

Holiday Garden International Ltd.
Parent Company Only 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

Parent Company Only Financial Report and Independent Accountant's Report of 2018 and 2017

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Holiday Garden International Ltd.

Opinion

We have audited the following financial statements of Holiday Garden International Ltd.: The parent company only balance sheets of December 31, 2018 and 2017, the parent company only statements of comprehensive income of January 1 to December 31 of 2018 and 2017, the parent company only statements of changes in equity, the parent company only statements of cash flows, and the notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material aspects, the financial position of Holiday Garden International Ltd. as at December 31, 2018 and 2017 and its financial performance and cash flows for the period from January 1 to December 31 of 2018 and 2017 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

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 parent company only 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 Holiday Garden Hotel Co., Ltd, 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 parent company only financial statements of Holiday Garden International Ltd. These matters were addressed during the audit of the overall parent company only 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 parent company only financial statements of 2018 of the Holiday Garden International Ltd.:

Evaluation of investment impairment accounted for using the equity method

Description

For accounting policies on investments accounted for using the equity method, please refer to Note 4(11) of the parent company only financial statements. For accounting estimation and assumption uncertainty of evaluation of investment impairment accounted for using the equity method, please refer to Note 5(2) of the parent company only financial statements. For investment using the equity method, please refer to Note 6(4) of the parent company only financial statements.

The carrying amount of intangible assets as of December 31, 2018 of subsidiaries of Holiday Garden International Ltd. is NT\$403,004,000, accounting for 7% of the total amount of 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 discount 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, we have chosen intangible assets impairment evaluation 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 worked on understanding and evaluated management's operating procedure for estimating the subsidiaries' future cash flows. We also 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 management's business plan in the past.
3. We evaluated the reasonableness of 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.

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

The responsibilities of management is to prepare appropriately stated parent company only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers. Management is also responsible for maintaining necessary internal control relevant to the preparation of the parent company only financial statements to ensure that the parent company only financial statements are free from material misstatement by fraud or error.

Management when preparing parent company only financial statements is also responsible for evaluating Holiday Garden International Ltd.'s ability to continue as a

going concern, disclosing relevant matters, and using the going concern basis of accounting unless management intends to liquidate Holiday Garden International Ltd., 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 Holiday Garden International Ltd. are responsible for supervising Holiday Garden International Ltd.'s financial reporting procedure.

Account's responsibilities for the audit of parent company only financial statements

The objectives of accounts for auditing parent company only financial statements are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from any material misstatement due to fraud or error and to issue an accountant's report accordingly. Reasonable assurance refers to a high level of assurance, but there is no guarantee that accountants performing in accordance with the generally accepted auditing standards of the Republic of China can detect any material misstatement from the parent company only financial statements. Misstatements may arise from fraud or errors. A misstated dollar amount, individually or in the aggregate, that could be reasonably predicted to influence the economic decision of the user of the parent company only 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 parent company only 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 the one resulting from error because 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 Holiday Garden International Ltd.'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 Holiday Garden International Ltd.'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 parent company only 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 Holiday Garden International Ltd. to cease to continue as a going concern.
5. We evaluated the overall presentation, structure and contents of the parent company only financial statements, including the attached notes, and whether the parent company on 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 Holiday Garden International Ltd. to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision, and performance of the audit of the parent company 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 parent company only financial statements of 2018 of Holiday Garden International Ltd. 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.
Parent Company Only Balance Sheet
December 31 of 2018 and 2017

Unit: NT\$1,000

Assets	Notes	December 31, 2018		December 31, 2017		
		Amount	%	Amount	%	
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 30,969	1	\$ 23,958	1
1150	Net notes receivable	6(2)	400	-	1,283	-
1170	Net accounts receivable	6(2)	5,757	-	4,012	-
1200	Other accounts receivable		3,355	-	3,193	-
1220	Tax assets		1,051	-	-	-
130X	Inventories	6(3)	332	-	839	-
1410	Advance payments		2,188	-	2,664	-
1476	Other financial assets - current	8	589,226	18	441,442	16
1479	Other current assets - others		93	-	48	-
11XX	Total current assets		<u>633,371</u>	<u>19</u>	<u>477,439</u>	<u>17</u>
Non-current assets						
1550	Investments accounted for using the equity method	6(4)	1,868,627	57	1,575,089	56
1600	Property, plants, and equipment	6(5) and 8	712,968	22	732,376	26
1840	Deferred tax assets	6(20)	43,745	2	39,332	1
1920	Guarantee deposits paid		1,087	-	1,887	-
15XX	Total non-current assets		<u>2,626,427</u>	<u>81</u>	<u>2,348,684</u>	<u>83</u>
1XXX	Total Assets		<u>\$ 3,259,798</u>	<u>100</u>	<u>\$ 2,826,123</u>	<u>100</u>

Holiday Garden International Ltd.
Parent Company Only 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(6) and 8	\$ 1,204,500	37	\$ 1,059,977	37
2110	Short-term notes and bills payable	6(7)	130,000	4	130,000	5
2130	Contractual liabilities - current	6(14)	6,967	-	-	-
2150	Notes payable		1,366	-	1,913	-
2170	Accounts payable		5,441	-	5,283	-
2200	Other accounts payable		12,917	1	18,508	1
2230	Income tax liabilities		-	-	118	-
2310	Unearned receipts	6(14)	-	-	9,845	-
2320	Long-term liabilities - current portion	6(8) and 8	49,019	2	48,997	2
2399	Other current liabilities - others		1,699	-	1,699	-
21XX	Total current liabilities		<u>1,411,909</u>	<u>44</u>	<u>1,276,340</u>	<u>45</u>
Non-current liabilities						
2540	Long-term borrowings	6(8) and 8	90,273	3	139,291	5
2570	Deferred income tax liabilities	6(20)	280,216	8	194,225	7
2610	Long-term notes and accounts payable	6(5)	127,577	4	127,577	4
2645	Guarantee deposits received		755	-	755	-
25XX	Total non-current liabilities		<u>498,821</u>	<u>15</u>	<u>461,848</u>	<u>16</u>
2XXX	Total liabilities		<u>1,910,730</u>	<u>59</u>	<u>1,738,188</u>	<u>61</u>
Equity						
Capital stock						
3110	Common share capital	6(10)	1,023,015	31	1,023,015	36
Capital surplus						
3200	Capital surplus	6(11)	2,169	-	2,169	-
Retained earnings						
3310	Legal reserve	6(10)(12)	61,295	2	61,295	2
3320	Special reserve		71,161	2	71,161	3
3350	Retained earnings		215,768	7	806	-
Other equity						
3400	Other equity	6(13)	(24,340)	(1)	(70,511)	(2)
3XXX	Total equity		<u>1,349,068</u>	<u>41</u>	<u>1,087,935</u>	<u>39</u>
Major events after the reporting period						
3X2X	Total liabilities and equity		<u>\$ 3,259,798</u>	<u>100</u>	<u>\$ 2,826,123</u>	<u>100</u>

