$ -	2023
2014	Approved amount	3,135	3,135	-	2024
2015	Approved amount	9,018	9,018	-	2025
2016	Amount filed	26,590	26,590	-	2026
2017	Amount to be filed	<u>73,241</u>	<u>73,241</u>	-	2027
		<u>\$ 126,474</u>	<u>\$ 126,474</u>	<u>\$ -</u>	

5. The validity period of tax losses which the US subsidiaries have not used and the amounts of unrecognized deferred income tax assets are provided below:

December 31, 2018

<u>Year of occurrence</u>	<u>Amount filed/amount approved</u>	<u>Deductible tax amount</u>	<u>Undeducted tax amount</u>	<u>Unrecognized deferred income tax assets amount</u>	<u>Deductible year</u>
2017	Amount filed	\$ 56,773	\$ 55,665	\$ -	2015-2137

December 31, 2017

<u>Year of occurrence</u>	<u>Amount filed/amount approved</u>	<u>Deductible tax amount</u>	<u>Undeducted tax amount</u>	<u>Unrecognized deferred income tax assets amount</u>	<u>Deductible year</u>
2017	Amount to be filed	\$ 56,773	\$ 56,773	\$ -	2015-2137

6. The validity period of tax losses which the subsidiary Holiday Garden Development Co., Ltd. has not used and the amounts of unrecognized deferred income tax assets are provided below:

December 31, 2018					
<u>Year of occurrence</u>	<u>Amount filed/amount approved</u>	<u>Deductible amount</u>	<u>Undeducted amount</u>	<u>Unrecognized deferred income tax assets amount</u>	<u>Year for last deduction</u>
2017	Amount filed	\$ 436	\$ 436	\$	2027
2018	Amount to be filed	<u>13,045</u>	<u>13,045</u>	-	2028
		<u>\$ 13,481</u>	<u>\$ 13,481</u>	<u>\$ -</u>	

December 31, 2017					
<u>Year of occurrence</u>	<u>Amount filed/amount approved</u>	<u>Deductible amount</u>	<u>Undeducted amount</u>	<u>Unrecognized deferred income tax assets amount</u>	<u>Year for last deduction</u>
2017	Amount to be filed	<u>\$ 436</u>	<u>\$ 436</u>	<u>\$ 436</u>	2027

7. The tax authorities have examined and approved the Company's business income tax returns through 2016.

8. The amendment of increasing the business income tax from 17% to 20% of the Income Tax Act was promulgated and became effective on February 7, 2018. The Group has evaluated the related income tax effect from the tax rate change.

(23) Earnings (loss) per share

	2018		
	<u>Amount after tax</u>	<u>Weighted average of Outstanding shares (1,000 shares)</u>	<u>Earnings per share (NT\$)</u>
<u>Basic earnings per share</u>			
Current net income attributable to the common stock shareholders of the parent company	<u>\$ 212,662</u>	<u>102,302</u>	<u>\$ 2.08</u>
	2017		
	<u>Amount after tax</u>	<u>Weighted average of outstanding shares Outstanding shares (1,000 shares)</u>	<u>Loss per share (NT\$)</u>

<u>Basic loss per share</u>					
Current net income attributable to the common stock shareholders of the parent company	(\$	<u>2,308</u>)	<u>102,302</u>	(\$	<u>0.02</u>)

The above-mentioned weighted average number of outstanding shares has been retroactively adjusted proportionally according to the 2016 capital increase by retained earnings.

(24) Operating lease

The Corporate rents buildings, vehicles, operating equipment, office equipment, and other assets by operating lease for a lease term from 2016 to 2037. The Corporate recognized NT\$5,295 and NT\$2,947 as rental expense in profit or loss of 2018 and 2017 respectively. The total future minimum lease payments under non-cancellable operating leases are as follows:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Less than one year	\$ 4,970	\$ 5,128
More than 1 year but less than 5 years	30,825	32,902
More than five year	<u>112,740</u>	<u>112,740</u>
	<u>\$ 148,535</u>	<u>\$ 150,770</u>

(25) Additional cash flows information

1. Investment activities paid partially by cash:

	<u>2018</u>	<u>2017</u>
Purchase of property, plants, and equipment	\$ 163,298	\$ 135,127
Add: Other accounts payable at beginning of the period: Fees for converting land purposes (stated as “long-term notes and accounts payable”)	127,577	127,577
Accounts payable at beginning of the period (stated as “Other accounts payable”)	915	-
Add: Other accounts payable at the end of the period: Fees for converting land purposes (stated as “long-term notes and accounts payable”)	(127,577)	(127,577)

Accounts payable at the end of the period (stated as "Other accounts payable")	(<u>597</u>)	(<u>915</u>)
Cash paid of this period	\$ <u>163,616</u>	\$ <u>134,212</u>

2. Operating activities not affecting cash flows:

	<u>2018</u>	<u>2017</u>
Disposing financial asset proceeds measured at fair value through profit and loss	\$ 47,785	\$ -
Less: Other accounts receivable at the end of the period	(<u>47,785</u>)	-
Cash received this period	<u>\$ -</u>	<u>\$ -</u>

(26) Changes in liabilities related to fundraising activities

	<u>Short-term borrowings</u>	<u>Short-term notes and bills payable</u>	<u>Long-term borrowings</u>	<u>Total liabilities from fundraising activities</u>
January 1, 2018	\$1,059,977	\$ 130,000	\$2,200,281	\$ 3,390,258
Changes in fundraising cash flows	144,523	-	517,395	661,918
Effect of exchange rate changes	<u>-</u>	<u>-</u>	<u>75,610</u>	<u>75,610</u>
December 31, 2018	<u>\$1,204,500</u>	<u>\$ 130,000</u>	<u>\$2,793,286</u>	<u>\$ 4,127,786</u>

7. Transactions with related parties

Primary management remuneration and compensation information

	<u>2018</u>	<u>2017</u>
Short-term employee benefits	<u>\$ 15,944</u>	<u>\$ 14,453</u>

8. Collateralized assets

The Group's collateralized assets are listed below:

<u>Assets</u>	<u>Book value</u>		<u>For guarantee purposes</u>
	<u>December 31, 2018</u>	<u>December 31, 2017</u>	
Land and land improvements (See note)	\$ 1,162,509	\$ 1,214,706	Short-term and long-term borrowings
Buildings and structures (See note)	1,521,073	1,737,479	Short-term and long-term borrowings
Business facilities/equipment (See note)	187,155	165,101	Long-term borrowings
Time deposits (Stated as "other financial assets - current")	587,084	440,448	Short-term borrowings

Time deposits (Stated as “other

financial assets - current’)