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

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

Accounting Director: Wu Jen-cheng

Holiday Garden International Ltd.
Parent Company Only Statement 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(14) and 12(4)	\$ 102,640	100	\$ 121,206	100
5000 Operating cost	6(3)(18)(19)	(53,566)	(52)	(54,854)	(45)
5900 Operating gross profit		<u>49,074</u>	<u>48</u>	<u>66,352</u>	<u>55</u>
Operating expenses					
6200 Management expense	6(9)(18)(19)	(93,135)	(91)	(99,226)	(82)
6900 Operating loss		(44,061)	(43)	(32,874)	(27)
Non-operating income and expenses					
7010 Other income	6(15)	13,069	13	6,537	5
7020 Other gains and losses	6(16)	14,803	14	(5,441)	(4)
7050 Financial cost	6(17)	(17,176)	(17)	(17,731)	(15)
7070 Share of profit or loss of subsidiaries, associates, joint ventures accounted for using the equity method	6(4)	<u>320,153</u>	<u>312</u>	<u>47,138</u>	<u>39</u>
7000 Total non-operating income and expenses		<u>330,849</u>	<u>322</u>	<u>30,503</u>	<u>25</u>
7900 Net profit (loss) before tax		<u>286,788</u>	<u>279</u>	<u>(2,371)</u>	<u>(2)</u>
7950 Income tax (expense) benefits	6(20)	(74,126)	(72)	63	-
8200 Net profit (loss)		<u>\$ 212,662</u>	<u>207</u>	<u>(\$ 2,308)</u>	<u>(2)</u>
Other comprehensive income					
Items may be subsequently reclassified to profit/loss					
8361 Exchange differences on translation of foreign financial statements	6(13)	\$ 55,805	54	(\$ 158,662)	(131)
8380 Share of other comprehensive income of subsidiaries, associates, joint ventures accounted for using equity method - may be subsequently reclassified to profit/loss	6(13)	-	-	4,851	4
8399 Income tax of items that may be reclassified	6(20)	(7,334)	(7)	26,973	22
8300 Other comprehensive income (net)		<u>\$ 48,471</u>	<u>47</u>	<u>(\$ 126,838)</u>	<u>(105)</u>
8500 Total comprehensive income		<u>\$ 261,133</u>	<u>254</u>	<u>(\$ 129,146)</u>	<u>(2018)</u>
Earnings (loss) per share					
9750 Basic	6(21)	<u>\$</u>	<u>2.08</u>	<u>(\$</u>	<u>0.02)</u>

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

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

Accounting Director : Wu
Jen-cheng

Holiday Garden International Ltd.
Parent Company Only Statements of Changes in Equity
January 1 to December 31 of 2018 and 2017

Unit: NT\$1,000

	Share capital - common - stock	Additional paid in capital - in excess of par	Legal reserve	Special reserve	Retained earnings	Other equity Exchange differences of foreign- translation available-for- sale	Unrealized gain or loss on financial assets	Total																
Notes	s	t	o	c	k	p	a	r	L	e	g	a	l	L	e	g	a	l	L	e	g	a	l	
<u>2017</u>																								
Balance, 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)	-	-	(2,308)										
Other comprehensive income	6(13)	-	-	-	-	-	(131,689)	4,851	(126,838)													
Total 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(10)(12)	39,347	-	-	(	39,347)	-	-	-	-													
Cash dividends	6(12)	-	-	-	(	14,755)	-	-	(	14,755)												
Balance, 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								
Effects of retrospective application and retrospective restatement	6(13)	-	-	-	-	2,300	-	(	2,300)	-													
Balance after restatement, January 1, 2018	1,023,015	2,169	61,295	71,161	3,106	(72,811)	-	1,087,935															

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Chairperson of the Board: Chen Hai-ni

Manager: Chen Hai-ni

Accounting Director: Wu Jen-cheng

Holiday Garden International Ltd.
Parent Company Only Statements of Changes in Equity
January 1 to December 31 of 2018 and 2017

Unit: NT\$1,000

	Notes	Share capital - common stock	Additional paid in capital - in excess of par	Retained earnings			Other equity		Total
				Legal reserve	Special reserve	Retained earnings	Exchange differences of foreign financial statements	Unrealized gain or loss available-for-sale financial assets	
Net income		-	-	-	-	212,662	-	-	212,662
Other comprehensive income	6(13)	-	-	-	-	-	48,471	-	48,471
Total comprehensive income		-	-	-	-	212,662	48,471	-	261,133
Balance, December 31, 2018		\$ 1,023,015	\$ 2,169	\$ 61,295	\$ 71,161	\$ 215,768	(\$ 24,340)	\$	\$ 1,349,068

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

Chairperson of the Board: Chen Hai-ni

Manager: Chen Hai-ni

Accounting Director: Wu Jen-cheng

Holiday Garden Hotel Co., Ltd.
Parent Company Only Cash Flow Statement
January 1 to December 31 of 2018 and 2017

Unit: NT\$, 000

	Notes	2018		2017
<u>Cash flows from operating activities</u>				
Net profit (losses) before tax		\$ 286,788	(\$	2,371)
Adjustments:				
Revenue/expenses				
Provision for bad debt expense	12(3)	-		170
Depreciation expenses	6(5)(18)	29,591		30,487
Interest expense	6(17)	17,176		17,731
Interest income	6(15)	(10,713 )	(	3,219)
Share of profit of subsidiaries, associates, joint ventures accounted for using equity method	6(4)			
Loss on disposal and write-off of property, plants, and equipment	6(16)	(320,153 )	(	47,138)
-		-		138
Changes in assets/liabilities related to operating activities				
Net changes in assets related to operating activities				
Notes receivable		883		357
Accounts receivable		(1,745 )	(	629)
Inventories		507		65
Advance payments		476		1,263
Other current assets - others		(45 )	(	40)
Net changes in liabilities related to operating activities				
Contractual liabilities - current		(2,878)		-
Notes payable		(547 )	(	226)
Accounts payable		158	(	653)
Other accounts payable		(4,782)		2,697
Unearned receipts		-		1,759
Other current liabilities: others		-	(	205)
Operating cash inflows (outflows)		(5,284)		186
Interests received		10,551		26
Interests paid		(17,070 )	(	17,679)
Income taxes paid		(1,051 )	(	180)
Net cash outflows from operating activities		(12,854 )	(	17,647)
<u>Cash flows from investment activities</u>				
Other financial assets - increased flows		(147,784 )	(	441,442)
Acquisition of investments accounted for using the equity method	6(4)	(40,000 )	(	25,000)
Cash returned from capital reduction of investments accounted for using the equity method	6(4)	122,420		445,331
Acquisition of property, plants, and equipment	6(23)	(11,098 )	(	1,882)
Disposal of property, plants, and equipment		-		53
Increase (decrease) in guarantee deposits paid		800	(	36)
Net cash outflows from investment activities		(75,662 )	(	22,976)
<u>Cash flows from fundraising activities</u>				
Increase in short-term borrowings		1,517,500		1,209,977
Decrease in short-term borrowings		(1,372,977 )	(	1,129,977)

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

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

Accounting Director : Wu
Jen-cheng

Holiday Garden Hotel Co., Ltd.
Parent Company Only Cash Flow Statement
January 1 to December 31 of 2018 and 2017