2,142	994	Voucher performance
\$ 3,459,963	\$ 3,558,728	guarantee

Note: Non-current assets available for sale

9. Significant contingent liabilities and unrecognized contractual commitments

(一) Contingency

None

(二) Undertakings

1. The Group's subsidiary acquired Residence Inn Anaheim (the hotel was operated as Clementine Inn Anaheim, a self-own brand, when the contract ends in October 15, 2018), TownePlace Suites Newark Silicon Valley, Embassy Suites Valencia, and Holiday Inn Express Walnut Creek. Interstate Hotels & Resort was commissioned by the Group to operate the above-mentioned hotels, and the contract ends on December 31, 2018, August 31, 2021, August 31, 2021, and June 22, 2022 respectively. The subsidiary shall pay Interstate Hotels & Resort management fees and performance bonus on a monthly basis, and the calculation of the related expenses is based on the fix rates agreed in the contract.
2. According to the management contract signed between the subsidiary and Interstate Hotels & Resort, a fix ratio of the operating revenue has to be appropriated on a monthly basis to an exclusive account for related asset purchase or repair (except the office). If said account is not enough to pay for the purchase or repair of assets related to the hotels, the subsidiary has to appropriate and deposit an adequate amount into the account.
3. Subsidiaries: HOLIDAY GARDEN SF CORP. and HOLIDAY GARDEN NW CORP. signed a royalty agreement with Marriott, and according to the agreement, Residence Inn Anaheim (until August 8, 2018) and TownePlace Suites Newark Silicon Valley (until March 31, 2030) will pay Marriott a certain proportion of the total guest room income as royalties for using Marriott’s management maintenance system. The Group's subsidiary HOLIDAY GARDEN SF CORP. signed with Marriott an extension contract, and according to the contract, HOLIDAY GARDEN SF CORP. and Marriott's royalty agreement shall extend to October 15, 2018, but no more extension afterward. Once the agreement ends, the hotel will be operated using the

self-owned brand Clementine Inn Anaheim.

4. The Group's subsidiary HOLIDAY GARDEN VC CORP. signed a royalty agreement with Hilton, and according to the agreement, Embassy Suites Valencia (until September 10, 2030) will pay Hilton a certain proportion of the total guest room income as royalties for using Hilton's management maintenance system.
3. Subsidiary HOLIDAY GARDEN WC CORP. signed a royalty agreement with IHG, and according to the agreement, Holiday Inn Express Walnut Creek (until July 11, 2031) will pay IHG a certain proportion of the total guest room income as royalties for using IHG's management maintenance system.
6. Subsidiary HOLIDAY GARDEN SF CORP. and CTBC BANK CO.,LTD. signed a long-term loan contract on February 11, 2016 for a total credit line of US\$31,000,000. Subsidiary HOLIDAY GARDEN SF CORP. pledged that during the credit period, the financial structure shall maintain a times interest earned ratio no lower than 1.3 to 1.
7. Subsidiary HOLIDAY GARDEN NW CORP. and FIRST COMMERCIAL BANK. signed a long-term loan contract on February 11, 2016 for a total credit line of US\$17,150,000. Subsidiary HOLIDAY GARDEN NW CORP. pledged that during the credit period, the financial structure shall maintain a times interest earned ratio no lower than 1.15.
8. Subsidiary HOLIDAY GARDEN VC CORP. and FIRST COMMERCIAL BANK. signed a long-term loan contract on October 20, 2015 for a total credit line of US\$21,000,000. Subsidiary HOLIDAY GARDEN VC CORP. pledged that during the credit period, the financial structure shall maintain a times interest earned ratio no lower than 1.15.
9. Subsidiary HOLIDAY GARDEN WC CORP. and FIRST COMMERCIAL BANK. signed a long-term loan contract on August 29, 2016 for a total credit line of US\$23,300,000. Subsidiary HOLIDAY GARDEN WC CORP. pledged that during the credit period, the financial structure shall maintain a times interest earned ratio no lower than 1.15.
10. As of December 31, 2018 and 2017, the Group had total proceeds for contracted unfinished construction and prepayments for business facilities of NT\$12,999 and NT\$91,852 respectively, and the unrecognized amount was NT\$3,577 and NT\$91,852 respectively.

10. Significant casualty losses

None

11. Major events after the reporting period

- (1) As resolved by the Board of Directors on January 29, 2019, the Group set up a new subsidiary, Holiday Garden EV CORP, and an estimated amount of US\$2,500,000 will be invested in this subsidiary.
- (2) As resolved by the Board of Directors on January 29, 2019, the Company's subsidiary Holiday Garden EV CORP acquired the Hotel Emeryvill Yatt Place in Emeryvill, California, USA, and the transaction amount was about US\$66,250,00.
- (3) As resolved by the Board of Directors on February 27, 2019, the Company canceled the investment of acquiring Hampton Inn/Homewood Suites by Hilton Long Beach Airport through the subsidiary Holiday Garden SN CORP.

12. Other

(1) Capital management

The Group's capital management objectives are to secure the Company's ability to continue as a going concern, maintain the optimal capital structure for reducing the cost of capital, and to provide returns to our shareholders. To maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, or issue new shares or sell assets to reduce the liabilities. Consistent with the industry's practice, the Group manages the assets by the debt to assets ratio.

The Group's strategy is to maintain a stable debt to assets ratio. See below for the ratios.

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Total liabilities	\$ 4,650,965	\$ 4,218,372
Total assets	\$ 6,000,033	\$ 5,306,307
Debt to assets ratio	<u>78</u>	<u>79</u>

(2) Financial instruments

Types of financial instruments

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
<u>Financial assets</u>		
Financial assets available for sale	\$ -	\$ 50,271

Financial assets measured at amortized cost

Cash and cash equivalents	1,801,148	729,863
Notes receivable	800	1,283
Accounts receivable	33,552	32,674
Other accounts receivable	52,043	3,193
Other financial assets	589,226	561,441
Guarantee deposits paid	7,054	7,671
	<u>\$ 2,483,823</u>	<u>\$ 1,386,396</u>

Financial liabilities

Financial liabilities measured at amortized cost

Short-term borrowings	\$ 1,204,500	\$ 1,059,977
Short-term notes and bills payable	130,000	130,000
Notes payable	1,472	5,063
Accounts payable	5,892	5,283
Other accounts payable	92,631	88,807
Long-term borrowings (including the current portion of long-term debt payable)	2,793,286	2,200,281
Long-term notes and accounts payable	127,577	127,577
Guarantee deposits received	1,155	755
	<u>\$ 4,356,513</u>	<u>\$ 3,617,743</u>

2. Risk management policies

- (1) The Group's regular operations are affected by multiple financial risks, including market risk (including the foreign exchange rate risk, interest rate risk, and price risk), credit risk, and liquidity risk.
- (2) Risk management work is implemented by the Group's finance department in accordance with the approved policies. The Group's finance department closely collaborates with all operating departments for identifying, evaluating, and avoiding financial risk.