Unit: NT\$1,000

	<u>Notes</u>	<u>2018</u>	<u>2017</u>
Increase in short-term notes and bills payable		-	25,000
Payments of long-term borrowings		(48,996)	(40,997)
Increase in guarantee deposits received		-	33
Distribution of cash dividends	6(12)	-	(14,755)
Net cash inflows from fundraising activities		<u>95,527</u>	<u>49,281</u>
Increase in cash and cash equivalents		7,011	8,658
Cash and cash equivalents, beginning of the period	6(1)	<u>23,958</u>	<u>15,300</u>
Cash and cash equivalents, end of the period	6(1)	<u>\$ 30,969</u>	<u>\$ 23,958</u>

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

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

Accounting Director : Wu
Jen-cheng

Holiday Garden International Ltd.
Notes for Parent Company Only Financial Statements
2018 and 2017

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

1. Company milestones

Holiday Garden International Ltd. (the “Company”) was established in July 1959, and the primary scope of business 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. Date and procedure of approval of the financial report

This parent company only financial report has been approved and issued by the Board of Directors on May 20, 2019.

3. Applicability of newly issued and revised standards and interpretations

(1) Impacts from 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 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 IFRS 15 “Revenue from Contracts with Customers”	January 1, 2018
Amendments to IAS 7 “Disclosure Initiative”	January 1, 2017
Amendments to IAS 12 “Recognition of Deferred Tax Assets for 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
Annual Improvements to IFRS 2014-2016 Cycle: IFRS12 “Disclosure of Interests in Other Entities”	January 1, 2017

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

The Company has determined that the above standards and interpretations have no material effect on the Company’s financial conditions and performance.

(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 Company has determined that the standards and interpretations above has no material effect on the Company’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 for requiring more disclosure, 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
<u>Newly issued/revised/amended standards and interpretations</u>	<u>International Accounting Standards Board Effective date of issuance</u>
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 Company has determined that the above standards and interpretations has no material effect on the Company’s financial conditions and performance.

4. Summary of significant accounting policies

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

(1) Statement of compliance

This parent company only financial report is prepared in accordance with Regulations Governing Preparation of Financial Reports by Securities Issuers.

(2) Basis of preparation

1. This parent company only financial report is prepared based on the historical cost.
2. Some material accounting estimation are used in preparing financial statements based on IFRS and IAS approved by the Financial Supervisory Commission and the related interpretations, and interpretative bulletins (IFRSs). When applying the Company'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 in the parent company only financial report. Please refer to Not 5 attached.
3. The Company 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 Notes 12(3) and (4).

(3) Foreign currency translation

Accounts listed in the Company's parent company only financial report are based on the money (i.e., functional currency) of the primary economic environment. This parent company only 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 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 sheet date;
 - B. The income and expenses 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 profit/loss.
- (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 operating entity. However, when the Company loses the control of a foreign operating subsidiary, even if the Company still keeps partial equity of this former subsidiary, it is treated as disposing all equity of this foreign operating subsidiary.

(4) 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 Company classifies all assets not meeting the above 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 twelve 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 Company classifies all liabilities that do not meet the above criteria as non-current.

(5) 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 are classified as cash equivalents because they meet the above definition and their holding satisfies short-term cash commitments for operation.

(6) 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.

(7) Impairment loss on financial assets

The Company assesses the financial assets measured at amortized cost based

on all reasonable and evidence-supported information (including those on a prospective basis) at 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 does not contain a significant financing component, the Company measures the loss allowance at an amount equal to lifetime expected credit losses for trade receivable.

(8) Derecognition of financial assets

The Company derecognizes 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 have 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 kept.

(9) 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.

(10) Inventories

Inventories are measured 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.

(11) Investments/subsidiaries accounted for using the equity method

1. Subsidiaries refer to entities controlled by the Company (including structure entities). When the Company 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 Company controls said entity.
2. The unrealized profit or loss generated from transactions between the Company and the subsidiary has been eliminated. Necessary adjustment of accounting policies of the subsidiary has been made so it is consistent with policies of the Company.
3. The Company recognizes the share of profit or loss after acquiring the subsidiary in profit or loss, and as for the share of other comprehensive income after the acquisition, it is recognized in other comprehensive income. If the Company's recognized share of impairments of a subsidiary is equal to or more than its equity of the subsidiary, the Company shall continue to recognize the loss in proportion to the Company's percentage of ownership in the subsidiary.
4. In accordance with the Regulations Governing Preparation of Financial Reports by Securities Issuers, the profit or loss and other comprehensive income of the parent company only financial report should be the same as the share of the profit or loss and other comprehensive income belonging to the owner of the parent company in the consolidated financial report. The owner's equity in the parent company only financial report, should be the same as the equity belonging to the owner of the parent company in the consolidated financial report.

(12) 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 Company, and 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 is not depreciated, 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 Company 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 is adopted for treatment. The useful lives of assets are listed below:

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

(13) 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.

(14) Non-financial asset impairments

The Company 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 is recognized in impairment losses. The recoverable amount refers to fair value less costs to sell or value in use, whichever is lower. 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.

(15) Loans

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.

(16) 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. Short-term notes and accounts payable without bearing interest are measured at initial invoice amount because of an insignificant effect of discounting.

(17) Derecognition of financial liabilities

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

(18) 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.

(19) 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. Employee compensation and director and supervisor remuneration

Employee compensation and director and supervisor remuneration are legal or constructive obligations and are recognized as 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.

(20) Income tax

1. Income tax expense 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 Company 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 estimate income tax liabilities based on the expected tax payments to the tax authorities. 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 tax, the balance sheet liability method is adopted, and it is recognized using the temporary differences between the tax bases of assets and liabilities and their carrying amounts in the balance sheet. Deferred 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) was affected at the time of the transaction. 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 income tax assets and liabilities of the reporting period 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. 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 are levied by the same taxation authority on either the same taxable entity or different taxable entities, but each entity intends to either settle on a net basis or to realize the assets and settle the liabilities simultaneously.

(21) 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.

(22) Revenue recognition

1. The Company provides accommodations and foodservice related products, and the sales revenue is recognized at the time 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 are recognized at the time services are rendered or products are delivered to customers. Because at that time point the Company has the unconditional right to the contractual price, the consideration can be collected from customers after the time point.

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

When preparing this parent company only financial report, the Company's management has applied its judgment on determining the accounting policies used and made accounting estimates and assumptions based on reasonable expectation of future events according to the conditions at the balance sheet date. Material accounting estimates 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) Critical judgments adopted by accounting policies

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

(2) Critical accounting estimates and assumptions

Evaluation of investment impairment accounted for using the equity method

When there are signs of impairments indicating that a given investment accounted for using the equity method may have been impaired to cause the carrying amount unrecoverable, the Company immediately evaluates the impairment of said investment. The Company evaluates the recoverable amount based on the discounted value of the future cash flows the Company is entitled to from the investee and analyzes the reasonableness of related assumptions.