3. Nature and level of significant financial risk

(1) Market risk

Foreign exchange rate risk

- A. The Group is a multinational corporation, and as a result, the

Group is exposed to foreign exchange rate risk generated from transactions using currencies different from the Company and the subsidiaries' functional currency (primarily the US dollars). Related foreign rate exchange risk from future commercial transactions and recognized assets and liabilities

- B. The Group's management has set policies requiring the Group to manage the foreign exchange rate risk related to its functional currency. Each company should manage the risk according to the overall foreign exchange rate risk through the finance department of the Group.
- C. The Group's businesses involve several non-functional currencies (The Company's functional currency is New Taiwanese dollars, while the subsidiaries' functional currency is US dollars), and they are affected by exchange rate fluctuation. Information of foreign currency assets and liabilities subject to material effect of exchange rate fluctuation is presented below:

December 31, 2018

	<u>Foreign currencies</u> (NT\$1,000)	<u>Exchange rate</u>	<u>Carrying amount</u> (NT\$)	<u>Sensitivity analysis</u>		
				<u>Degree of variation</u>	<u>Effect on profit and loss</u>	<u>Effect on other comprehensive income</u>
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Currency item</u>						
US\$: NT\$	\$ 19,148	30.72	\$ 588,140	1%	\$ 5,881	\$

December 31, 2017

	<u>Foreign currencies</u> (NT\$1,000)	<u>Exchange rate</u>	<u>Carrying amount</u> (NT\$)	<u>Sensitivity analysis</u>		
				<u>Degree of variation</u>	<u>Effect on profit and loss</u>	<u>Effect on other comprehensive income</u>
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Currency item</u>						
US\$: NT\$	\$ 14,832	29.76	\$ 441,413	1%	\$ 4,414	\$

D. The overall gain (loss) from the exchange (including realized and unrealized) of the Group's currency items due to material exchange rate fluctuation were NT\$14,783 and (NT\$ 4,947) in 2018 and 2017.

Price risk

The Group invests in open funds, and the price of this equity instruments is affected by the uncertainty of the future value of the investment. The Group has set the stop loss point, and therefore, no significant market risk is expected.

Cash flows and fair value interest rate risk

- A. The Group's interest risk comes from short-term and long-term borrowings at a floating rate of interests, and they expose the Group to cash flow interest rate risk. At December 31, 2018 and 2017, the Group's borrowings at floating rate of interests are in NT dollars and US dollars.
- B. The Group's loans are measured at amortized cost and the interest rates are re-set each year according to the contract. Therefore, the Group is exposed to the risk of future market interest rate changes.
- C. When interest rates of loans increase or decrease by 1% but all other factors remain the same, the net profit before tax decreased by NT\$39,978 and increased by NT\$31,788 at December 31, 2018 and 2017 respectively, and the main reason was changes in interest rates of floating rate loans.

(2) Credit risk

- A. The Group is exposed to credit risk of customers' or financial instruments' failure of fulfilling their contractual obligation, which can expose the Group to the risk of financial loss. The primary source of credit risk is the counterparty's failure of paying accounts receivable according to the terms of payment and the contractual cash flows of investment in liability instruments measured at fair value through profit and loss.
- B. The Group establishes credit risk management from the Group's perspective. Before entering into the terms and conditions of payment and service rendering with each new customer, each operating entity of the Group has to manage and analyze the credit

risk in accordance with the internal credit policy. Internal risk control evaluates a customer's credit quality based on the customer's financial condition, past experience, and other factors.

- C. The Group adopts the premise provided by IFRS9: When the payment is 30 days past due according to the contractual terms and conditions, the credit risk of this financial asset is deemed to have increased significantly since its initial recognition.
- D. The Group adopts the premise provided by IFRS9: When the payment is more than 90 days past due according to the contractual terms and conditions, default is deemed to have happened.
- E. The Group classifies customers' notes and accounts receivable according to credit conditions and adopts a simplified method of using the loss rate as the basis for estimating the expected credit loss.
- F. According to future forward-looking considerations, the Group adjusts the loss rate established based on the history of the specific period and current information to estimate the loss allowance of notes and accounts receivable. The provision matrix of December 31, 2018 is as follow:

	Not past due			
	<u>Past due for 1 to 30 days</u>	<u>Past due for 31 to 90 days</u>	<u>Past due for more than 91 days</u>	<u>Total</u>
<u>December 31, 2018</u>				
Expected loss rate	0.11%	1%	100%	
Total book value	\$ 28,431	\$ 4,763	\$ 1,158	\$ 34,352
Loss allowance	-	-	-	-

G. For 2017 credit risk information, please refer to Note 12(4).

(3) Liquidity risk

- A. Cash flows forecasts are performed by each operating entity of the Company and summarized by the finance department of the Group. The Group's finance department monitors the Group's circulating capital requirements to ensure that the Company has sufficient capital for its operating needs and to maintain a sufficient unspent loan commitment at all times.
- B. When the residual cash held by each operating entity exceeds the amount of operating capital required for management, it shall be

transferred back to the finance department of the Group. The Group's finance department will invest the residual funds in demand deposits, checking deposits, time deposits, and marketable securities, and the selected instruments have a proper due date or an adequate liquidity in order to meet the above-mentioned forecasts and to ensure that the Group has sufficient liquidity to fund the requirements. At December 31, 2018 and 2017, the Group's money market position was NT\$1,799,973 and NT\$1,046,399 respectively, and they can generate immediate cash flows for liquidity risk management.

C. The following table shows the Group's non-derivative financial liabilities, which are classified by the maturity date. Non-derivative financial liabilities are analyzed based on the time remains from the balance date to the contractual maturity date. The following table disclose the amount of contractual cash flows that is non-discounting.

December 31, 2018

<u>Non-derivative financial liabilities:</u>	<u>In 1 year</u>	<u>1 to 2 years</u>	<u>More than 2</u>
	\$	\$	years
Short-term borrowings	1,211,636		-
Short-term notes and bills payable	130,000	-	-
Notes payable	1,472	-	-
Accounts payable	5,892	-	-
Other accounts payable	92,631	-	-
Long-term borrowings (including the current portion of long-term debt payable)	304,015	1,311,938	1,408,630
Long-term notes and accounts payable	-	127,577	-
Guarantee deposits received	420	25	710

December 31, 2017

<u>Non-derivative financial liabilities:</u>	<u>In 1 year</u>	<u>1 to 2 years</u>	<u>More than 2</u>
	\$	\$	years
Short-term borrowings	1,066,613	-	-
Short-term notes and bills payable	130,000	-	-
Notes payable	5,063	-	-

Accounts payable	5,283	-	-
Other accounts payable	88,807	-	-
Long-term borrowings (including the current portion of long-term debt payable)	258,969	278,692	2,274,267
Long-term notes and accounts payable	-	127,577	-
Guarantee deposits received	25	20	710

(3) Fair value information

1. The various levels of valuation techniques adopted for measuring fair value of financial and non-financial instruments are defined below:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that

the entity can access at the measurement date. An active market refers to a market with a high enough frequency and number of transactions of assets or liabilities to provide pricing information on an ongoing basis. The fair value of the Group's beneficiary certificate investment is Level 1.