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	\$ 760	\$ 790
Checking deposits and demand deposits	<u>20,209</u>	<u>13,168</u>
	20,969	13,958
Cash equivalents:		
Time deposits:	<u>10,000</u>	<u>10,000</u>
	<u>\$ 30,969</u>	<u>\$ 23,958</u>

1. The Company places cash and deposits

with multiple reputable banks and financial institutions to disperse credit risk, and therefore, the probability of occurrence of default is very low.

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

(2)Net amount of accounts and notes receivable

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Notes receivable	\$ 400	\$ 1,283
Less: Allowance for doubtful accounts	-	-
	<u>\$ 400</u>	<u>\$ 1,283</u>
Accounts receivable	\$ 5,757	\$ 4,012
Less: Allowance for doubtful accounts	-	-
	<u>\$ 5,757</u>	<u>\$ 4,012</u>

1. Aging analysis of accounts and notes receivable

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Not past due and past due for 1 to 30 days	\$ 5,591	\$ 5,295
Past due for 31 to 90 days	497	-
Past due for more than 94 days	69	-
	<u>\$ 6,157</u>	<u>\$ 5,295</u>

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

2. The Company does not hold any collateral as security.
3. Without considering the collaterals held or other credit enhancement, the Company's maximum amount of credit risk exposure of the most representing notes receivable for December 31, 2018 and 2017 was NT\$400 and NT\$1,283 respectively. The Company's maximum amount of credit risk exposure of the most representing accounts receivable for December 31, 2018 and 2017 was NT\$5,757 and NT\$4,012 respectively.
4. For information related to credit risk of accounts and notes receivable, please refer to 12(2).

(3) 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>\$ 332</u>	<u>\$ -</u>	<u>\$ 332</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 Company recognized as expenses for 2018 and 2017 was \$20,079 and \$20,117 respectively.

(4) Investments accounted for using the equity method

1. Details of investment accounted for using the equity method are as follows:

	<u>2018</u>	<u>2017</u>
January 1	\$ 1,575,089	\$ 2,102,093
Increase investments accounted for using the equity method	40,000	25,000
Share of investment income accounted for using the equity method	320,153	47,138
Capital stock return of investments accounted for using the equity method	(122,420)	(445,331)
Changes in other equity	<u>55,805</u>	<u>(153,811)</u>
December 31	<u>\$ 1,868,627</u>	<u>\$ 1,575,089</u>

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Holiday Garden International Ltd.	\$ 1,814,419	\$ 1,550,532
Holiday Garden Development Co., Ltd.	<u>54,208</u>	<u>24,557</u>
	<u>\$ 1,868,627</u>	<u>\$ 1,575,089</u>

2. Information of the Company's subsidiaries are presented in Note 4(3) of the Company's 2018 consolidated financial statements.

(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	\$ 481,493	\$ 481,493
Buildings and structures	203,260	226,432
Utility equipment	9,226	11,773
Business facilities/equipment	17,678	10,947
Other facilities	1,311	1,731
	<u>\$ 712,968</u>	<u>\$ 732,376</u>

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

Cost	2018				
	Opening balance	Addition	Reduction	Transfer	Closing balance
Land	\$ 481,493	\$ -	\$ -	\$ -	\$ 481,493
Buildings and structures	617,273	601	-	-	617,874
Utility equipment	31,320	-	-	-	31,320
Business facilities/equipment	37,757	9,425	-	-	47,182
Other facilities	3,808	157	-	-	3,965
	<u>\$ 1,171,651</u>	<u>\$ 10,183</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,181,834</u>

Cost	2017				
	Opening balance	Addition	Reduction	Transfer	Closing balance
Land	\$ 481,493	\$ -	\$ -	\$ -	\$ 481,493
Buildings and structures	617,273	-	-	-	617,273
Utility equipment	31,091	229	-	-	31,320
Business facilities/equipment	42,027	2,397	(6,667)	-	37,757
Other facilities	3,637	171	-	-	3,808
	<u>\$ 1,175,521</u>	<u>\$ 2,797</u>	<u>(\$ 6,667)</u>	<u>\$ -</u>	<u>\$ 1,171,651</u>

<u>Accumulated depreciation and impairment</u>	2018				
	<u>Opening balance</u>	<u>Addition</u>	<u>Reduction</u>	<u>Transfer</u>	<u>Closing balance</u>
Buildings and structures	\$ 390,841	\$ 23,773	\$ -	\$ -	\$ 414,614
Utility equipment	19,547	2,547	-	-	22,094
Business facilities/equipment	26,810	2,694	-	-	29,504
Other facilities	2,077	577	-	-	2,654
	<u>\$ 439,275</u>	<u>\$ 29,591</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 468,866</u>

<u>Accumulated depreciation and impairment</u>	2017				
	<u>Opening balance</u>	<u>Addition</u>	<u>Reduction</u>	<u>Transfer</u>	<u>Closing balance</u>
Buildings and structures	\$ 366,766	\$ 24,075	\$ -	\$ -	\$ 390,841
Utility equipment	16,666	2,881	-	-	19,547
Business facilities/equipment	30,302	2,984	(6,476)	-	26,810
Other facilities	1,530	547	-	-	2,077
	<u>\$ 415,264</u>	<u>\$ 30,487</u>	<u>(\$ 6,476)</u>	<u>\$ -</u>	<u>\$ 439,275</u>

3. In accordance with Kaohsiung Urban Development Kuei Tzu No. 10234984600 correspondence on October 28, 2013, the Company 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 Company made the first installment payment of NT\$85,051, and the remaining amount was paid by the second and third installment payments of \$63,788 and \$63,789 respectively. These payments had to be made before applying for the

construction permit or the issuing of the change of use permit, and they 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) 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	1,059,000	929,977
	<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 Company's bank loans are recognized in the interest expense of profit or loss. Please see Note 6(17).

2. For collaterals of the above-mentioned short-term borrowings, please refer to Note 8.

(7) 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.

(8) Long-term borrowings

<u>Types of borrowings</u>	<u>Period of borrowing and repayment method</u>	<u>Range of interest rates</u>	<u>Collateral</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 is paid on a monthly basis. Starting from December 2015, the loan is 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 is paid on a monthly base. Starting from June 4, 2015, the loan is repaid quarterly for 25 installments.	1.90%	Note:	64,825
Secured loans	The term of borrowing is from June 1, 2015 to June 1, 2022. The interest is paid on a monthly base. Starting from June 1, 2016, the loan is repaid quarterly for 25	1.69%	Note:	39,200

installments.

Unsecured loans	The term of borrowing is from July 5 2016 to July 5, 2019. The interest is paid on a monthly basis.	1.38%	None	<u>3,889</u>
				139,292
Less: Current portion of long-term loans payable				<u>(49,019)</u>
				<u>\$ 90,273</u>

<u>Types of borrowings</u>	<u>Term 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 is paid on a monthly basis. Starting from December 2015, the loan is repaid quarterly for 28 installments.	1.75%	None	\$ 39,778
Secured loans	The borrowing period is from June 4, 2014 to June 4, 2021. The interest is paid on a monthly base. Starting from June 4, 2015, the loan is repaid quarterly for 25 installments.	1.90%	Note:	90,754
Secured loans	The borrowing period is from June 1, 2015 to June 1, 2022. The interest is paid on a monthly base. Starting from June 1, 2016, the loans are repaid quarterly for 25 installments.	1.69%	Note:	47,200
Unsecured loans	The term of borrowing is from July 5 2016 to July 5, 2019. The interest is paid on a monthly basis.	1.38%	None	<u>10,556</u>
				188,288
Less: Current portion of long-term loans payable				<u>(48,997)</u>
				<u>\$ 139,291</u>

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

The Company's bank loans are recognized in the interest expense of income. Please see Note 6(17).