Level 2: It refers to direct or indirect observable inputs of assets or liabilities, except quoted prices included in Level 1.

Level 3: Unobservable inputs of assets or liabilities.

2. Financial instruments not measured at fair value

The Group's financial assets and liabilities that are not assessed by fair value (including cash and cash equivalents, notes receivable, accounts payable, other receivable, other financial assets (current), refundable deposits, short-term borrowings, short-term notes payable, notes payable, accounts payable, other payable, long-term borrowings (including current portion of long-term debt payable), long-term notes and accounts payable, and guarantee deposits receive) have a carrying value reasonably close to their fair value.

3. The Group classifies financial and non-financial instruments measured at fair value based on the nature, characteristics, risk, and fair value of the assets and liabilities. Related information is presented below:

(1) The Group classifies assets and liabilities by their nature. Related information is presented below:

December 31, 2018: None

December 31, 2017	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Fair value on a recurring basis</u>				
Financial assets available for sale				
Beneficiary certificates	<u>\$ 50,271</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 50,271</u>
Liabilities: None				

- (2) The methods and assumptions adopted by the Group for fair value measurement are described below:

Those the Group uses quoted market prices as fair value inputs (i.e., Level 1) are listed below according to the characteristics of the instruments:

	<u>Open funds</u>
Quoted market price	Net value

(4) Effect of first time IFRS 9 applicable and 2017 IFRS 39 applicable information

1. Material accounting policies adopted in 2017 are described below:

- (1) Financial assets available for sale

- A. It refers to non-derivative financial assets that are available for sale or have not been classified into any other categories.
- B. The Group uses trade day accounting for available-for-sale financial assets satisfying the accounting practice.
- C. Their initial recognition is measured at fair value plus transaction costs. Afterward, it is measured at fair value, and changes in fair value are recognized in other comprehensive income.

- (2) Accounts receivable

- A. Accounts receivable

Accounts receivable are original receivable from customers by selling goods or providing services to customers in the normal course of business. Accounts receivable are originally recognized at fair value and subsequently measured at amortized cost using the effective interest method, less impairment losses. However, for

short-term non-interest-bearing accounts receivable, because of insignificant effect of discounting, they are measured at the original invoice amount.

B. Other financial assets

The Group's debt investment in a non-active market is a non-cash equivalent time deposit, and because of a short holding period, its discounting effect is not material, and and it is measured at the investment amount.

(3) Financial asset impairment

- A. The Group at each balance sheet date evaluates the existence of any objective evidence of impairments indicating that one ore more than one events (i.e., loss events) occurred to a given financial asset or a set of financial assets after initial recognition and such impairment may reliably affect the estimation of future cash flows.
- B. The Group uses the following polices to determine the existence of any objective evidence of impairment losses:
 - (A) Issuers or debtors experiencing any significant financial difficulties;
 - (B) Defaults such as insolvency or delinquency of interest or principal payments;
 - (C) The Group giving concessions, which the Group would not consider otherwise, to the insolvent debtor for economic or legal reasons;
 - (D) Significantly increased chance for the debtor to enter bankruptcy or other financial reorganization;
 - (E) The disappearance of an active market for that financial asset because of financial difficulties;
 - (F) Observed data (including adverse changes in the condition of repayment of a debtor of the financial asset group or the national or regional economic condition related to the assets of the asset group) showing a measurable reduction occurs to the estimated future cash flows of a group of financial assets after the initial recognition of the group of financial asset, even if the reduction not yet determined to be due to a specific financial asset of the group;

- (G) Information of material changes in the technology, market, economy, or laws and regulations of the operating environment of the issuer and evidence indicating that the investment cost of that equity investment may be unrecoverable; or
 - (H) Substantial or continuous drop of fair value of equity instrument investment to lower than the cost.
- C. The Group when evaluating the objective evidence of existed impairments and knowing that an impairment loss has already occurred shall treat it as according to the type below:
- (A) Financial assets measured at amortized cost

The difference between the asset's carrying amount and present value of the estimated future cash flows discounted at the financial asset's original effective interest rate is recognized as an impairment loss in profit or loss. When the impairment loss reduces in the subsequent period and the reduction can be objectively linked to events occurred after the impairment recognized, this impairment loss is reversed through profit or loss. The previously recognized impairment loss that is within the limit amount of amortized cost of unrecognized impairment loss on the day of reversal shall be reversed in profit or loss. For recognized and reversed impairment losses, an allowance account is used for adjusting the carrying amount of the asset.

- (B) Financial assets available for sale

The amount of impairment loss is the difference between the acquisition cost of the specific asset (net of the principal paid and the amount of amortization) and the current fair value, net of the impairment loss of the financial asset previously recognized in profit or loss, and it is reclassified from other comprehensive income to profit or loss. For debt instrument investment, when its fair value increases in the subsequent period and the increase can be objectively linked to events happen after the recognition of the impairment loss, the impairment shall be reversed in current profit or loss. For equity instrument investment, its impairment loss already recognized in profit or loss cannot be reversed through current income. For the recognized and reversed impairment losses, an allowance account is used for adjusting the carrying amount of the asset.

2. The reconciliations of the carrying amount of financial assets transferred from December 31, 2017, IAS 39, to January 1, 2018, IFRS 9 are as follows:

	Measured at fair value through equity	Available for sale	Total	Effects	
		<u>-Liabilities</u> Measured at fair value through other comprehensive income		<u>Retained earnings</u>	<u>Other equity</u>
IAS 39	\$ -	\$ 50,271	\$ 50,271	\$ -	\$ 2,300
Transferred into and measured at fair value through profit and loss	<u>50,271</u>	<u>(50,271)</u>	<u>-</u>	<u>2,300</u>	<u>(2,300)</u>
IFRS 9	<u>\$ 50,271</u>	<u>\$ -</u>	<u>\$ 50,271</u>	<u>\$ 2,300</u>	<u>\$ -</u>

Debt instruments that should be classified into “financial assets available for sale” according to IAS 39, amounting to NT\$50,271, are classified into “financial assets measured at fair value through profit and loss” when IFRS 9 is first applied because these debt instruments do not meet the interest criterion that the cash flows all fully payments of principal and interest on the principal amount outstanding.

3. See below for information of significant accounting policies at December 31, 2017.

Financial assets available for sale

<u>Item</u>	<u>December 31, 2017</u>
Current items:	
Bond funds:	\$ 47,971
Adjustments on valuation of financial assets available for sale	<u>2,300</u>
	<u>\$ 50,271</u>

Non-current items: None

In 2017, the Group recognized an amount of NT\$3,286 to other comprehensive income because of changes in fair value, and the amount reclassified from equity to current loss was NT\$1,565.