(9) Pensions

1. In accordance with the Labor Pension Act, the Company set up the defined contribution plan for retirement for employees who are the citizens of ROC starting from July 1, 2005. According to employee's option for the labor pension system stipulated by the Labor Pension Act, the Company each month contributes 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 cumulative gains by monthly pension payments or a lump sum pension payment.
2. In accordance with the above-mentioned pension plan, the Company recognized a pension cost of NT\$2,308 and NT\$2,325 in 2018 and 2017 respectively.

(10) 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.

Reconciliation of the Company's common stock outstanding at the beginning and the end of the reporting period is as follows:

	Unit: 1,000 shares	
	2018	2017
January 1	102,302	98,367
Capital increase by retained earnings	-	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.

(11) 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.

(12) 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 were \$102,301.

(13) Other equity items

	2018		
	<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 effects	(2,300)	-	(2,300)
Foreign currency translation differences:			
- Group	-	48,471	48,471
December 31	<u>\$ 2,300</u>	<u>(\$ 24,340)</u>	<u>(\$ 24,340)</u>

	2017		
	<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>

(14) Operating revenue

	2018
Revenue from contracts with customers	<u>\$ 102,640</u>

1. Details of customer contract revenue

The Company's revenue is mainly from the following lines of products:

<u>2018</u>	<u>Guest room revenue</u>	<u>Foodservice revenue</u>	<u>Others</u>	<u>Total</u>
Revenue from contracts with external revenue	<u>\$ 53,473</u>	<u>\$ 45,265</u>	<u>\$ 3,902</u>	<u>\$ 102,640</u>

2. Contractual liabilities

The Company has recognized the following contractual liabilities related

to revenue from contracts with customers:

	<u>December 31, 2018</u>
Contractual liabilities:	
Contractual liabilities - Room service contracts	\$ 3,626
Contractual liabilities - Foodservice contracts	<u>3,341</u>
	<u>\$ 6,967</u>

Contractual liabilities at beginning of the reporting period recognized as revenue:

	<u>2018</u>
Opening balance of contractual liabilities recognized as revenue:	
Room service contracts	\$ 5,493
Foodservice contracts	<u>4,352</u>
	<u>\$ 9,845</u>

3. Please refer to Note 12(4)2 for 2017 operating revenue related disclosures.

(15) Other income

	<u>2018</u>	<u>2017</u>
Interest income		
Bank deposit interest	\$ 10,713	\$ 3,219
Rental income	2,072	2,072
Other income - others	<u>284</u>	<u>1,246</u>
	<u>\$ 13,069</u>	<u>\$ 6,537</u>

(16) Other gains and losses

	<u>2018</u>	<u>2017</u>
Disposal of property, plants, and equipment loss	\$	(\$ 138)
Net gain (loss) on foreign currency exchange	14,783	(4,947)
Other gains (losses), net	<u>20</u>	<u>(356)</u>
	<u>\$ 14,803</u>	<u>(\$ 5,441)</u>

(17) Financial cost

	<u>2018</u>	<u>2017</u>
Interest expense:		
Long-term borrowings from banks	<u>\$ 17,176</u>	<u>\$ 17,731</u>

(18) Addition information on expenses

	<u>2018</u>	<u>2017</u>
Employee benefit expense	\$ 52,893	\$ 54,807
Property, plants, and equipment depreciation	29,591	30,487

(19) Employee benefit expense

	<u>2018</u>	<u>2017</u>
Wages and Salaries	\$ 45,065	\$ 45,788
Health and labor insurance expense	4,534	4,600
Pension expense	2,308	2,325
Other Employee benefit expense	986	2,094
	<u>\$ 52,893</u>	<u>\$ 54,807</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.

(20) Income tax

1. Income tax expense (benefit)

(1) Components of income tax expense (benefit):

	<u>2018</u>	<u>2017</u>
Current income tax:		
Income tax generated from current income:	\$ -	\$ -
Tax on unappropriated earnings	-	118
Overestimation of prior year income tax	(118)	-
Total current tax	<u>(118)</u>	<u>118</u>

Deferred income tax:		
Origination and reversal of temporary differences	59,577	(181)
Effect on tax rate changes	<u>14,667</u>	<u>-</u>
Total of deferred tax income	<u>74,244</u>	<u>(181)</u>
Income tax expense (benefit)	<u>\$ 74,126</u>	<u>(\$ 63)</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 on tax rate changes	<u>(3,827)</u>	<u>-</u>
	<u>\$ 7,334</u>	<u>(\$ 26,973)</u>

2. Reconciliation between income tax expense (benefit) and accounting profit:

	<u>2018</u>	<u>2017</u>
Income tax calculated based on the net profit before tax at the statutory rate (See note)	\$ 57,358	(\$ 403)
Affected income tax amount according to adjustment items stipulated by income tax laws and regulations	2,219	222
Effect of tax rate changes	14,667	-
Overestimation of prior year income tax	(118)	-
Tax on unappropriated earnings	<u>-</u>	<u>118</u>
Income tax expense (benefit)	<u>\$ 74,126</u>	<u>(\$ 63)</u>

Note: The basis of applicable tax rates is calculated using the tax rate appropriate for the Company.

Temporary differences:

Exchange differences on translation of foreign financial statements	(\$ 5,287)	\$ -	\$ 5,287	\$ -
Investment income recognized under the foreign equity method	(92,669)	(8,089)	-	(100,758)
Unrealized reserve for land revaluation increment tax	(93,467)	-	-	(93,467)
	<u>(\$ 191,423)</u>	<u>(\$ 8,089)</u>	<u>\$ 5,287</u>	<u>(\$ 194,225)</u>
	<u>(\$ 182,047)</u>	<u>\$ 181</u>	<u>\$ 26,973</u>	<u>(\$ 154,893)</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</u>	
				<u>Income tax assets Portion</u>	<u>Year for last deduction</u>
2013	Re-approved amount	\$ 14,300	\$ 14,300	\$ -	2023
2014	Reassessed and reapproved amount	3,003	3,003	-	2024
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</u>	
				<u>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 tax authorities have examined and approved the Company's business income tax returns up to and including 2016.
6. 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 Company has evaluated the related income tax effect in accordance with this tax rate change.