4. Credit risk information in 2017 are described below:

Credit risk refers to the counterparty's breach of contract exposing the Group to financial loss. The Group's credit risk is primarily from cash and bank deposits, accounts receivable and promised transactions from operating activities, and they are divided into business-related credit risk and financial credit risk for separate management.

Business-related credit risk

To maintain the quality of accounts receivable, the Group has established procedure for business-related credit risk management.

For individual client's risk evaluation, it covers the client's financial condition, past transaction records, the current economic condition, and other factors that may affect the client's ability to make payment. The Group may also uses certain credit enhancement, such as advance sales receipts, when the time is right to reduce the credit risk of a specific customer.

Financial credit risk

Credit risk of bank deposits, fixed income investment, and other financial instruments is measured and monitored by the Group's finance department. Because the Group's counterparties are banks, financial institutions, and companies with good credit ratings or of a investment grade without any significant contract fulfillment concern, there is no significant credit risk.

- (1) There was no exceeding of credit limit in 2017 and the counterparties' good credit rating was good. Management did not forecast any material loss due to counterparty default.
- (2) The Group's accounts receivable were neither past due nor impaired, and they were mainly from customers with a good receivable record.
- (3) Changes in impaired financial assets (allowance for doubtful accounts receivable):
 - A. The Group has an impairment of NT\$ 0 for accounts receivable for the period ends in December 31, 2017.
 - B. Changes in allowance for doubtful accounts:

	2017		
	<u>Individual evaluation of</u> <u>impairment loss</u>	<u>Group evaluation of</u> <u>impairment loss</u>	<u>Total</u>
Balance, January 1	\$ -	\$ -	\$ -
Loss recognized this period	170	-	170
Noncollectable receivable written off	<u>(170)</u>	<u>-</u>	<u>(170)</u>
Balance, December 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The major clients of the Group are independent tourists and companies. The receivable criterion for companies is 90 days after monthly statements. In terms of the judgment of the recoverability of accounts receivable, the Group takes any changes in the credit quality from the initial credit date to the end day of the period of the statement of the accounts receivable from individual client into consideration and analyze the history and current financial condition of each client for estimating the uncoverable amounts.

(5) Effect of first time IFRS 15 applicable and 2017 IFRS 18 applicable information

1. Significant accounting policies for revenue recognition in 2017 are described below:

Sales revenue:

The Group provides accommodations and foodservice related products. Revenue is the fair value of the consideration received or receivable from selling goods to customers outside the Company in normal business activities and the net amount is stated less the business tax, sales return, volume discounts, and discounts. Revenue is recognized after rendering services or delivering goods sold to the buyers and moreover, the sales amount can be reliably measured and future economic benefits are very likely to flow into the company. Goods delivery incurred when ownership related significant risks and rewards have been transferred to customers, the Group neither continues to participate in the management of the goods nor maintains effective control, the customer accepts the goods according to the sales contract, or there is any objective evidence indicating that all terms and conditions of product acceptance are met. For transactions of

service provision that can be reliably estimated, they should be recognized in revenue according to the level of service provided.

- The Group's 2017 revenue recognized according to the aforementioned accounting policies are described below:

	<u>2017</u>
Guest room revenue	\$ 1,306,559
Foodservice revenue	55,417
Others	<u>3,039</u>
	<u>\$ 1,365,015</u>

- If the Group continues to use the above accounting policies in 2018, the amounts affected in the current balance sheet are described below. For the comprehensive income statement line items, there is no material effect.

	<u>December 31, 2018</u>		
	<u>IFRS 15 adopted</u>	<u>Original accounting</u>	<u>Balance sheet items</u>
<u>changed accounting</u>	<u>Description</u>	<u>Recognized</u>	<u>Recognized</u>
<u>policies</u>		<u>balance</u>	<u>balance</u>
	Contractual liabilities	\$ 10,371	\$ 10,371
	Unearned receipts	-	10,371 (10,371)

In accordance with IFRS 15, the Company recognized the unearned receipts of accommodation vouchers, advance meal vouchers, and advance deposits as contractual liabilities, and in the past reporting period, it was expressed as "unearned receipts" on the balance sheet.

13. Supplementary disclosure

(1) Information related to material transactions

- Financing provided: See Table 1 attached.
- Endorsement provided: None.
- Marketable securities held at end of reporting period (excluding investments in subsidiaries, associates, and joint ventures): None
- Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: None.
- Properties acquired at costs or prices of at least NT\$300 million or 20% of the paid-in capital: None.

6. Properties disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: See Table 2 attached.
7. Total purchases from or sales to related parties of at least NT\$100 million or 20% of the paid-in capital: None.
8. Receivable from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: See Table 3 attached.
9. Engagement in derivative instruments: None.
10. Business relations and material transactions and amounts between the parent company and its subsidiaries and among the subsidiaries: See Table 4 attached.

(2) Re-investment related information

The investee's name, location, and other related information (excluding investees in mainland China): See Table 5 attached.

(3) Investment in mainland China

1. Basic information: None
2. Significant direct or indirect transactions with the investee in mainland China through an enterprise at a third place: None

14. Segment information

(1) General information

The Group takes a regional perspective in its operation and decision-making. Management too adopts this model to identify the divisions to be reported.

The Group has two reportable segments: Taiwan business segment and US business segment. The primary scope of business operation of Taiwan business segment is tourism hotels and attached restaurants and swimming pools. The primary scope of business operation of US business segment is tourism hotels.

(2) Measurement of segment information

The Group uses the operating income of each operating department as the evaluation performance basis.

(3) Segment information

The reportable segment information provided to main operations decision makers is as follows:

	2018			Total
	<u>Taiwan business segment</u>	<u>USA business segment</u>	<u>Adjustment and offset</u>	
Revenue				
Revenue from external customers	<u>\$ 107,693</u>	<u>\$ 1,062,022</u>	<u>\$ -</u>	<u>\$ 1,169,715</u>
Segment profit and loss	<u>(\$ 57,243)</u>	<u>\$ 139,283</u>	<u>\$ -</u>	<u>\$ 82,040</u>
Interest income				27,288
General revenue of the company				2,465
Interest expense				(139,636)
Other gains and losses of the company				<u>426,326</u>
Net profit before tax				<u>\$ 398,483</u>
Segment assets	<u>\$ 743,363</u>	<u>\$ 2,185,983</u>	<u>\$ -</u>	<u>\$ 2,929,346</u>
General assets of the company				<u>3,070,687</u>
Total assets				<u>\$ 6,000,033</u>
Amortization and depreciation expenses	<u>\$ 29,930</u>	<u>\$ 206,417</u>	<u>\$ -</u>	<u>\$ 236,347</u>
Capital expenditure	<u>\$ 40,917</u>	<u>\$ 122,381</u>	<u>\$ -</u>	<u>\$ 163,298</u>
Segment liabilities	<u>\$ 1,917,436</u>	<u>\$ 2,733,529</u>	<u>\$ -</u>	<u>\$ 4,650,965</u>
	2017			Total
	<u>Taiwan business segment</u>	<u>USA business segment</u>	<u>Adjustment and offset</u>	
Revenue				
Revenue from external customers	<u>\$ 121,206</u>	<u>\$ 1,243,809</u>	<u>\$ -</u>	<u>\$ 1,365,015</u>
Segment profit and loss	<u>(\$ 33,326)</u>	<u>\$ 170,802</u>	<u>\$ -</u>	<u>\$ 137,476</u>
Interest income				4,585
General revenue of the company				3,318
Interest expense				(98,571)
Other gains and losses of the company				<u>(7,006)</u>
Net profit before tax				<u>\$ 39,802</u>
Segment assets	<u>\$ 732,376</u>	<u>\$ 2,168,124</u>	<u>\$ -</u>	<u>\$ 2,900,500</u>