(21) Earnings (loss) per share

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

	2017	
Amount after tax	Weighted average of outstanding shares (1,000 shares)	Loss per share (NT\$)
<u>Basic loss per share</u>		
Current net loss attributable to the Company's common stock shareholders	<u>102,302</u>	<u>(\$ 0.02)</u>
	<u>(\$ 2,308)</u>	

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

(22) Operating lease

The Company rent buildings, vehicles, operating equipment, office equipment, and other assets by operating lease for a lease term from 2016 to 2023. The Company recognized NT\$1,809 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	\$ 1,370	\$ 1,228
More than 1 year but less than 5 years	<u>2,145</u>	<u>622</u>
	<u>\$ 3,515</u>	<u>\$ 1,850</u>

(23) Additional cash flows information

Investment activities paid partially by cash:

	<u>2018</u>	<u>2017</u>
Purchase of property, plants, and equipment	\$ 10,183	\$ 2,797
Add: Other accounts payable at beginning of the period: Fees for converting land purposes (Stated in “Long-term notes and accounts payable”)	127,577	127,577
Beginning balance payable - machinery and equipment (Stated in “Other accounts payable”)	915	-
Less: Other accounts payable at the end of the period: Fees for converting land purposes (Stated in “Long-term notes and accounts payable”)	(127,577)	(127,577)
Ending balance payable - machinery and equipment (Stated in “Other accounts payable”)	<u>-</u>	<u>(915)</u>
Cash paid	<u>\$ 11,098</u>	<u>\$ 1,882</u>

7. Transactions with related parties

(1) Name of the related parties and their relations with the Company

<u>Name of the related parties</u>	<u>and their relations with the Company</u>
Holiday Garden International Ltd. (“Int. Ltd.”)	Subsidiaries directly held by the Company
Holiday Garden Development Co., Ltd.	Subsidiaries directly held by the Company
Holiday Garden U.S. (“US”)	Subsidiaries directly held by Int. Ltd.
Holiday Garden SF CORP. (“SF CORP.”)	Subsidiaries directly held by U.S.
Holiday Garden SN CORP. (“SN CORP.”)	Subsidiaries directly held by U.S.

Holiday Garden NW CORP. ("NW CORP.)	Subsidiaries directly held by U.S.
Holiday Garden VC CORP. ("VC CORP.)	Subsidiaries directly held by U.S.
Holiday Garden WC CORP. ("WC CORP.)	Subsidiaries directly held by U.S.

(2) Material Transactions with related parties

Primary management remuneration and compensation information

	<u>2018</u>	<u>2017</u>
Short-term employee benefits	<u>\$ 2,980</u>	<u>\$ 2,890</u>

8. Collateralized assets

The Company'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	\$ 481,493	\$ 481,493	Short-term and long-term borrowings
Buildings and structures	203,260	226,432	Short-term and long-term borrowings
Time deposits: (Stated in "Other financial asset - current")	587,084	440,448	Short-term borrowings
Time deposits: (Stated in "Other financial asset - current")	2,142	994	Voucher performance guarantee
	<u>\$ 1,273,979</u>	<u>\$ 1,149,367</u>	

9. Significant contingent liabilities and unrecognized contractual commitments

(一) Contingency

None

(二) Undertakings

No undertakings

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 Company set up a new subsidiary, Holiday Garden EV CORP, and an estimated amount of US\$ 2,500,000 was expected to 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. Others

(1) Capital management

The Company'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 Company 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 Company manages the assets by the debt to assets ratio.

The Company'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	<u>\$ 1,910,730</u>	<u>\$ 1,738,188</u>
Total assets	<u>\$ 3,259,798</u>	<u>\$ 2,826,123</u>
Debt to assets ratio	<u>59</u>	<u>61</u>

(2) Financial instruments

1. Types of financial instruments

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
<u>Financial assets</u>		
Financial assets measured at amortized cost		
Cash and cash equivalents	\$ 30,969	\$ 23,958
Notes receivable	400	1,283
Accounts receivable	5,757	4,012
Other accounts receivable	3,355	3,193
Other financial assets	589,226	441,442
Guarantee deposits paid	1,087	1,887
	<u>\$ 630,794</u>	<u>\$ 475,775</u>
<u>Financial liabilities</u>		
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	1,366	1,913
Accounts payable	5,441	5,283
Other accounts payable	12,917	18,508
Long-term borrowings (including the current portion of long-term debt payable)	139,292	188,288
Long-term notes and accounts payable	127,577	127,577
Guarantee deposits received	755	755
	<u>\$ 1,621,848</u>	<u>\$ 1,532,301</u>

2. Financial instruments not measured at fair value

The Company'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. Risk management policies

- (1) The Company'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 Company's finance department in accordance with the approved policies. The Company's finance department closely collaborates with all operating departments for identifying, evaluating, and avoiding financial risk.

4. Nature and level of significant financial risk

(1) Market risk

Foreign exchange rate risk

A. The Company's investment in subsidiaries exposes the Company to foreign exchange rate risk generated from transactions using currencies different from the Company's functional currency (primarily the US dollars). Foreign exchange rate related risk comes from future commercial transactions and recognized assets and liabilities.

B. The Company's management has set policies requiring the Company to manage the foreign exchange rate risk related to its functional currency. The Company should manage the risk according to the overall foreign exchange rate risk through the finance department.

C. The Company's businesses involve several non-functional currencies (The Company's functional currency is New Taiwanese 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					
		Carrying amount		Sensitivity analysis			
		<u>Foreign currencies</u> (NT\$1,000)	<u>Exchange rate</u>	<u>(NT\$)</u>	<u>Degree of variation</u>	<u>Effect on profit or 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	\$ -
<u>Long-term investments accounted for using the equity method</u>							
US\$: NT\$		59,063	30.72	1,814,419	1%	-	18,144
		December 31, 2017					
		Carrying amount		Sensitivity analysis			
		<u>Foreign currencies</u> (NT\$1,000)	<u>Exchange rate</u>	<u>(NT\$)</u>	<u>Degree of variation</u>	<u>Effect on profit or 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	\$ -
<u>Long-term investments accounted for using the equity method</u>							
US\$: NT\$		52,101	29.76	1,550,532	1%	-	\$ 15,505

D. The overall gain (loss) from the exchange (including realized and unrealized) of the Company's currency items due to material exchange rate fluctuation was NT\$14,783 and (NT\$4947) in 2018 and 2017 respectively.

Price risk

The Company is not exposed to significant commodity price risk.

Cash flows and fair value interest rate risk

- A. The Company's interest risk comes from short-term and long-term borrowings at a floating interest risk, and they expose the Company to cash flows interest rate risk.
- B. The Company's loans are measured at amortized cost and the interest rates are re-set each year according to the contract. Therefore, the Company is exposed to the risk of future market interest rate changes.
- C. When interest rate of loans increases or decreases by 1% but all remaining factors stay the same, the net profit before tax will increase by NT\$13,438 and decrease by NT\$8,183 in 2018 and 2017 respectively, and it is mainly caused by changes in the interest rate of floating rate loans.

(2) Credit risk

- A. The Company is exposed to credit risk of customers' failure of fulfilling their contractual obligations, which can expose the Company to financial losses. The primary source of credit risk is the counterparty's failure of paying accounts receivable according to the terms of payment.
- B. The Company has to manage and perform credit risk analysis in accordance with the internal credit policy before entering into the terms and conditions of payment and service rendering with each new customer. Internal risk control evaluates a customer's credit quality based on the customer's financial condition, past experience, and other factors.
- C. The Company adopts the premise provided by IFRS9: When a 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 Company adopts the premise provided by IFRS9: When a payment is more than 90 days past due according to the contractual terms and conditions, default is deemed to have happened.