General assets of the company				<u>2,405,807</u>
Total assets				<u>\$ 5,306,307</u>
Amortization and depreciation expenses	<u>\$ 30,487</u>	<u>\$ 313,261</u>	<u>\$ -</u>	<u>\$ 343,748</u>
Capital expenditure	<u>\$ 2,797</u>	<u>\$ 132,330</u>	<u>\$ -</u>	<u>\$ 135,127</u>
Segment liabilities	<u>\$ 1,741,338</u>	<u>\$ 2,477,034</u>	<u>\$ -</u>	<u>\$ 4,218,372</u>

(4) Reconciliation of segment profit and loss

The total amount information of the reportable segments and the disclosed information of other critical items are consistent with the amounts of profit and loss before tax, assets, liabilities, and other related items in the Company's financial report, and they were measured by consistent methods.

(5) Product type and service type information

Please refer to Note 6(16).

(6) Regional information

The Group's regional information for 2018 and 2017 is as follows:

	<u>2018</u>		<u>2017</u>	
	<u>Revenue</u>	<u>Non-current assets</u>	<u>Revenue</u>	<u>Non-current assets (see note)</u>
USA	\$ 1,062,022	\$ 2,589,194	\$ 1,243,809	\$ 2,881,483
Taiwan	<u>107,693</u>	<u>743,363</u>	<u>121,206</u>	<u>732,376</u>
	<u>\$ 1,169,715</u>	<u>\$ 3,332,557</u>	<u>\$ 1,365,015</u>	<u>\$ 3,613,859</u>

Note: Including non-current assets available for sale

(7) Important customer information

It is not applicable because none of the revenue from each customer of the Group in 2018 and 2017 reached 10% of the amount of the comprehensive income statement.

Holiday Garden International Ltd. and subsidiaries

Loans to others

January 1 to December 31, 2018

Table 1

Unit: NT\$1,000

(Unless otherwise noted)

<u>Number</u> <u>(Note 1)</u>	<u>Company providing</u> <u>the loan</u>	<u>Borrower</u>	<u>Transaction</u> <u>item</u> <u>(Note 2)</u>	<u>A</u> <u>related</u> <u>party or</u> <u>not</u>	<u>The</u> <u>maximum</u> <u>amount this period</u> <u>(Note 3)</u>	<u>Closing balance</u> <u>(Note 8)</u>	<u>Actual drawing</u> <u>amount</u>	<u>Range of</u> <u>interest</u> <u>rates</u>	<u>Loaning of</u> <u>funds</u> <u>and type</u> <u>(Note 4)</u>	<u>Business</u> <u>transaction</u> <u>amount</u> <u>(Note 5)</u>	<u>Reasons for</u> <u>short-term</u> <u>financing</u> <u>(Note 6)</u>	<u>Amount of</u> <u>loss</u> <u>allowance</u> <u>recognized</u>	<u>Collaterals</u> <u>Name</u> <u>Value</u>		<u>Maximum amount</u> <u>of loans permitted</u> <u>to a single borrower</u> <u>(Note 7)</u>	<u>Total amount</u> <u>permitted for</u> <u>loaning of funds</u> <u>(Note 7)</u>	<u>Note</u>
1	Holiday Garden International Ltd.	Holiday Garden U.S.	Receivable from related companies	Yes	\$ 1,167,600	\$ 1,048,560	\$ 1,048,560	Annual interest 6.5%	Short-term financing funds	\$	Operational needs	\$	None	\$	\$ 13,608,143	\$ 27,216,285	Note 9
2	Holiday Garden U.S.	Holiday Garden NW CORP.	Receivable from related companies	Yes	123,360	-	-	Annual interest 6.5%	Short-term financing funds	-	Hotel acquisition	-	None	-	5,538,968	11,077,935	Note 9
2	Holiday Garden U.S.	Holiday Garden NW CORP.	Receivable from related companies	Yes	185,040	92,520	92,520	Annual interest 3.0%	Short-term financing funds	-	Hotel acquisition	-	None	-	5,538,968	11,077,935	Note 9
2	Holiday Garden U.S.	Holiday Garden CORP.	VC Receivable from related companies	Yes	123,360	46,260	46,260	Annual interest 3.0%	Short-term financing funds	-	Hotel acquisition	-	None	-	5,538,968	11,077,935	Note 9
2	Holiday Garden U.S.	Holiday Garden CORP.	WC Receivable from related companies	Yes	974,700	584,820	584,820	Annual interest 6.5%	Short-term financing funds	-	Hotel acquisition	-	None	-	5,538,968	11,077,935	Note 9
2	Holiday Garden U.S.	Holiday Garden CORP.	WC Receivable from related companies	Yes	64,980	64,980	64,980	Annual interest 3.0%	Short-term financing funds	-	Hotel acquisition	-	None	-	5,538,968	11,077,935	Note 9
2	Holiday Garden U.S.	Holiday Garden CORP.	SN Receivable from related companies	Yes	1,026,720	-	-	Annual interest 3.0%	Short-term financing funds	-	Hotel acquisition	-	None	-	5,538,968	11,077,935	Note 9
2	Holiday Garden U.S.	Holiday Garden CORP.	SN Receivable from related companies	Yes	539,350	539,350	-	Annual interest 6.5%	Short-term financing funds	-	Hotel acquisition	-	None	-	5,538,968	11,077,935	Note 9
3	Holiday Garden SF CORP.	Holiday Garden CORP.	VC Receivable from related companies	Yes	154,200	154,200	154,200	Annual interest 3.0%	Short-term financing funds	-	Hotel acquisition	-	None	-	625,575	1,251,150	Note 9
3	Holiday Garden SF CORP.	Holiday Garden U.S.	Receivable from related companies	Yes	387,516	387,516	387,516	Annual interest 3.0%	Short-term financing funds	-	Operational needs	-	None	-	625,575	1,251,150	Note 9

Note 1: See the footnotes below:

(1) 0 for the Company

(2) For the investees, they are coded from 1 according to the company. Investees of the same company share the same code.

Note 2: Recorded accounts receivable from related companies and/or parties, shareholders accounts, prepayments, temporary payments, etc. should be entered in this field if they are related to loans to others.

Note 3: It is the cumulative maximum balance of loaning others from the current year to the reporting month.

Note 4: For loans to others and the type, fill in the parties that the Company has business transaction with or that require short-term financing funds.

Note 5: For the business transaction type of loans, fill in the amount of the business transactions.

Note 6: For those requiring the short-term financing type of loans, concretely explain the reason for loaning and the borrowers' use of the loans, such as for making repayments, purchase of equipment, or operational needs.

Note 7: Enter the limit of loans for individual borrowers and the total amount of loans set by the Company in accordance with the loans to others operating procedure and enter the method of calculation of the limit of loan for individual borrowers and the total limit of loans in the note section.

Note 8: Enter the amount of funds loaned to others that remains effective as of the reporting month. (For an publicly listed company deciding to resolve each fund to be loaned to other at the Board of Directors according to Article 14.1 of the Procedure of Management of Loans to Others, then even if the fund has not yet been appropriated, the amount of loans resolved at the Board of Directors should be stated in the announced balance to disclose the exposed risk.

If said funds are repaid later, the balance after the repayment should be disclosed to reflect the adjusted risk. If, in accordance with Article 14.2 of Regulations Governing the Administration of Shareholder Services of Public Companies, a publicly listed company decides to authorize the chairperson of the board, resolved at the board of directors, to have the funds for lending that are within the specific amount authorized in installment or revolver within one year,

it is the balance of the amount of loans to others approved at the Board of Directors that should be announced and filed. Said loans to others may be repaid later, but because lending may be authorized again, use the amount of loans to others approved by the Board of Directors as the balance announced and reported.

Note 9: In accordance with the Company's Operating procedure of management of loans to others, the amount of loans to foreign subsidiaries, in which the Company holds directly or indirectly, 100% of the voting shares or to individual borrowers should not exceed 7.5 times of the Company's net value, and the total amount of loans should not exceed 15 times of the net value of the company, and

the duration of loans should be no more than 15 years.

Holiday Garden Hotel Co., Ltd.

Properties disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital

January 1 to December 31, 2018

Table 2

Unit: NT\$1,000
(Unless otherwise noted)

<u>Companies disposing their property</u>	<u>Property name</u>	<u>Occurrence of the fact</u>	<u>Date of initial acquisition</u>	<u>Carrying amount</u>	<u>Transaction amount</u>	<u>Condition of proceeds received</u>	<u>Income disposal</u>	<u>Counterparty</u>	<u>Relation</u>	<u>Purpose of disposal</u>	<u>Reference for price determination</u>	<u>Other agreed matters</u>
Holiday Garden SN CORP.	Residence Inn by Marriott Sacramento Airport Natomas, (Hotel)	106.12.21	101.10.24	\$ 289,931	\$ 688,550	\$ 688,550	\$ 403,100	Welcome Natomas,LLC.	None	Operations strategies	The amount was determined based on the appraisal amount and resolved by the board of directors.	None

Note 1: If appraisal is required for asset disposal in accordance with the regulations, enter the appraisal results in the section "Reference for price determination."

Note 2: Paid-in capital refers to the paid-in capital of the parent company. If the shares issued by an issuer have no par value or a par value other than NT\$10 per share, the threshold transaction amount of 20% of paid-in capital shall be replaced by 10% of equity attributable to owners of the parent company as stated in the balance sheet.

Note 3: Date of occurrence refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of boards of directors resolutions, or other date that can confirm the counterparty and monetary amount of the transaction, whichever date is earlier.

Holiday Garden International Ltd. and subsidiaries

Receivable from related parties amounts to at least NT\$100 million or 20% of the paid-in capital.

December 31, 2018

Table 3

Unit: NT\$1,000

(Unless otherwise noted)

<u>Companies recorded as accounts receivable</u>	<u>Counterparty</u>	<u>Relation</u>	<u>Balance of Receivable from related companies</u> <u>(Note 1)</u>	<u>Turnover rate</u>	<u>Past due accounts receivable from related companies</u>		<u>Accounts receivable recovered from related companies after the reporting period</u>	<u>Amount of loss allowance recognized</u>
					<u>Amount</u>	<u>Treatment</u>		
oliday Garden International Ltd.	oliday Garden U.S.	3	accounts receivable : 1,048,560	Note 4	\$ -	-	\$ -	\$ -
oliday Garden U.S.	oliday Garden WC CORP.	3	accounts receivable : 649,800	Note 4	-	-	-	-
oliday Garden SF CORP.	oliday Garden U.S.	3	accounts receivable : 387,516	Note 4	-	-	-	-
oliday Garden SF CORP.	oliday Garden VC CORP.	3	accounts receivable : 154,200	Note 4	-	-	-	-
oliday Garden WC CORP.	oliday Garden SF CORP.	3	accounts receivable : 100,979	Note 4	-	-	-	-

Note 1: Please enter the accounts receivable of the related parties, the notes, and other accounts receivable.

Note 2: Paid-in capital refers to the paid-in capital of the parent company. If the shares issued by an issuer have no par value or a par value other than NT\$10 per share, the threshold transaction amount of 20% of paid-in capital shall be replaced by 10 percent of equity attributable to owners of the parent company as stated in the balance sheet.

Note 3: The investee and the counterparty are both subsidiaries of the Company.

Note 4: It is mainly because that "other accounts receivable" is not suitable for calculating the days of turnovers.

Holiday Garden International Ltd. and subsidiaries

Business relations and material transactions and amounts between the parent company and its subsidiaries and among the subsidiaries

January 1 to December 31, 2018

Table 4

Unit: NT\$1,000

(Unless otherwise noted)