- E. The Company classifies customers' notes and accounts receivable according to credit conditions and adopts a simplified method that uses the loss rate as the basis for estimating the expected credit loss.
- F. According to future forward-looking considerations, the Company adjusts the loss rate established based on the history of a specific period and current information to estimate the loss allowance of notes and accounts receivable. The provision matrix at December 31, 2018 is as follow:

	<u>Not past due and 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	\$ 5,591	\$ 497	\$ 69	\$ 6,157
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 Company. The Company's finance department monitors the Company's circulating capital requirements to ensure that the Company has sufficient capital for its operating needs, and a sufficient unspent loan commitment is maintained 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 Company. The Company's finance department will invest the residual funds in demand deposits, checking deposits, and time deposits, and the selected instruments have a proper due date or an adequate liquidity in order to meet the above-mentioned forecasts and ensure that the Company has sufficient liquidity to fund the requirements. At December 31, 2018 and 2017, the Company's money market position was NT\$30,209 and NT\$23,168 respectively, and they can generate immediate cash flows for liquidity risk management.
- C. The following table shows the Company'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

discloses 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 years</u>
Short-term borrowings	\$ 1,211,636	\$ -	\$ -
Short-term notes and bills payable	130,000	-	-
Notes payable	1,366	-	-
Accounts payable	5,441	-	-
Other accounts payable	12,917	-	-
Long-term borrowings (including the current portion of long-term debt payable)	51,569	46,833	44,937
Long-term notes and accounts payable	-	127,577	-
Guarantee deposits received	20	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 years</u>
Short-term borrowings	\$ 1,066,613	\$ -	\$ -
Short-term notes and bills payable	130,000	-	-
Notes payable	1,913	-	-
Accounts payable	5,283	-	-
Other accounts payable	18,508	-	-
Long-term borrowings (including the current portion of long-term debt payable)	52,047	51,569	91,771
Long-term notes and accounts payable	-	127,577	-
Guarantee deposits received	25	20	710

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

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

(1) 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 Company'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.

(2) Financial asset impairment

A. The Company 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 Company 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 Company giving concessions, which the Company 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;

C. The Company when evaluates and detects objective evidence that a financial asset measured at amortized cost is impaired and an impairment loss has already occurred shall treat it as follows:

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 the recognized and reversed impairment loss, an allowance account is used for adjusting the carrying amount of the asset.

2. Credit risk information in 2017 are described below:

Credit risk refers to the counterparty's breach of contract exposing the Company to financial loss. The Company'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 Company has established procedure for business-related credit risk management.

Individual client's risk evaluation covers the client's financial condition, past transaction records, the current economic condition, and factors that may affect the client's ability to make payment. The Company may also use 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 Company's finance department. Because the Company'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 Company' 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 Company 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		Total
	<u>Individual evaluation of impairment loss</u>	<u>Group evaluation of impairment loss</u>	
Balance, January 1	\$ -	\$ -	\$ -
Loss recognized	170	-	170
Noncollectable receivable written off	(170)	-	(170)
Balance, December 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The major clients of the Company are independent tourists and companies. The receivable condition for companies is 90 days after monthly statements. In terms of the judgment of the recoverability of accounts receivable, the Company 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.

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

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

Sales revenue

The Company 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 Company 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 as revenue according to the level of service provided.

2. The Company's 2017 revenue recognized according to the aforementioned accounting policies are described below:

	<u>2017</u>
Guest room revenue	\$ 62,750
Foodservice revenue	55,417
Others	<u>3,039</u>
	<u>\$ 121,206</u>

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

		<u>December 31, 2018</u>		
<u>changed accounting policies</u>	<u>Description</u>	<u>IFRS 15 adopted Recognized balance</u>	<u>Original accounting policies adopted Recognized balance</u>	<u>Balance sheet items with Affected amount</u>
	Contractual liabilities	\$ 6,967	\$ -	\$ 6,967
	Unearned receipts	-	6,967	(6,967)

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

1. Financing provided: See Table 1 attached.
2. Endorsement provided: None.
3. Marketable securities held at closing period (excluding investments in subsidiaries, associates, and joint ventures): None

4. Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: None.
5. 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.

(2) Re-investment related information

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

(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

Not applicable

Holiday Garden International Ltd.
Statement of cash and cash equivalents
December 31, 2018

Statement 1

Unit: NT\$1,000

<u>Item</u>	<u>Abstract</u>	<u>Amount</u>
Cash in treasury and working funds		\$ 760
Checking deposits		1,152
Demand deposits: in New Taiwanese Dollars		18,001
Demand deposits: in US Dollars	USD\$ 34,385, Exchange rate: 30.72 Period: November 2, 2018 to February 2, 2019	1,056
Time deposits	Interest rate: 0.16%	<u>10,000</u>
		<u>\$ 30,969</u>

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Holiday Garden International Ltd.
Statement of changes in investment property accounted for using the equity method
January 1 to December 31, 2018

Statement 2

Unit: NT\$1,000

<u>Name</u>	<u>Opening balance</u>		<u>Add (Note 1)</u>		<u>Less (Note 2)</u>		<u>Closing balance</u>		<u>Market price or net equity</u>			<u>Guarantee provision</u>		<u>Note</u>
	<u>Number of shares</u>	<u>Amount</u>	<u>Number of shares</u>	<u>Amount</u>	<u>Number of shares</u>	<u>Amount</u>	<u>Number of shares</u>	<u>% shareholding</u>	<u>Amount</u>	<u>Unit price (\$)</u>	<u>Total price</u>	<u>Evaluation basis</u>	<u>or pledge condition</u>	
HOLIDAY GARDEN														
INTERNATIO														
NAL Ltd.	12,000	\$1,550,532	-	\$330,502	-	\$ 66,615)	12,000	100%	\$1,814,419	\$ 151,202	\$ 1,814,419	Equity method	None	
Holiday Garden Development Co., Ltd.	2,500,000	<u>24,557</u>	4,000,000	<u>29,651</u>	-	<u>-</u>	6,500,000	100%	<u>54,208</u>	8.34	<u>54,208</u>	Equity method	None	
		<u>\$1,575,089</u>		<u>\$360,153</u>		<u>\$ 66,615)</u>			<u>\$1,868,627</u>		<u>\$ 1,868,627</u>			

Note 1: Addition of this reporting period includes increased investment amount of this period and share of profit and loss of subsidiaries, associates, joint ventures accounted for using the equity method.

Note 2: Reduction of this reporting period includes cash returned from investees' capital reduction and the exchange differences on translation of foreign financial statements.