<u>Number</u> <u>(Note 1)</u>	<u>Name</u>	<u>Counterparty</u>	<u>Relationship with the</u> <u>counterparty</u> <u>(Note 2)</u>	<u>Account</u>	<u>Amount</u>	<u>Transaction condition</u>	<u>Ratio to consolidated total</u> <u>revenue or total assets</u> <u>(Note 3)</u>
1	Holiday Garden International Ltd.	Holiday Garden U.S.	(3)	Other accounts receivable	\$ 1,048,560	Processed according to the agreement between the two parties	17.46%
1	Holiday Garden International Ltd.	Holiday Garden U.S.	(3)	Interest income	66,632	Processed according to the agreement between the two parties	5.70%
1	Holiday Garden International Ltd.	Holiday Garden SF CORP.	(3)	Other income	18,090	Processed according to the agreement between the two parties	1.55%
1	Holiday Garden International Ltd.	Holiday Garden SN CORP.	(3)	Other income	13,568	Processed according to the agreement between the two parties	1.16%
1	Holiday Garden International Ltd.	Holiday Garden NW CORP.	(3)	Other income	9,045	Processed according to the agreement between the two parties	0.77%
1	Holiday Garden International Ltd.	Holiday Garden VC CORP.	(3)	Other income	9,045	Processed according to the agreement between the two parties	0.77%
1	Holiday Garden International Ltd.	Holiday Garden WC CORP.	(3)	Other income	9,045	Processed according to the agreement between the two parties	0.77%
2	Holiday Garden U.S.	Holiday Garden SF CORP.	(3)	Other accounts receivable	26,251	Processed according to the agreement between the two parties	0.44%
2	Holiday Garden U.S.	Holiday Garden SF CORP.	(3)	Interest income	11,668	Processed according to the agreement between the two parties	1.00%
2	Holiday Garden U.S.	Holiday Garden NW CORP.	(3)	Other accounts receivable	92,520	Processed according to the agreement between the two parties	1.54%
2	Holiday Garden U.S.	Holiday Garden NW CORP.	(3)	Interest income	12,387	Processed according to the agreement between the two parties	1.06%
2	Holiday Garden U.S.	Holiday Garden VC CORP.	(3)	Other accounts receivable	46,260	Processed according to the agreement between the two parties	0.77%
2	Holiday Garden U.S.	Holiday Garden WC CORP.	(3)	Other accounts receivable	649,800	Processed according to the agreement between the two parties	10.82%
2	Holiday Garden U.S.	Holiday Garden WC CORP.	(3)	Interest income	58,642	Processed according to the agreement between the two parties	5.01%

3	Holiday Garden SF CORP.	Holiday Garden NW CORP.	(3)	Other accounts receivable	12,905	parties Processed according to the agreement between the two parties	0.21%
3	Holiday Garden SF CORP.	Holiday Garden U.S.	(3)	Other accounts receivable	387,516	parties Processed according to the agreement between the two parties	6.45%
3	Holiday Garden SF CORP.	Holiday Garden VC CORP.	(3)	Other accounts receivable	154,200	parties Processed according to the agreement between the two parties	2.57%
4	Holiday Garden VC CORP.	Holiday Garden SF CORP.	(3)	Other accounts receivable	44,872	parties Processed according to the agreement between the two parties	0.75%
5	Holiday Garden NW CORP.	Holiday Garden SF CORP.	(3)	Other accounts receivable	12,905	parties Processed according to the agreement between the two parties	0.21%
6	Holiday Garden WC CORP.	Holiday Garden SF CORP.	(3)	Other accounts receivable	100,979	parties Processed according to the agreement between the two parties	1.68%

Note 1: Business transaction information between the parent company and its subsidiaries should be coded in the coding section, and the coding is described below.

(1) 0 for the parent company.

(2) For the subsidiaries, they are coded starting from 1 based on the company.

Note 3: There are the following three types of relationship with counterparties, and only the type is specified (one disclosure for the same transaction between the parent company and a subsidiary or among subsidiaries). For example, for a transaction between the parent company and a subsidiary, if the parent company has already disclosed it, there is no need for the subsidiary to disclose the same transaction again.

For transactions among subsidiaries, if one subsidiary has disclosed it already, then there is no need for the other subsidiary to disclose it again.)

(1) The parent company to a subsidiary

(2) A subsidiary to the parent company

(3) A subsidiary to another subsidiary

Note 3: Regarding the ratio of transaction amount to consolidated total operating revenues or total assets, it is computed based on the closing balance to consolidated total assets for balance sheet accounts, and as for income statement accounts, it is based on accumulated amount to consolidated total operating revenue.

Note 4: The significant transaction conditions summarized in this table are transactions of an amount greater than NT\$ 5 million or 20% of the paid-in capital of the parent company.

Holiday Garden International Ltd. and subsidiaries

The investee's name, location, and other related information (excluding investees in mainland China)
January 1 to December 31, 2018

Table 5

Unit: NT\$1,000

(Unless otherwise noted)

Investor	Investee (Notes 1 and 2)	Location	Primary business items	Initial investment amount		End of the reporting period			Investee's current	Recognized	Note
				Ending of reporting period	Previous year end	Number of shares	Ratio	Carrying amount	profit and loss (Notes 2(2))	current investment gain or loss (Note 2(3))	
Holiday Garden Hotel Co., Ltd.	Holiday Garden Development Co., Ltd.	Taiwan	Tourism hotels	\$ 65,000	\$ 25,000	6,500	100	\$ 54,208	(\$ 10,349)	(\$ 10,349)	The Company's subsidiary
Holiday Garden Hotel Co., Ltd.	Holiday Garden International Ltd.	Bermuda	Investment business	848,895	969,023	12,000	100	1,814,419	330,501	330,501	The Company's subsidiary
Holiday Garden International Ltd.	Holiday Garden U.S.	USA	Investment business	251,291	251,291	18,000	100	738,529	353,607	353,607	The Company's subsidiary
Holiday Garden U.S.	Holiday Garden SF CORP.	USA	Tourism hotels	84,662	84,662	170,000	100	83,410	36,788	36,788	The Company's subsidiary
Holiday Garden U.S.	Holiday Garden SN CORP.	USA	Tourism hotels	72,900	72,900	150,000	100	90,186	287,254	287,254	The Company's subsidiary
Holiday Garden U.S.	Holiday Garden NW CORP.	USA	Tourism hotels	81,250	81,250	150,000	100	64,875	29,802	29,802	The Company's subsidiary
Holiday Garden U.S.	Holiday Garden VC CORP.	USA	Tourism hotels	81,250	81,250	150,000	100	19,408	(717)	(717)	The Company's subsidiary
Holiday Garden U.S.	Holiday Garden WC CORP.	USA	Tourism hotels	80,700	80,700	150,000	100	63,353	11,035	11,035	The Company's subsidiary

Note 1: For a publicly company with an overseas holding company and using the consolidated financial report as the major financial report in compliance with local laws and regulations, the disclosure of information of overseas investees can be limited to information related to the holding company.

Note 2: If the circumstances described in Note 1 are not applicable, please enter the following information:

(1) For the name of the investee, the location, the primary business items, the initial investment amount, and shareholding at the end of the period, they should be filled out in sequence according to the reinvestment of the Company (a publicly listed company) and each reinvestment of each direct or indirect controlled investee.

In addition, the relationship (e.g., a subsidiary or a subsidiary-subsubsidiary of the parent company) between each investee and the Company (a publicly listed company) should be entered.

(2) For the section of "investee's profit and loss," please enter the amount of current profit and loss of each investee.

(3) For "Recognized current investment income," enter only the recognized amount of profit and loss of each direct investment subsidiary of the Company (a publicly listed company) and of each investee accounted for using the equity method. The balance is not required. When entering the "Amount of profit and loss recognized of each subsidiary of direct reinvestment,"

make sure that the amount of profit or loss of each subsidiary includes the investment income of the reinvestment to be recognized in accordance with the regulations.