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Holiday Garden International Ltd.
Statement of short-term borrowings
December 31, 2018

Statement 3

Unit: NT\$1,000

<u>Type of borrowings</u>	<u>Description</u>	<u>Closing balance</u>	<u>Contract term</u>	<u>Range of interest rates</u>	<u>Financing amount</u>	<u>Pledges or collaterals</u>	<u>Note:</u>
Unsecured loans from banks	Hua Nan Commercial Bank – East Kaohsiung Branch	\$ 30,000	2018.10.17 to 2019.01.17	1.25%	\$ 30,000	None	
Secured bank loans	Mega International Commercial Bank Co., Ltd.	400,000	2018.08.01 to 2019.07.31	1.30%	400,000	Land, buildings and structures	
Secured bank loans	Mega International Commercial Bank Co., Ltd.	159,000	2018.09.03 to 2019.05.29	1.25%	500,000	Land, buildings and structures	
Secured bank loans	CTBC Bank	400,000	2018.06.07 to 2019.06.06	1.10%	400,000	Time deposits	
Secured bank loans	CTBC Bank	100,000	2018.11.01 to 2019.02.01	1.10%	600,000	Time deposits	
Unsecured loans from banks	Export-Import Bank of Republic of China	40,500	2018.06.04 to 2019.06.04	1.25%	40,500	None	
Unsecured loans from banks	Export-Import Bank of Republic of China	10,000	2018.07.16 to 2019.07.16	1.25%	10,000	None	
Unsecured loans from banks	Export-Import Bank of Republic of China	20,000	2018.08.01 to 2019.08.01	1.25%	20,000	None	
Unsecured loans from banks	Export-Import Bank of Republic of China	5,000	2018.08.06 to 2019.08.06	1.25%	5,000	None	
Unsecured loans from banks	Export-Import Bank of Republic of China	10,000	2018.12.18 to 2019.12.18	1.25%	24,500	None	
Unsecured loans from banks	Taipei Fubon Bank	30,000	2018.08.10 to 2019.02.26	1.26%	30,000	None	
		<u>\$ 1,204,500</u>	(Blank)				

Holiday Garden International Ltd.
Statement of short-term notes and bills payable
December 31, 2018

Statement 4

Unit: NT\$1,000

<u>Item</u>	<u>Guarantee Institution</u>	<u>Contract term</u>	<u>Range of interest rates</u>	<u>Amount</u>			<u>Note:</u>
				<u>Amount</u>	<u>Unamortized discounts</u>	<u>Book value</u>	
Commercial paper	Mega Bills Finance Co., Ltd.	2018.11.01 to 2019.01.02	0.76%	\$ 50,000	\$ -	\$ 50,000	
Commercial paper	China Bills Finance Corporation	2018.11.01 to 2019.01.02	0.58%	50,000	-	50,000	
Commercial paper	International Commercial Bank of China	2018.12.28 to 2019.02.18	0.71%	30,000	-	30,000	
				<u>\$ 130,000</u>	<u>\$ -</u>	<u>\$ 130,000</u>	

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Holiday Garden International Ltd.
Statement of long-term borrowings
December 31, 2018

Statement 5

Unit: NT\$1,000

<u>Creditor</u>	<u>Summary</u>	<u>Amount of Borrowing</u>	<u>Contract term</u>	<u>Interest</u>	<u>Financing amount</u>	<u>Pledges or Collaterals</u>	<u>Note:</u>
First Commercial Bank, Sanmin Branch	Unsecured loans (10 years)	\$ 31,378	2012.09.18 to 2022.09.18	1.75%	\$ 58,678	None	
Mega International Commercial Bank Co., Ltd., Kaohsiung Branch	Secured loans (7 years)	64,825	2014.06.04 to 2021.06.04	1.90%	300,000	Land, buildings and structures	
Mega International Commercial Bank Co., Ltd., Kaohsiung Branch	Secured loans (7 years)	39,200	2015.06.01 to 2022.06.01	1.69%	100,000	Land, buildings and structures	
Hua Nan Commercial Bank – East Kaohsiung Branch	Unsecured loans (3 years)	3,889	2016.07.05 to 2019.07.05	1.38%	20,000	None	
		139,292					
	Less: Current portion of loans payable	(49,019)					
		<u>\$ 90,273</u>					

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Holiday Garden International Ltd.
Statement of operating cost
January 1 to December 31, 2018

Statement 6

Unit: NT\$1,000

<u>Item</u>	<u>Amount</u>	<u>Note:</u>
Beginning foodservice inventory	\$ 839	
Current material purchased	20,029	
Transfer to operating expenses	(433)	
Loss on physical inventory	(24)	
Ending foodservice inventory	<u>(332)</u>	
Current material consumed	20,079	
Foodservice and accommodation cost	33,463	
Loss on physical inventory	<u>24</u>	
	<u>\$ 53,566</u>	

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Holiday Garden International Ltd.
Statements of operating expenses
January 1 to Decembe 31, 2018

Statement 7

Unit: NT\$1,000

<u>Item</u>	<u>Abstract</u>	<u>Amount</u>	<u>Note:</u>
Salary and wage expense		\$ 39,335	
Miscellaneous expenses		8,037	
Various depreciation		7,254	
Utility expense		6,683	
Taxes		5,929	
Others		<u>25,897</u>	The balance does not exceed 5% of this account.
		<u>\$ 93,135</u>	

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Holiday Garden International Ltd.
Aggregation of employee

benefit, depreciation, and amortization expenses by function
January 1 to December 31 of 2018 and 2017

Statement 8

Unit: NT\$1,000

Function type	2018			2017		
	Under operating cost	Under operating expenses	Total	Under operating cost	Under operating expense	Total
Employee benefit expense (See note)	\$ 9,077	\$ 43,816	\$ 52,893	\$ 9,186	\$ 45,621	\$ 54,807
Wages and salaries	7,578	35,687	43,265	7,533	36,485	44,018
Health and labor insurance expense	891	3,643	4,534	882	3,718	4,600
Pension expense	460	1,848	2,308	457	1,868	2,325
Board of director remuneration	-	1,800	1,800	-	1,770	1,770
Other employee benefit expense	148	838	986	314	1,780	2,094
Depreciation	22,337	7,254	29,591	23,002	7,485	30,487

Note: As of December 13, 2018 and 2017, the Company had 111 employees and 132 employees respectively, and among them, there were 4 and 3 directors respectively who were not the Company's employees.

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</u> <u>or not</u>	<u>The</u> <u>maximum</u> <u>amount</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</u> <u>of funds</u> <u>and type</u> <u>(Note</u> <u>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	Short-term financing funds	\$ -	Operational needs	\$ -	None	\$ -	\$ 13,608,143	\$ 27,216,285	Note 9
2	Holiday Garden U.S.	Holiday Garden CORP.	NW Receivable from related companies	Yes	123,360	-	-	Annual interest	Short-term financing funds	-	Hotel acquisition	-	None	-	5,538,968	11,077,935	Note 9
2	Holiday Garden U.S.	Holiday Garden CORP.	NW Receivable from related companies	Yes	185,040	92,520	92,520	Annual interest 3%	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%	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 U.S.	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.	Receivables from affiliated enterprises	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 a publicly listed company decide 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 International 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 (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)

Number (Note 1)	Name	Counterparty	Relationship with the counterparty (Note 2)	Account	Amount	Transaction condition	Ratio to consolidated total revenue or total
							assets (Note 3)
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	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	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	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	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	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	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 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.